

NEPTUNE THEATRE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2019

**NEPTUNE THEATRE FOUNDATION
INDEX
MAY 31, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Members of:
Neptune Theatre Foundation

Opinion

We have audited the financial statements of **Neptune Theatre Foundation** ("the Foundation"), which comprise the statement of financial position as at May 31, 2019 and the statements of operations and 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2019, and 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 Opinion

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.

Other Matter

The financial statements of the Foundation for the year ended May 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on September 25, 2018.

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.

Baker Tilly Nova Scotia Inc.

Dartmouth, Nova Scotia
September 30, 2019

**Chartered Professional Accountants
Licensed Public Accountants**

**NEPTUNE THEATRE FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MAY 31, 2019**

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	Operating Fund	Capital Fund	Trident Endowment Fund	2019	Operating Fund	Capital Fund	Trident Endowment Fund	2018
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Productions (Schedule)	3,958,695	-	-	3,958,695	2,808,078	-	-	2,808,078
Grants (Schedule)	510,500	188,002	-	698,502	520,500	81,477	-	601,977
Development (Schedule)	767,725	-	-	767,725	535,581	-	-	535,581
Theatre school	310,053	-	-	310,053	276,127	-	-	276,127
Ticket surcharge	489,870	-	-	489,870	110,419	271,959	-	382,378
Other revenues (Schedule)	1,148,189	109,952	7,778	1,265,919	786,605	98,046	-	884,651
Unrealized gains (losses)	-	-	(114,883)	(114,883)	-	-	(18,664)	(18,664)
	<u>7,185,032</u>	<u>297,954</u>	<u>(107,105)</u>	<u>7,375,881</u>	<u>5,037,310</u>	<u>451,482</u>	<u>(18,664)</u>	<u>5,470,128</u>
EXPENSES								
Productions (Schedule)	3,982,573	-	-	3,982,573	2,303,997	-	-	2,303,997
Marketing	486,604	-	-	486,604	415,919	-	-	415,919
Development	244,114	-	-	244,114	74,902	-	-	74,902
Theatre school	243,458	-	-	243,458	173,965	-	-	173,965
Administrative	1,488,149	14,681	-	1,502,830	1,405,329	14,853	-	1,420,182
Interest on long-term debt	-	155,456	-	155,456	-	104,965	-	104,965
Interest on inter-fund loan	-	48,333	-	48,333	-	29,167	-	29,167
Amortization	-	919,719	-	919,719	-	804,809	-	804,809
Maintenance	-	4,322	-	4,322	-	-	-	-
Bar	172,252	-	-	172,252	119,321	-	-	119,321
Box office	79,686	-	-	79,686	68,352	-	-	68,352
Building operations	330,801	-	-	330,801	304,560	-	-	304,560
Front of house	113,855	-	-	113,855	88,004	-	-	88,004
Theatre rentals	26,316	-	-	26,316	16,967	-	-	16,967
	<u>7,167,808</u>	<u>1,142,511</u>	<u>-</u>	<u>8,310,319</u>	<u>4,971,316</u>	<u>953,794</u>	<u>-</u>	<u>5,925,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>17,224</u>	<u>(844,557)</u>	<u>(107,105)</u>	<u>(934,438)</u>	<u>65,994</u>	<u>(502,312)</u>	<u>(18,664)</u>	<u>(454,982)</u>

NEPTUNE THEATRE FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
AS AT MAY 31, 2019

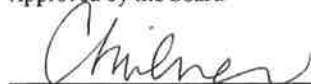
	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	Total 2019 \$
Fund balances				
Balance, beginning of year	(584,669)	5,834,771	1,437,360	6,687,462
Excess (deficiency) of revenue over expenses	17,224	(844,557)	(107,105)	(934,438)
Restricted contributions	<u>-</u>	<u>-</u>	<u>44,650</u>	<u>44,650</u>
Balance, end of year	<u>(567,445)</u>	<u>4,990,214</u>	<u>1,374,905</u>	<u>5,797,674</u>
	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	Total 2018 \$
Fund balances				
Balance, beginning of year	(650,663)	6,337,083	1,352,067	7,038,487
Excess (deficiency) of revenue over expenses	65,994	(502,312)	(18,664)	(454,982)
Restricted contributions	<u>-</u>	<u>-</u>	<u>103,957</u>	<u>103,957</u>
Balance, end of year	<u>(584,669)</u>	<u>5,834,771</u>	<u>1,437,360</u>	<u>6,687,462</u>
	2019 Opening \$	Externally Restricted Contributions \$	Deficiency of Revenues over Expenditures \$	Total 2019 \$
Trident Endowment Fund				
Externally restricted	640,322	44,650	-	684,972
Internally restricted	<u>797,038</u>	<u>-</u>	<u>(107,105)</u>	<u>689,933</u>
Balance, end of year	<u>1,437,360</u>	<u>44,650</u>	<u>(107,105)</u>	<u>1,374,905</u>

