

Neptune Theatre Foundation
Financial Statements
May 31, 2018
Audited

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INDEPENDENT AUDITORS' REPORT



To The Members of
Neptune Theatre Foundation

We have audited the accompanying financial statements of Neptune Theatre Foundation, which comprise the statement of financial position as at May 31, 2018 and the statements of operations, operating fund revenues and production expenses, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Neptune Theatre Foundation as at May 31, 2018 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.

Chartered Professional Accountants,
Licensed Public Accountants

Dartmouth, Nova Scotia
September 25, 2018

NEPTUNE THEATRE FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS AT MAY 31, 2018

	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	Total 2018 \$	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	Total 2017 \$
ASSETS								
CURRENT ASSETS								
Cash	1,020,422	116,767	-	1,137,189	552,834	221,318	-	774,152
Accounts receivable (note 5)	86,799	136,248	-	223,047	235,590	-	-	235,590
Inventory	16,006	-	-	16,006	9,883	-	-	9,883
Other assets (note 6)	386,817	-	-	386,817	84,475	-	-	84,475
Restricted deposits (note 7)	103,957	-	-	103,957	372,437	-	-	372,437
Due from (to) other funds (note 10)	108,307	(90,674)	(17,633)	-	(380,537)	342,008	38,529	-
	1,722,308	162,341	(17,633)	1,867,016	874,682	563,326	38,529	1,476,537
RESTRICTED TRUST FUNDS (note 8)	11,911	-	-	11,911	12,088	-	-	12,088
LONG-TERM INVESTMENTS (note 9)	-	-	454,993	454,993	-	-	1,313,538	1,313,538
DUE FROM OTHER FUND (note 10)	-	-	1,000,000	1,000,000	-	-	-	-
CAPITAL ASSETS (note 11)	-	11,860,621	-	11,860,621	-	9,163,158	-	9,163,158
	1,734,219	12,022,962	1,437,360	15,194,541	886,770	9,726,484	1,352,067	11,965,321
LIABILITIES								
CURRENT LIABILITIES								
Bank indebtedness (note 4)	45	-	-	45	570	-	-	570
Accounts payable and accrued liabilities <i>(including government remittances of \$43,515; 2017 - \$26,633)</i>	346,242	-	-	346,242	436,942	(2,869)	-	434,073
Deferred revenue (note 12)	1,960,690	138,947	-	2,099,637	1,087,833	58,264	-	1,146,097
Current portion of long-term debt (note 14)	-	79,970	-	79,970	-	119,056	-	119,056
Long term debt due for renegotiation (note 14)	-	2,534,276	-	2,534,276	-	467,288	-	467,288
	2,306,977	2,753,193	-	5,060,170	1,525,345	641,739	-	2,167,084
DEFERRED CONTRIBUTIONS (note 13)	-	2,434,998	-	2,434,998	-	1,992,218	-	1,992,218
RESTRICTED TRUST FUNDS (note 8)	11,911	-	-	11,911	12,088	-	-	12,088
LONG-TERM DEBT (note 14)	-	-	-	-	-	755,444	-	755,444
DUE TO OTHER FUND (note 10)	-	1,000,000	-	1,000,000	-	-	-	-
	2,318,888	6,188,191	-	8,507,079	1,537,433	3,389,401	-	4,926,834
FUND BALANCES								
EXTERNALLY RESTRICTED FUNDS	-	-	640,322	640,322	-	-	536,365	536,365
INTERNALLY RESTRICTED FUNDS	-	5,834,771	797,038	6,631,809	-	6,337,083	815,702	7,152,785
UNRESTRICTED FUNDS	(584,669)	-	-	(584,669)	(650,663)	-	-	(650,663)
	(584,669)	5,834,771	1,437,360	6,687,462	(650,663)	6,337,083	1,352,067	7,038,487
	1,734,219	12,022,962	1,437,360	15,194,541	886,770	9,726,484	1,352,067	11,965,321
COMMITMENT (note 18)								
CONTINGENCY (note 20)								

NEPTUNE THEATRE FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MAY 31, 2018

