

NEPTUNE THEATRE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2022

**NEPTUNE THEATRE FOUNDATION
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MAY 31, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Members of:
Neptune Theatre Foundation

Qualified Opinion

We have audited the financial statements of **Neptune Theatre Foundation** ("the Foundation"), which comprise the statement of financial position as at May 31, 2022 and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many non-profit organizations, the Foundation derives revenue from various sources including donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and fund balances.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which explains the going concern considerations for the Foundation and indicates that a material uncertainty exists that may cast significant doubt on the Foundation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Dartmouth, Nova Scotia
November 25, 2022

Chartered Professional Accountants

**NEPTUNE THEATRE FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MAY 31, 2022**

	Operating Fund	Capital Fund	Trident Endowment Fund	2022	Operating Fund	Capital Fund	Trident Endowment Fund	2021
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Productions (Schedule)	916,835	-	-	916,835	40,308	-	-	40,308
Grants (Schedule)	927,425	122,556	-	1,049,981	671,825	122,556	-	794,381
Development (Schedule)	935,638	-	-	935,638	537,578	-	-	537,578
Theatre school	359,395	-	-	359,395	178,357	-	-	178,357
Ticket surcharge	51,486	67,597	-	119,083	(1,400)	1,703	-	303
Other (Schedule)	317,586	110,301	-	427,887	30,970	110,301	-	141,271
Neptune at Home	-	-	-	-	25,053	-	-	25,053
	<u>3,508,365</u>	<u>300,454</u>	<u>-</u>	<u>3,808,819</u>	<u>1,482,691</u>	<u>234,560</u>	<u>-</u>	<u>1,717,251</u>
EXPENSES								
Administrative	1,084,673	688	-	1,085,361	551,415	1,738	-	553,153
Amortization	-	917,269	-	917,269	-	918,098	-	918,098
Bar	53,413	-	-	53,413	3,041	-	-	3,041
Box office	59,370	-	-	59,370	8,580	-	-	8,580
Building operations	261,220	-	-	261,220	159,562	-	-	159,562
Development	58,934	-	-	58,934	80,162	-	-	80,162
Front of house	74,408	-	-	74,408	1,544	-	-	1,544
Interest on long-term debt	-	129,710	-	129,710	-	134,776	-	134,776
Marketing	99,145	-	-	99,145	67,102	-	-	67,102
Neptune at Home	-	-	-	-	50,826	-	-	50,826
Productions (Schedule)	1,184,199	-	-	1,184,199	260,944	-	-	260,944
Sponsorships - in kind (Note 18)	16,236	-	-	16,236	-	-	-	-
Theatre rentals	22,265	-	-	22,265	5,696	-	-	5,696
Theatre school	144,155	-	-	144,155	49,910	-	-	49,910
Unrealized loss (gain) on investments	-	-	97	97	-	-	(124,185)	(124,185)
	<u>3,058,018</u>	<u>1,047,667</u>	<u>97</u>	<u>4,105,782</u>	<u>1,238,782</u>	<u>1,054,612</u>	<u>(124,185)</u>	<u>2,169,209</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES								
	<u>450,347</u>	<u>(747,213)</u>	<u>(97)</u>	<u>(296,963)</u>	<u>243,909</u>	<u>(820,052)</u>	<u>124,185</u>	<u>(451,958)</u>

NEPTUNE THEATRE FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2022

	Operating Fund	Capital Fund	Trident Endowment Fund	Total 2022
	\$	\$	\$	\$
Fund balances				
Balance, beginning of year	(1,279,110)	3,716,800	1,531,010	3,968,700
Excess (deficiency) of revenues over expenses	450,347	(747,213)	(97)	(296,963)
Restricted contributions	<u>-</u>	<u>-</u>	<u>59,080</u>	<u>59,080</u>
Balance, end of year	<u>(828,763)</u>	<u>2,969,587</u>	<u>1,589,993</u>	<u>3,730,817</u>
	Operating Fund	Capital Fund	Trident Endowment Fund	Total 2021
	\$	\$	\$	\$
Fund balances				
Balance, beginning of year	(1,523,019)	4,536,852	1,387,996	4,401,829
Excess (deficiency) of revenues over expenses	243,909	(820,052)	124,185	(451,958)
Restricted contributions	<u>-</u>	<u>-</u>	<u>18,829</u>	<u>18,829</u>
Balance, end of year	<u>(1,279,110)</u>	<u>3,716,800</u>	<u>1,531,010</u>	<u>3,968,700</u>
	2021 Opening Balance	Externally Restricted Contributions	Deficiency of Revenues over Expenditures	Total 2022
	\$	\$	\$	\$
Trident Endowment Fund				
Externally restricted	762,478	59,080	-	821,558
Internally restricted	<u>768,532</u>	<u>-</u>	<u>(97)</u>	<u>768,435</u>
Balance, end of year	<u>1,531,010</u>	<u>59,080</u>	<u>(97)</u>	<u>1,589,993</u>