**NEPTUNE THEATRE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2019**

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	ASSETS							
	Operating Fund	Capital Fund	Trident Endowment Fund	2019	Operating Fund	Capital Fund	Trident Endowment Fund	2018
	\$	\$	\$	\$	\$	\$	\$	\$
CURRENT								
Cash	440,778	78,417	18,520	537,715	1,020,422	116,767	59,037	1,196,226
Accounts receivable (Note 3)	93,171	-	-	93,171	86,799	136,248	-	223,047
Inventory	10,231	-	-	10,231	16,006	-	-	16,006
Other assets (Note 4)	231,731	-	-	231,731	386,817	-	-	386,817
Restricted deposits (Note 5)	44,650	-	-	44,650	103,957	-	-	103,957
Due from other funds (Note 8)	<u>334,128</u>	-	-	<u>334,128</u>	<u>108,307</u>	-	-	<u>108,307</u>
	1,154,689	78,417	18,520	1,251,626	1,722,308	253,015	59,037	2,034,360
RESTRICTED TRUST FUNDS (Note 6)	11,719	-	-	11,719	11,911	-	-	11,911
LONG-TERM INVESTMENTS (Note 7)	-	-	448,964	448,964	-	-	395,956	395,956
DUE FROM OTHER FUNDS (Note 8)	-	-	941,111	941,111	-	-	1,000,000	1,000,000
CAPITAL ASSETS (Note 9)	-	<u>10,980,585</u>	-	<u>10,980,585</u>	-	<u>11,860,621</u>	-	<u>11,860,621</u>
	<u>1,166,408</u>	<u>11,059,002</u>	<u>1,408,595</u>	<u>13,634,005</u>	<u>1,734,219</u>	<u>12,113,636</u>	<u>1,454,993</u>	<u>15,302,848</u>
	LIABILITIES							
CURRENT								
Bank indebtedness (Note 10)	140	-	-	140	45	-	-	45
Accounts payable and accrued liabilities (Note 11)	577,154	-	-	577,154	346,242	-	-	346,242
Deferred revenue (Note 12)	1,144,840	77,790	-	1,222,630	1,960,690	138,947	-	2,099,637
Current portion of long-term debt (Note 14)	-	124,360	-	124,360	-	2,614,246	-	2,614,246
Due to other funds (Note 8)	-	<u>300,438</u>	<u>33,690</u>	<u>334,128</u>	-	<u>90,674</u>	<u>17,633</u>	<u>108,307</u>
	1,722,134	502,588	33,690	2,258,412	2,306,977	2,843,867	17,633	5,168,477
DEFERRED CAPITAL AND OTHER RESTRICTED CONTRIBUTIONS (Note 13)	-	2,294,097	-	2,294,097	-	2,434,998	-	2,434,998
RESTRICTED TRUST FUND	11,719	-	-	11,719	11,911	-	-	11,911
LONG-TERM DEBT (Note 14)	-	2,330,992	-	2,330,992	-	-	-	-
DUE TO OTHER FUNDS (Note 8)	-	<u>941,111</u>	-	<u>941,111</u>	-	<u>1,000,000</u>	-	<u>1,000,000</u>
	<u>1,733,853</u>	<u>6,068,788</u>	<u>33,690</u>	<u>7,836,331</u>	<u>2,318,888</u>	<u>6,278,865</u>	<u>17,633</u>	<u>8,615,386</u>
	FUND BALANCES							
EXTERNALLY RESTRICTED	-	-	684,972	684,972	-	-	640,322	640,322
INTERNALLY RESTRICTED	-	4,990,214	689,933	5,680,147	-	5,834,771	797,038	6,631,809
UNRESTRICTED FUNDS	<u>(567,445)</u>	-	-	<u>(567,445)</u>	<u>(584,669)</u>	-	-	<u>(584,669)</u>
	<u>1,166,408</u>	<u>11,059,002</u>	<u>1,408,595</u>	<u>13,634,005</u>	<u>1,734,219</u>	<u>12,113,636</u>	<u>1,454,993</u>	<u>15,302,848</u>
COMMITMENT (Note 17)								
CONTINGENCY (Note 19)								