	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	2018 \$	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	2017 \$
REVENUES								
Productions (see schedule - page 6)	2,808,078	-	-	2,808,078	3,221,580	-	-	3,221,580
Grants (see schedule - page 6)	964,339	81,477	-	1,045,816	1,156,945	28,081	-	1,185,026
Development (see schedule - page 6)	535,581	-	-	535,581	769,332	-	-	769,332
Theatre School (see schedule - page 6)	276,127	-	-	276,127	190,857	-	-	190,857
Other Revenue (see schedule - page 6)	786,605	98,046	-	884,651	797,612	10,765	-	808,377
Ticket surcharge	110,419	271,959	-	382,378	296,300	119,677	-	415,977
Unrealized (losses) gains and investment income	-	-	(18,664)	(18,664)	-	-	49,595	49,595
	5,481,149	451,482	(18,664)	5,913,967	6,432,626	158,523	49,595	6,640,744
EXPENSES								
Productions (see schedule - page 6)	2,303,997	-	-	2,303,997	3,166,492	-	-	3,166,492
Marketing	415,919	-	-	415,919	651,037	-	-	651,037
Development	74,902	-	-	74,902	95,493	-	-	95,493
Theatre School	173,965	-	-	173,965	128,632	-	-	128,632
Administrative	1,849,168	14,853	-	1,864,021	1,788,425	19,562	-	1,807,987
Interest on long term debt	-	104,965	-	104,965	-	14,381	-	14,381
Interest on inter-fund loan	-	29,167	-	29,167	-	-	-	-
Amortization	-	804,809	-	804,809	-	465,240	-	465,240
Bar	119,321	-	-	119,321	146,356	-	-	146,356
Box office	68,352	-	-	68,352	91,392	-	-	91,392
Building operations	304,560	-	-	304,560	304,995	-	-	304,995
Front of house	88,004	-	-	88,004	102,406	-	-	102,406
Theatre rentals	16,967	-	-	16,967	39,147	-	-	39,147
	5,415,155	953,794	-	6,368,949	6,514,375	499,183	-	7,013,558
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	65,994	(502,312)	(18,664)	(454,982)	(81,749)	(340,660)	49,595	(372,814)

NEPTUNE THEATRE FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2018

	Operating Fund (Unrestricted) \$	Capital Fund \$	Trident Endowment Fund \$	Total \$
FUND BALANCES - JUNE 1, 2017	(725,919)	6,677,743	1,324,359	7,276,183
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(81,749)	(340,660)	49,595	(372,814)
RESTRICTED CONTRIBUTIONS	-	-	135,118	135,118
INTERFUND TRANSFER	157,005	-	(157,005)	-
FUND BALANCES - MAY 31, 2017	(650,663)	6,337,083	1,352,067	7,038,487
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	65,994	(502,312)	(18,664)	(454,982)
RESTRICTED CONTRIBUTIONS	-	-	103,957	103,957
FUND BALANCES - MAY 31, 2018	(584,669)	5,834,771	1,437,360	6,687,462

	2018 Opening \$	Externally Restricted Contributions \$	Deficiency of Revenues over Expenditures \$	Fund Transfer \$	2018 Ending \$
2018 TRIDENT ENDOWMENT FUND					
EXTERNALLY RESTRICTED	536,365	103,957	-	-	640,322
INTERNALLY RESTRICTED	815,702	-	(18,664)	-	797,038
TOTAL TRIDENT ENDOWMENT FUND	1,352,067	103,957	(18,664)	-	1,437,360

NEPTUNE THEATRE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018

	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenditures	65,994	(502,312)	(18,664)	(454,982)	(372,814)
Items in income not involving cash					
Amortization	-	804,809	-	804,809	465,240
Unrealized losses (gains) and investment income	-	-	18,664	18,664	(49,595)
Changes in non-cash working capital items (note 16)	622,483	390,084	-	1,012,567	815,782
	688,477	692,581	-	1,381,058	858,613
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Loan to Capital Fund	-	1,000,000	(1,000,000)	-	-
Advances (from) to Operating Fund	(488,844)	432,682	56,162	-	-
Repayments of line of credit (net of borrowings)	(525)	-	-	(525)	(153,335)
Borrowings from long-term debt	-	1,405,851	-	1,405,851	1,363,223
Repayments of long term debt	-	(133,393)	-	(133,393)	(21,435)
	(489,369)	2,705,140	(943,838)	1,271,933	1,188,453
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES					
Investment in capital assets	-	(3,502,272)	-	(3,502,272)	(2,206,067)
Disposition of investments	-	-	1,000,000	1,000,000	-
Acquisition of investments	-	-	(160,119)	(160,119)	(8,995)
Externally restricted contributions	-	-	103,957	103,957	135,118
Decrease in restricted deposits	268,480	-	-	268,480	363,213
	268,480	(3,502,272)	943,838	(2,289,954)	(1,716,731)
CHANGE IN CASH DURING THE YEAR	467,588	(104,551)	-	363,037	330,335
CASH - beginning of year	552,834	221,318	-	774,152	443,817
CASH - end of year	1,020,422	116,767	-	1,137,189	774,152