NEPTUNE THEATRE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2022

	Operating Fund	Capital Fund	Trident Endowment Fund	2022	2021
	\$	\$	\$	\$	\$
CASH PROVIDED BY (USED FOR):					
OPERATING					
Excess (deficiency) of revenues over expenses	450,347	(747,213)	(97)	(296,963)	(451,958)
Items not affecting cash					
Amortization	-	917,269	-	917,269	918,098
Unrealized loss (gain) on investments	-	-	97	97	(124,185)
	<u>450,347</u>	<u>170,056</u>	<u>-</u>	<u>620,403</u>	<u>341,955</u>
Changes in non-cash working capital items					
Accounts receivable	(140,352)	-	-	(140,352)	100,246
Inventory	(1,046)	-	-	(1,046)	2,159
Other assets	(145,139)	-	-	(145,139)	248,670
Accounts payable and accrued liabilities	291,110	-	-	291,110	(318,749)
Deferred revenue	359,495	33,289	-	392,784	(43,393)
Deferred capital and other restricted contributions	-	(175,357)	-	(175,357)	(150,357)
	<u>814,415</u>	<u>27,988</u>	<u>-</u>	<u>842,403</u>	<u>180,531</u>
FINANCING					
Advances from other funds	-	177,766	-	177,766	106,595
Increase (decrease) on bank indebtedness	(303,242)	-	-	(303,242)	3,242
Payments on obligation under capital lease	-	(6,592)	-	(6,592)	(6,591)
Proceeds on long-term debt	250,000	-	-	250,000	-
Payments on long-term debt	-	(147,343)	-	(147,343)	(50,553)
	<u>(53,242)</u>	<u>23,831</u>	<u>-</u>	<u>(29,411)</u>	<u>52,693</u>
INVESTING					
Acquisition of capital assets	-	(2,507)	-	(2,507)	(10,375)
Acquisition of investments	-	-	(53,414)	(53,414)	(10,686)
Advances to other funds	(174,805)	-	(2,961)	(177,766)	(106,595)
Externally restricted contributions	-	-	59,080	59,080	18,829
Decrease (increase) in restricted deposits	(115,269)	-	-	(115,269)	39,848
	<u>(290,074)</u>	<u>(2,507)</u>	<u>2,705</u>	<u>(289,876)</u>	<u>(68,979)</u>
CHANGE IN CASH	471,099	49,312	2,705	523,116	164,245
CASH - beginning of year	<u>274,503</u>	<u>5,702</u>	<u>30,395</u>	<u>310,600</u>	<u>146,355</u>
CASH - end of year	<u>745,602</u>	<u>55,014</u>	<u>33,100</u>	<u>833,716</u>	<u>310,600</u>

1. OPERATIONS

Neptune Theatre Foundation ("the Foundation") is a not-for-profit organization incorporated under the Societies Act of Nova Scotia. The Foundation owns and operates two theatres and a theatre school and stages professional theatre productions in Nova Scotia.

As a not-for-profit organization and a registered charity, the Foundation is exempt from income taxes under subsection 149.1(1) of the Income Tax Act.

2. GOING CONCERN CONSIDERATIONS

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the Foundation will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

While there are concerns about the appropriateness of the going concern assumption due to the significant impact of the COVID-19 pandemic on the operations of the Foundation since fiscal 2020, the Foundation has made progress, recording a second consecutive operating surplus for the year ended May 31, 2022.