Approved by the Board



Director



NEPTUNE THEATRE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2019

	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	2019 \$	2018 \$
CASH PROVIDED BY (USED FOR):					
OPERATIONS					
Excess (deficiency) of revenues over expenses	17,224	(844,557)	(107,105)	(934,438)	(454,982)
Items not affecting cash					
Amortization	-	919,719	-	919,719	804,809
Unrealized gains (losses) and investment income	-	-	114,883	114,883	18,664
	<u>17,224</u>	<u>75,162</u>	<u>7,778</u>	<u>100,164</u>	<u>368,491</u>
Changes in non-cash working capital items					
Accounts receivable	(6,372)	136,248	-	129,876	12,543
Inventory	5,775	-	-	5,775	(6,123)
Other assets	155,086	-	-	155,086	(302,342)
Accounts payable and accrued liabilities	230,912	-	-	230,912	(87,831)
Deferred revenue	(815,850)	(61,157)	-	(877,007)	953,540
Deferred contributions	-	(140,901)	-	(140,901)	442,780
	<u>(413,225)</u>	<u>9,352</u>	<u>7,778</u>	<u>(396,095)</u>	<u>1,381,058</u>
FINANCING					
Advances from other funds	-	150,875	74,946	225,821	727,770
Proceeds (payments) on line of credit	95	-	-	95	(525)
Proceeds on long-term debt	-	-	-	-	1,405,851
Payments on long-term debt	-	(158,894)	-	(158,894)	(133,393)
	<u>95</u>	<u>(8,019)</u>	<u>74,946</u>	<u>67,022</u>	<u>1,999,703</u>
INVESTING					
Acquisition of capital assets	-	(39,683)	-	(39,683)	(3,502,272)
Proceeds on disposition of investments	-	-	-	-	1,000,000
Acquisition of investments	-	-	(167,891)	(167,891)	(101,082)
Advances to other funds	(225,821)	-	-	(225,821)	(727,770)
Externally restricted contributions	-	-	44,650	44,650	103,957
Decrease in restricted deposits	59,307	-	-	59,307	268,480
	<u>(166,514)</u>	<u>(39,683)</u>	<u>(123,241)</u>	<u>(329,438)</u>	<u>(2,958,687)</u>
CHANGE IN CASH	(579,644)	(38,350)	(40,517)	(658,511)	422,074
CASH - beginning of year	<u>1,020,422</u>	<u>116,767</u>	<u>59,037</u>	<u>1,196,226</u>	<u>774,152</u>
CASH - end of year	<u>440,778</u>	<u>78,417</u>	<u>18,520</u>	<u>537,715</u>	<u>1,196,226</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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

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

Buildings	15 years	Straight-line
Building improvements	10 years	Straight-line
Furniture and equipment	20%	Declining-balance

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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 grants

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.

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 as expense is recorded to the appropriate expense account.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Changes in fair value are recognized in excess (deficiency) of revenues over expenses.

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 liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, and long-term debt.

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. However, 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.

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019**

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

3. ACCOUNTS RECEIVABLE	2019	2018
	\$	\$
<u>Operating Fund</u>		
Trade receivables	95,171	91,112
Allowance for doubtful accounts	(2,000)	(4,313)
	<u>93,171</u>	<u>86,799</u>
<u>Capital Fund</u>		
Trade receivables	-	50,000
HST recoverable	-	86,248
	<u>-</u>	<u>136,248</u>
	<u>93,171</u>	<u>223,047</u>
4. OTHER ASSETS	2019	2018
	\$	\$
Production development	93,162	159,302
Royalties	106,250	175,996
Other	32,319	51,519
	<u>231,731</u>	<u>386,817</u>

5. RESTRICTED DEPOSITS

At May 31, 2019, included in the Operating Fund bank balances are restricted deposits of the Trident Endowment Fund of \$44,650 (2018 - \$103,957).

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019**

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6. RESTRICTED TRUST FUNDS	2019	2018
	\$	\$
John Blackmore bursary fund	1,031	1,275
Gerry Gordon scholarship fund	6,864	6,831
Linda Moore scholarship fund	<u>3,824</u>	<u>3,805</u>
	<u>11,719</u>	<u>11,911</u>

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 \$NIL (2018 - \$250) were paid out.