NEPTUNE THEATRE FOUNDATION
SCHEDULE OF OPERATING FUND REVENUES AND PRODUCTION EXPENSES
FOR THE YEAR ENDED MAY 31, 2018

	2018	2017
	\$	\$
REVENUES		
Productions		
Mainstage	2,475,220	3,039,330
Studio	149,017	182,250
Tour	33,100	-
Summer	150,741	-
	2,808,078	3,221,580
Grants		
Canada Council for the Arts - Operating	245,500	245,500
Nova Scotia Tourism, Culture and Heritage	240,000	390,000
Halifax Regional Municipality	478,839	495,790
ACOA grant	-	25,655
	964,339	1,156,945
Development		
Sponsorships - cash	138,200	175,450
Sponsorships - in kind (note 15)	156,409	334,140
Donations	137,289	142,291
Corporate donations	-	30,000
Special events	103,683	87,451
	535,581	769,332
Theatre School	276,127	190,857
Other Revenue		
Theatre rentals	49,487	81,317
Program advertising	70,126	55,766
Bar	189,306	211,505
HST recovery	124,020	92,682
Box office	170,059	178,384
Administration	93,142	126,887
Investment income	79,167	50,013
Merchandise	11,298	1,058
	786,605	797,612
Ticket surcharge	110,419	296,300
	5,481,149	6,432,626
EXPENSES		
Productions		
Mainstage	1,449,713	2,260,850
Studio	133,145	239,318
Tours	48,924	-
Overhead	531,864	666,324
Summer	140,351	-
	2,303,997	3,166,492

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

1. NATURE OF 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) of the income tax act.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The Foundation operates on a fund accounting basis. Separate funds have been established to distinguish between the activities of Operations, Capital and Trident Endowment.

The Operating Fund, an unrestricted fund with the exception of restricted trust funds which are considered special reserve funds, accounts for the Foundation's revenues and expenses related to theatre program delivery and production, theatre school, development and marketing and supporting administrative activities. Restricted and unrestricted contributions are recorded in the Operating Fund when related to the on-going operations of the Foundation. Unrestricted investment income earned on restricted funds, including the Trident Endowment Fund, are recorded as revenue in the Operating Fund. Special reserve funds related to restricted trust funds account for restricted contributions to fund bursaries and scholarships. Interest earned on these funds are held as restricted deposits recorded in the Operating Fund. Bursaries and scholarships paid out of the trust funds are recorded as expenses of the Operating 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.

The Trident Endowment Fund (note 17) accounts for investment income earned on the endowment principal that is required to be maintained in the endowment capital (e.g. 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 of the endowment fund.

Cash and Cash Equivalents

The Foundation's policy is to disclose bank balances excluding restricted deposits and trust funds under cash and cash equivalents. Bank indebtedness represents draws on the Foundation's operating line of credit.

Inventory

Inventory is stated 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.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 useful life, in subsequent fiscal years. 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 stated at cost plus accrued interest, less scholarships paid out, if any.

Long-Term Investments

Long-term 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. Unrealized gains or losses in market value are recognized into the Trident Endowment Fund based on the Foundation's portion of the initial investment as described in note 17. Investment income is recognized in the Operating Fund based on the minimum disbursement amount as described in note 17.

Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives. The building and related improvements are amortized using the straight-line method over terms of 35 and 10 to 15 years respectively. Furnishings and equipment are amortized using the declining-balance method at a rate of 20% per year. One half-year's amortization is taken in the year of acquisition.

Management revised the estimated useful life of the building during the year from 40 years to 35 years. The change in estimate has been accounted for prospectively.

Impairment of Long-Lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the Capital Fund when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. Any impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Reversals of previously recorded impairment losses are recorded in the Capital Fund when circumstances permit.

Financial Instruments

Measurement of financial instruments

The foundation initially measures its financial assets and liabilities at fair value.

The foundation subsequently measures all 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 net income.

Cash and restricted deposits and trust funds are recorded at cost plus accrued interest which approximates fair value. Interest is recorded on an accrual basis as revenue is earned during the year.

Accounts receivable are recorded at amortized cost. Due to their short-term nature, their cost approximates fair value.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Long-term investments are recorded at market value based on the portfolio value as of May 31, 2018. The change in fair value is recorded in the Trident Fund.