Neptune has proactively taken steps to mitigate the long-term impact of the pandemic on artists, employees and patrons by working with private sector partners to defer expenses and generate revenues through a reduced slate of productions, a series of successful fund-raising activities, donor-driven initiatives and preserving capital in order to resume a full schedule of productions in fiscal 2022. During the year, the theatre received government funding through the Canada Emergency Wage Subsidy ("CEWS"), the Tourism Hospitality Recovery Program ("THRP") and other government programs (Note 20) in order to manage operating and financing cash flow requirements.

The Foundation's continuance as a going concern is dependent upon its ability to continue to effectively manage its financing cash flow requirements by working with private and public sector partners, returning to a typical slate of productions and attaining profitable levels of operations to generate positive cash flows.

The Foundation has maintained positive cash flows for 12 consecutive months and has received Board approval to resume operations. The Foundation is continuing to generate revenues through cultivating donor support and resuming production activity. The operating results of the past year are a reasonable indication of the Foundation's ability to meet its financial commitments and maintain positive cash flows.

2. GOING CONCERN CONSIDERATIONS (Continued)

If the going concern basis of accounting is not appropriate for these financial statements, adjustments would be necessary to the classifications and the carrying values of assets and liabilities to reflect the realization value of these accounts, and these adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

Operating Fund

The Operating Fund accounts for the Foundation's revenues and expenses related to the on-going operations of the Foundation and includes theatre program delivery and production, theatre school, development and marketing and supporting administrative activities. These funds are unrestricted with the exception of restricted trust funds, which are considered special reserves to fund bursaries and scholarships. Interest earned on these special reserve funds are held as restricted deposits and recorded in the Operating Fund. Investment income earned on restricted funds, including the Trident Endowment Fund, are unrestricted and recognized in other revenue in the Operating Fund.

Capital Fund

The Capital Fund accounts for the capital assets of the Foundation, including any acquisitions and dispositions. Revenues and expenses associated with these capital assets, including amortization, ticket surcharges, administration fees and amortization of any externally restricted contributions received to fund acquisitions are recorded in the Capital Fund.

Trident Endowment Fund

The Trident Endowment Fund accounts for investment income earned on the endowment principal that is required to be maintained in the endowment capital. This includes unrealized gains and losses on investments on contributions made by the Foundation and related expenditures. Unrestricted contributions that have been internally restricted by the Board of Directors as endowed funds are recorded as revenue in the Trident Endowment Fund.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists of cash on hand and bank balances, excluding restricted deposits and trust funds, held with financial institutions.

Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Other assets

Costs directly related to the development of subsequent years' productions are presented as other assets when the Foundation can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their estimated useful lives. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

Restricted deposits and trust funds

Restricted deposits and trust funds are recorded at cost and include accrued interest, less scholarships paid out, if any.

Long-term investments

The Foundation holds a wide variety of investments with varying terms and interest rates. Investments are recorded at market value. The market value of the Foundation's portfolio of securities is determined based on the closing price reported on recognized securities exchanges and on over-the-counter markets. Such indicated market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations.

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives using the following rates and method:

Buildings	10 years	Straight-line
Building improvements	15 years	Straight-line
Furniture and equipment	5 years	Straight-line
Vehicles under capital lease	Term of lease	Straight-line

One half year's amortization is taken in the year of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Revenue recognition

The Foundation follows the deferral method of accounting for restricted contributions. The Foundation uses the following policies in recognizing revenue:

Restricted contributions

Externally restricted contributions to the Trident Endowment Fund are recorded as direct increases to the endowment fund balance.

Internally restricted contributions to the Capital Fund are deferred and amortized on the same basis as the assets acquired with these funds.

Internally and externally restricted contributions other than endowment and capital contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions

Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured, with the exception of unrestricted contributions that have been internally restricted by the Board of Directors as endowment funds. Unrestricted contributions that are in the nature of a legacy donation are internally restricted by the Board of Directors as endowment funds when the operating results for a given year are in a surplus position. These contributions are recorded as revenue in the Trident Endowment Fund.

Subscriptions, ticket sales, ticket surcharges and other revenues

Subscription, ticket sales and ticket surcharge revenues are recognized when the production is performed. Revenues from single ticket sales for productions are recognized at the time of performance. Other revenues are recognized at the time the relevant production is performed, when the price is fixed or determinable and collection is reasonably assured.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Special events, theatre rentals and theatre school

Revenues received during the year for special events, theatre rentals and theatre school are recognized when the service is rendered, the price is fixed or determinable and collection is reasonably assured.