7. LONG-TERM INVESTMENTS	2019	2018
	\$	\$
Fixed income	113,976	100,519
Equities	164,460	145,043
Mutual funds	<u>170,528</u>	<u>150,394</u>
	<u>448,964</u>	<u>395,956</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 \$1,288,785 (2018 - \$1,329,873) on which the Foundation can earn interest.

8. DUE FROM OTHER FUNDS

In the prior year the Trident Endowment Fund advanced a loan of \$1,000,000 to the Capital Fund. Interest is payable by the Capital Fund to the Aqueduct Foundation on the outstanding balance of \$941,111 at 5% on an annual basis. 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.

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019**

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9. CAPITAL ASSETS	Cost	Accumulated Amortization	Net 2019	Net 2018
	\$	\$	\$	\$
Land	388,308	-	388,308	388,308
Buildings	11,491,460	6,500,490	4,990,970	5,374,891
Building improvements	2,590,915	2,299,260	291,655	381,051
Furniture and equipment	<u>6,421,261</u>	<u>1,111,609</u>	<u>5,309,652</u>	<u>5,716,371</u>
	<u>20,891,944</u>	<u>9,911,359</u>	<u>10,980,585</u>	<u>11,860,621</u>

10. BANK INDEBTEDNESS

At May 31, 2019, the Foundation had an available line of credit of \$300,000 (2018 - \$300,000) of which \$140 (2018 - \$45) had been drawn down. This operating line of credit is revolving in nature and bears interest at prime plus 1.25%.

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 a collateral mortgage for an unspecified amount over building premises.

11. ACCOUNTS PAYABLE	2019	2018
	\$	\$
Trade payables	185,544	79,102
Salaries and benefits payable	138,031	129,328
HST remittances payable	35,443	43,515
Accrued liabilities	210,802	89,232
Other payables	<u>7,334</u>	<u>5,065</u>
	<u>577,154</u>	<u>346,242</u>

12. DEFERRED REVENUE

Operating Fund

Deferred revenue of the Operating Fund includes subscription and voucher package sales for performances that take place after May 31, 2019, deposit payments on theatre rentals after May 31, 2019 and revenues for theatre school summer classes that take place in July and August 2019. 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.

NEPTUNE THEATRE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MAY 31, 2019

12. DEFERRED REVENUE (Continued)

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:	2019	2018
	\$	\$
Donations and awards	23,896	13,180
Gift certificates	167,644	121,251
Performances	810,700	1,732,517
Sponsorship	5,000	10,000
Theatre rental	21,924	1,633
Theatre school	<u>115,676</u>	<u>82,109</u>
	<u>1,144,840</u>	<u>1,960,690</u>

Capital Fund

Deferred revenue of the Capital Fund consists of capital fund surcharges on tickets sold for performances that take place after May 31, 2019, and deferred capital and other restricted contributions that will be recognized as revenue during the fiscal year ending May 31, 2020.

13. 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, 2019:

	Grants	Donations	2019	2018
	\$	\$	\$	\$
Beginning of year	1,778,490	656,508	2,434,998	2,050,482
Received during the year	99,005	77,790	176,795	695,327
Recognized during the year	<u>(69,958)</u>	<u>(169,948)</u>	<u>(239,906)</u>	<u>(171,864)</u>
	1,807,537	564,350	2,371,887	2,573,945
Less current portion	<u>-</u>	<u>(77,790)</u>	<u>(77,790)</u>	<u>(138,947)</u>
	<u>1,807,537</u>	<u>486,560</u>	<u>2,294,097</u>	<u>2,434,998</u>

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019**

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**13. DEFERRED CAPITAL AND OTHER RESTRICTED CONTRIBUTIONS
(Continued)**

During the year, the Foundation received \$99,005 (2018 - \$556,380) 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 (2018 - \$2,456,362) has been deferred by the Foundation, of which \$163,414 (2018 - \$92,901) 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.