Government assistance

Government grants relating to operations are reflected as revenue in the Operating Fund as the underlying commitments are satisfied. Grants received for capital assets are amortized on the same basis as the related capital assets in the Capital Fund.

Government assistance related to the Canada Emergency Wage Subsidy ("CEWS") and Tourism and Hospitality Recovery Program ("THRP") is reflected as a reduction to the related expenses.

Donated goods and services

Donated goods and services are recognized in the financial statements when their fair value can be reasonably determined, they are used in the normal course of the Foundation's operations and would otherwise have been purchased. Revenue is recorded to reflect the donation and an expense is recorded to the appropriate expense account.

Income taxes

The Foundation is a non-profit organization under section 149.1(1) of the Income Tax Act, and, as such, is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except interfund loans which are measured at the exchange amount.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value and interfund loans, which are measured at carrying value. Changes in fair value are recognized in excess (deficiency) of revenues over expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Measurement of financial instruments (Continued)

Financial assets measured at amortized cost include cash, accounts receivable, restricted deposits and restricted trust funds.

Financial assets measured at fair value include long-term investments.

Financial assets measured at their carrying value include interfund loans.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, restricted trust funds, obligation under capital lease and long-term debt.

Financial liabilities measured at their carrying value include interfund loans.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in excess (deficiency) of revenues over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in excess (deficiency) of revenues over expenses.

Transaction costs

The Foundation recognizes transaction costs in excess (deficiency) of revenues over expenses in the period incurred. The carrying amounts of the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their organization, issuance or assumption.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, fair value of long-term investments, useful lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

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4. ACCOUNTS RECEIVABLE	2022	2021
	\$	\$
Trade receivables	83,628	36,934
Allowance for doubtful accounts	(2,000)	(2,000)
Government remittances recoverable	5,191	103,250
THRP receivable	<u>191,717</u>	<u>-</u>
	<u><u>278,536</u></u>	<u><u>138,184</u></u>

5. OTHER ASSETS	2022	2021
	\$	\$
Production development	145,344	2,123
Royalties	33,304	15,806
Other	<u>3,630</u>	<u>19,210</u>
	<u><u>182,278</u></u>	<u><u>37,139</u></u>

6. RESTRICTED DEPOSITS

The Operating Fund bank balances include restricted deposits of the Trident Endowment Fund of \$59,080 (2021 - \$18,829) and deposits held by the Canadian Actors' Equity Association of \$75,018 (2021 - \$NIL).

7. INTERFUND LOANS

During fiscal 2018, the Trident Endowment Fund advanced a loan of \$1,000,000 to the Capital Fund. The outstanding balance as at May 31, 2022 was \$851,111 (2021 - \$851,111). The balance is non-interest bearing, with 5% of the outstanding balance due to the Aqueduct Foundation annually. The loan is repayable in full on the maturity date, October 31, 2032.

The Operating Fund has amounts due from Capital and Trident Endowment Funds. These balances are non-interest bearing, with no set terms of repayment, and as such are classified as current.

8. RESTRICTED TRUST FUNDS	2022	2021
	\$	\$
John Blackmore bursary fund	285	539
Gerry Gordon scholarship fund	6,884	6,919
Linda Moore scholarship fund	<u>3,835</u>	<u>3,854</u>
	<u><u>11,004</u></u>	<u><u>11,312</u></u>

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

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8. RESTRICTED TRUST FUNDS (Continued)

The trust funds represent amounts that have been donated to fund future bursaries and scholarships through interest earned on the funds which are held as restricted deposits. During the year, bursaries of \$250 (2021 - \$250) were paid out.

9. LONG-TERM INVESTMENTS	2022	2021
	\$	\$
Fixed income	120,086	121,030
Equities	282,469	258,229
Mutual funds	<u>308,677</u>	<u>278,656</u>
	<u>711,232</u>	<u>657,915</u>

Contributions of the Minister of Canadian Heritage, are restricted amounts and are available to the Foundation only in the form of interest earned and capital appreciation on the total endowment; therefore they have not been included above. The Minister of Canadian Heritage's investments have a market value of \$1,431,319 (2021 - \$1,401,585) on which the Foundation can earn interest.

10. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2022	Net 2021
	\$	\$	\$	\$
Land	388,308	-	388,308	388,308
Buildings	11,491,460	7,652,252	3,839,208	4,223,129
Building improvements	6,501,147	2,383,166	4,117,981	4,542,717
Furniture and equipment	2,548,379	2,533,016	15,363	114,138
Vehicles under capital lease	<u>99,679</u>	<u>91,349</u>	<u>8,330</u>	<u>15,660</u>
	<u>21,028,973</u>	<u>12,659,783</u>	<u>8,369,190</u>	<u>9,283,952</u>

11. BANK INDEBTEDNESS

The Foundation has an available line of credit of \$300,000 (2021 - \$300,000) with the Bank of Nova Scotia bearing interest at prime plus 1.25%. The outstanding balance at May 31, 2022 was \$NIL (2021 - \$303,242).

All loans and facilities with the Bank of Nova Scotia are secured by a general security agreement covering all present and future property of the Foundation and, with the exception of the HASCAP loan (Note 16), a collateral mortgage for an unspecified amount over building premises.

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
	\$	\$
Trade payables	162,088	48,661
Salaries and benefits payable	161,717	83,259
HST remittances payable	57,201	-
Accrued liabilities	78,091	44,116
Other payables	<u>9,117</u>	<u>1,068</u>
	<u>468,214</u>	<u>177,104</u>

13. DEFERRED REVENUE

Operating Fund

Deferred revenue of the Operating Fund includes subscription and voucher package sales for performances that take place after May 31, 2022, deposit payments on theatre rentals after May 31, 2022 and revenues for theatre school summer classes that take place in July and August 2022. These amounts will be recognized as revenue in the fiscal year that the performance or class takes place.

Deferred revenue of the Operating Fund also includes deferred grants, donations and sponsorships that are restricted to be used in the next season and, as such, will be recognized as revenue in the fiscal year that the expenditures are incurred.

Deferred revenue also includes outstanding gift certificates. Gift certificate revenue is recognized in the Operating Fund when the gift certificates are redeemed by the holder, or five years after they are issued, whichever is sooner.

Operating Fund deferred revenue consists of:	2022	2021
	\$	\$
Chrysalis Project	-	9,884
Donations and awards	25,657	24,921
Gift certificates	664,594	529,287
Grants	100,000	293,558
Performances	1,016,639	661,230
Sponsorship	9,200	-
Theatre rental	17,413	2,908
Theatre school	<u>147,716</u>	<u>99,936</u>
	<u>1,981,219</u>	<u>1,621,724</u>

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

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13. DEFERRED REVENUE (Continued)

Capital Fund

Deferred revenue of the Capital Fund consists of capital fund surcharges on tickets sold for performances that take place after May 31, 2022, and deferred capital and other restricted contributions that will be recognized as revenue during the fiscal year ending May 31, 2023.

14. DEFERRED CAPITAL AND OTHER RESTRICTED CONTRIBUTIONS

Deferred capital and other restricted contributions consists of the unamortized balance of government grants and donations received that are restricted for the purchase of capital assets. Amortization of capital contributions is recognized as revenue in the statement of operations within the capital fund on the same basis as amortization is recorded for the assets acquired with the fund. The following is a summary of deferred capital and other restricted contributions as at May 31, 2022:

	Ticket Surcharges	Grants	Donations	2022	2021
	\$	\$	\$	\$	\$
Beginning of year	50,031	1,415,878	588,588	2,054,497	2,205,287
Received during the year	100,886	-	-	100,886	26,270
Recognized during the year	<u>(67,597)</u>	<u>(122,556)</u>	<u>(52,801)</u>	<u>(242,954)</u>	<u>(177,060)</u>
	83,320	1,293,322	535,787	1,912,429	2,054,497
Less current portion	<u>(83,320)</u>	<u>-</u>	<u>-</u>	<u>(83,320)</u>	<u>(50,031)</u>
	<u>-</u>	<u>1,293,322</u>	<u>535,787</u>	<u>1,829,109</u>	<u>2,004,466</u>

During the year, the Foundation received \$NIL (2021 - \$NIL) in government grants and donations related to the renovation of Scotiabank Studio Theatre and Fountain Hall. Cumulative funding for the renovation raised to date of \$2,555,367 (2021 - \$2,555,367) has been deferred by the Foundation, of which \$170,357 (2021 - \$170,357) has been recognized as revenue during the year. Renovations to Scotiabank Studio Theatre were completed in August 2016 and renovations to Fountain Hall were completed in November 2017.