14. LONG-TERM DEBT	2019	2018
	\$	\$
The Bank of Nova Scotia, first mortgage, secured by the land and building located on Argyle Street in Halifax, NS with a net book value of \$5,379,278, repayable in blended monthly instalments of \$21,584 until December 2021, including interest at a fixed rate of 5.63%.		
The facility matured in October 2018 and was renegotiated in January 2019, prior to which it bore interest at prime plus 1.75%, was repayable in blended monthly instalments of \$15,994 over 15 years and was classified as current.	2,455,352	2,614,246
Less: current portion	124,360	79,970
Less: due for renegotiation	<u>-</u>	<u>2,534,276</u>
	<u>2,330,992</u>	<u>-</u>

Assuming like terms, principal due within each of the next 3 years on long-term debt is as follows:

	\$
2020	124,360
2021	132,650
2022	2,198,342

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019**

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15. DONATED MATERIALS AND SERVICES

Donated materials and services are included in the statement of operations as in kind sponsorship revenue and in the following expense categories:

	2019	2018
	\$	\$
Administrative	15,971	5,000
Marketing	98,474	91,409
Productions	<u>86,800</u>	<u>60,000</u>
	<u>201,245</u>	<u>156,409</u>

Additionally, The Foundation receives a property tax exemption from the Halifax Regional Municipality which is valued per Property Valuation Services Corporation in the amount of \$472,820 (2018 - \$443,839). The property tax exemption is offset against the related expense and reported on a net basis in the statement of operations.

16. 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, 2019, the Minister of Canadian Heritage contributed \$66,865 to the fund, matching the Foundation's contributions of \$110,707 at approximately 60%, thus increasing the total principal of the fund to \$2,746,632 (2018 - \$2,569,060).

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 \$497,187 (2018 - \$319,813) on the statement of financial position. The principal contributions made by the Minister of Canadian Heritage and Official Languages (\$1,316,112; 2018 - \$1,249,247) are restricted assets of the Aqueduct Foundation and are not recorded.

16. 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 \$2,689,602 (2018 - \$2,784,866). 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 be 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.

17. COMMITMENT

The Foundation rents premises under a five year lease with terms expiring in June 2020. The minimum lease payments for each of the next 2 years are as follows:

	\$
2020	43,100
2021	3,600

18. 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.

19. CONTINGENCY

The Foundation is involved in litigation from time to time related to claims arising out of its operations in the ordinary course of business. It is in the opinion of management that the aggregate amount of any potential liability is not expected to have a materially adverse effect on the Foundation's financial position or results of operations, and any claims arising out of the ordinary course of business are adequately provided for as at May 31, 2019.

20. 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, 2019.

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 and accounts receivable. The Foundation deposits its cash in reputable financial institutions and therefore believes the risk of loss to be remote. 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 to of \$423 (2018 - \$2,313). 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 (2018 - \$4,313). The Foundation does not have a 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, operating line of credit and long-term debt. The accumulated operating deficit of \$567,445 (2018 - \$584,669) creates additional liquidity risks for the Foundation and its ability to effectively manage potential operating deficits in the future.

20. FINANCIAL INSTRUMENTS (Continued)

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.

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.

21. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

NEPTUNE THEATRE FOUNDATION
SCHEDULE OF OPERATING FUND REVENUES AND PRODUCTION
EXPENSES
FOR THE YEAR ENDED MAY 31, 2019

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	2019	2018
	\$	\$
REVENUES		
Productions		
Mainstage	2,758,573	2,475,220
Studio	232,079	149,017
Summer	934,213	150,741
Tour	<u>33,830</u>	<u>33,100</u>
	<u>3,958,695</u>	<u>2,808,078</u>
Grants		
Canada Council for the Arts - Operating	245,500	245,500
Nova Scotia Tourism, Culture and Heritage	240,000	240,000
Halifax Regional Municipality	<u>25,000</u>	<u>35,000</u>
	<u>510,500</u>	<u>520,500</u>
Development		
Donations	121,035	137,289
Special events	200,315	103,683
Sponsorships - cash	245,130	138,200
Sponsorships - in kind (Note 15)	<u>201,245</u>	<u>156,409</u>
	<u>767,725</u>	<u>535,581</u>
Other revenues		
Administration	18,849	93,142
Bar	276,897	189,306
Box office	228,671	170,059
HST recovery	161,422	124,020
Investment income	300,000	79,167
Merchandise	24,966	11,298
Program advertising	76,343	70,126
Theatre rentals	<u>61,041</u>	<u>49,487</u>
	<u>1,148,189</u>	<u>786,605</u>
EXPENSES		
Productions		
Mainstage	2,220,162	1,449,713
Overhead	788,802	531,864
Studio	314,624	133,145
Summer	606,170	140,351
Tour	<u>52,815</u>	<u>48,924</u>
	<u>3,982,573</u>	<u>2,303,997</u>