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

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15. OBLIGATION UNDER CAPITAL LEASE	2022	2021
	\$	\$
Dynamic Leasing, repayable in equal monthly instalments of \$706 until May 2023 including interest at 6.9% per annum. Secured by a vehicle with a net book value of \$8,330.	10,544	17,136
Less: current portion	<u>10,544</u>	<u>7,564</u>
	<u>-</u>	<u>9,572</u>
Future minimum lease payments due over the next year on obligation under capital lease are \$10,544.		
16. LONG-TERM DEBT	2022	2021
	\$	\$
<u>Operating Fund</u>		
The Bank of Nova Scotia, non-revolving loan in connection with the Highly Affected Sectors Credit Availability Program ("HASCAP"), bearing interest at 4%, repayable in monthly instalments of \$2,315 plus interest beginning June 2021 until June 2031.	250,000	-
<u>Capital Fund</u>		
The Bank of Nova Scotia, first mortgage, secured by the land and building located on Argyle Street in Halifax, Nova Scotia with a net book value of \$4,227,516, repayable in blended monthly instalments of \$22,931 until April 2024, including interest at a fixed rate of 5.63%. Any remaining balance becomes payable in May 2024.	<u>2,166,665</u>	<u>2,314,008</u>
	2,416,665	2,314,008
Less: current portion		
Operating Fund	25,463	-
Capital Fund	<u>157,234</u>	<u>148,646</u>
	<u>182,697</u>	<u>148,646</u>
	<u>2,233,968</u>	<u>2,165,362</u>

16. LONG-TERM DEBT (Continued)

Principal payments due within each of the next five years on long-term debt is as follows:

	\$
2023	182,697
2024	2,036,589
2025	27,778
2026	27,778
2027	27,778
Subsequent	114,046

17. TRIDENT ENDOWMENT FUND

The Trident Endowment Fund is a restricted fund established to further the long-term goals of the Neptune Theatre Foundation. Funds are invested through the Aqueduct Foundation on behalf of the Foundation.

The Minister of Canadian Heritage has established the Endowment Incentives Component of the Canada Culture Investment Fund ("Canada Culture") which seeks to develop the long-term financial and organizational stability and viability of arts organizations. The Foundation has partnered with Canada Culture because they are willing to match any donations and contributions made by the Foundation and its qualified donors. During the year ended May 31, 2022, the Minister of Canadian Heritage contributed \$30,578 to the fund, matching the Foundation's contributions of \$56,119 at approximately 54%, thus increasing the total principal of the fund to \$2,919,429 (2021 - \$2,832,732).

The initial and future contributions made by the Minister of Canadian Heritage are restricted amounts and are available to the Foundation only in the form of interest and capital appreciation earned on the total endowment. The Foundation records the accumulated fair market value of the Foundation's contribution of \$687,755 (2021 - \$631,636) on the statement of financial position. The principal contributions made by the Minister of Canadian Heritage and Official Languages of \$1,380,563 (2021 - \$1,349,985) are restricted assets of the Aqueduct Foundation and are not recorded.

17. TRIDENT ENDOWMENT FUND (Continued)

For the purpose of calculating earned investment income and leveraging future contributions and donations, the Trident Endowment Fund is considered to have a market value of \$3,026,762 (2021 - \$2,941,006). The Aqueduct Foundation is to provide annual grants of income to the Foundation equal to a minimum of 3.5% of the market value as at December 31 less a 1% expense recovery allocation.

Additional investment income can be requested by the Foundation in excess of the minimum amount, to a maximum as determined by the Aqueduct Foundation at December 31st each year. The investment income is to be allocated to the Foundation in accordance with the Income Tax Act and is being recognized as revenue through the Operating Fund when receivable.

The investment with the Aqueduct Foundation may be terminated by the Foundation at any time with the capital contribution and undisbursed income granted to Neptune Theatre Foundation. In the event that the investment with the Aqueduct Foundation was terminated, accessing the leveraging contributions provided by the Minister of Canadian Heritage to the endowment would require Ministerial approval.

18. DONATED MATERIALS AND SERVICES

Donated materials and services included in the statement of operations as in kind sponsorship revenue is offset by related expenses of the following nature:

	2022	2021
	\$	\$
Marketing	5,500	-
Productions	<u>10,826</u>	<u>-</u>
	<u>16,326</u>	<u>-</u>

The Foundation receives a property tax exemption from the Halifax Regional Municipality which is valued per Property Valuation Services Corporation in the amount of \$461,893 (2021 - \$482,125). The property tax exemption is offset against the related expense and reported on a net basis in the statement of operations.

19. COMMITMENT

The Foundation rents premises and equipment under a lease with terms expiring between December 2022 and June 2023. The minimum lease payments for the next two years are as follows:

	\$
2023	48,300
2024	3,900

20. GOVERNMENT ASSISTANCE

During fiscal 2022, the Foundation received funding under the Canada Emergency Wage Subsidy (CEWS) in the amount of \$590,890 (2021 - \$711,950). This amount has been reflected in the financial statements as a reduction of administrative, productions and theatre school expenses of \$286,208, \$241,415 and \$63,267 respectively (2021 - \$569,325, \$39,076 and \$103,549).

21. CAPITAL RISK MANAGEMENT

The Foundation's capital is comprised of Operating (Restricted and Unrestricted), Capital and Trident Endowment Fund balances. The Foundation's objectives when managing capital are to ensure that funds received are appropriately allocated based on their intended purpose. Furthermore, cash and investments are managed to ensure that the fiduciary responsibilities of the Foundation are met.

22. FINANCIAL INSTRUMENTS

Risks and concentrations

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at May 31, 2022.

The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash, accounts receivable, restricted deposits, restricted trust funds and long-term investments. The Foundation deposits its cash, restricted deposits, restricted trust funds and long-term investments in reputable financial institutions and therefore believes the risk of loss to be remote.

22. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Foundation is exposed to credit risk from customer accounts receivable. The Foundation performs regular reviews of its accounts receivable and takes collection action when necessary. During the year the Foundation had bad debts in the amount of \$NIL (2021 - \$NIL). A provision for impairment of accounts receivable is established when there is objective evidence that the Foundation will not be able to collect all amounts due. At year end, the Foundation has recorded an allowance for doubtful accounts of \$2,000 (2021 - \$2,000). The Foundation does not have significant exposure to any individual customer or counterpart. Its customers are individuals and corporations in various industries.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, obligation under capital lease and long-term debt. The accumulated operating deficit of \$828,763 (2021 - \$1,279,110) creates additional liquidity risks for the Foundation and its ability to effectively manage potential operating deficits in the future as disclosed in Note 2.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is exposed to currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to currency risk through its Trident Endowment Fund investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its financial obligations at variable interest rates.

22. FINANCIAL INSTRUMENTS (Continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

NEPTUNE THEATRE FOUNDATION
SCHEDULE OF OPERATING FUND REVENUES AND PRODUCTION
EXPENSES
FOR THE YEAR ENDED MAY 31, 2022

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	2022	2021
	\$	\$
REVENUES		
Productions		
Mainstage	690,329	-
Bonus features	166,345	25,392
Tour	40,764	14,916
Studio	12,764	-
Summer	6,633	-
	<u>916,835</u>	<u>40,308</u>
Grants		
Canada Council for the Arts - Operating	634,925	291,825
Nova Scotia Tourism, Culture and Heritage	250,000	345,000
Halifax Regional Municipality	42,500	35,000
	<u>927,425</u>	<u>671,825</u>
Development		
Donations	667,786	302,820
Special events	67,141	97,072
Sponsorships - cash	184,475	137,686
Sponsorships - in kind (Note 18)	16,236	-
	<u>935,638</u>	<u>537,578</u>
Other revenues		
Administration	58,314	23,742
Bar	85,588	2,682
Box office	62,606	(932)
HST recovery (provision)	33,596	(19,711)
Merchandise	23,064	5,180
Program advertising	22,735	-
Theatre rentals	31,683	20,009
	<u>317,586</u>	<u>30,970</u>
EXPENSES		
Productions		
Mainstage	742,996	-
Summer	21,385	431
Bonus features	104,552	27,235
Studio	2,893	-
Tour	19,974	1,128
Overhead	292,399	232,150
	<u>1,184,199</u>	<u>260,944</u>