Accounts payable and accrued liabilities are recorded at amortized cost. Due to their short-term nature, their cost approximates their fair value.

Long-term debt is recorded at amortized cost.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in operations. 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 any reversal is recognized in net income.

Transaction costs

The Foundation recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions, which includes donations and grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions to the Trident Endowment Fund are recorded as direct increases to the endowment fund balance.

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.

Revenues received during the year (such as subscriptions, capital fund surcharges and advance ticket sales) which are applicable to future periods are deferred. These 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 of the relevant production and when collection is reasonably assured.

Revenues received during the year for special events, theatre rentals and theatre school are recognized when the service is rendered and when collection is reasonably assured. Contributions received in kind are valued at an estimate of fair market value.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Restricted contributions to the capital fund are deferred and amortized into revenue on the same basis as the assets acquired with these funds.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The fair values of donated goods and services are recorded when the amounts can be reasonably estimated. Revenue is recorded to reflect the donation and an expense is recorded to the appropriate expense account.

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

The estimates and assumptions are based on management's best information and judgment. Actual results could differ from those estimates.

Significant estimates and assumptions include:

- the allowance for doubtful accounts;
- the fair value of long-term investments; and
- the estimated useful lives of assets and the resulting estimates for amortization expense.

3. 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 the date of the statement of financial position.

Liquidity Risk

The Foundation is subject to liquidity risk in that it may encounter difficulty in meeting obligations associated with financial liabilities, including the ability to repay debt associated with capital renovation activities and bank indebtedness on its line of credit to assist with operating requirements. The accumulated operating deficit of \$584,669 (2017 - \$650,663) creates additional liquidity risks for the foundation and its ability to effectively manage potential operating deficits in the future.

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. The Foundation's main credit risks relate to its accounts receivable. The Foundation provides credit to its customers in the normal course of its operations. The Foundation performs regular reviews of its accounts receivable and takes collection action when necessary. During the year, the Foundation had bad debts of \$2,313 (2017 - \$288). At year end, the Foundation has recorded an allowance for doubtful accounts of \$4,313 (2017 - \$2,288). The Foundation does not have a significant exposure to any individual customer or counterpart. Its customers are individuals and corporations in various industries.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

3. FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk that the fair value of 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 of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at May 31, 2018, international endowment fund investments of \$189,506 are denominated in the following currencies and converted into Canadian dollars using the following exchange rates:

Currency	Amount	Exchange Rate	CDN \$
USD	60,766	1.2966	78,789
Euros	40,430	1.5137	61,203
GBP	26,008	1.7235	44,825
Yen	21,163	0.1192	2,523
Krone	13,677	0.1584	2,166
			\$ 189,506

Interest Rate Risk

Interest rate risk is the risk that the fair value of 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 floating interest rate financial instruments. The floating-rate instruments subject it to a cash flow risk.

Other Price Risk

Other price risk is the risk that the fair value of 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.

4. BANK INDEBTEDNESS

At May 31, 2018, the Foundation had an available line of credit of \$300,000 (2017 - \$300,000) of which \$45 (2017 - \$570) had been drawn down. This operating line of credit is revolving in nature and bears interest at prime plus 1.5%.

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

5. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Operating fund - Trade receivables, net of allowance	86,799	235,590

Capital fund trade receivables include a \$50,000 "Naming Rights Agreement" with the Bank of Nova Scotia that is receivable in equal instalments of \$50,000 per year over 10 years and \$86,248 HST receivable.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

6. OTHER ASSETS

	2018	2017
	\$	\$
Production development	159,302	35,873
Royalties	175,996	27,912
Other	51,519	20,690
	386,817	84,475

7. RESTRICTED DEPOSITS

Capital Fund

Included in the operating fund cash is \$nil of restricted deposits of the Capital Fund (2017 - \$342,008) and \$103,957 (2017 - \$38,529) of restricted deposits of the Trident Endowment Fund.

8. RESTRICTED TRUST FUNDS

	2018	2017
	\$	\$
John Blackmore bursary fund	1,275	1,516
Gerry Gordon scholarship fund	6,831	6,790
Linda Moore scholarship fund	3,805	3,782
	11,911	12,088

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. A bursary of \$250 was paid out during the year (2017 - \$250).

9. LONG-TERM INVESTMENTS

	2018	2017
	\$	\$
Cash and short-term investments	59,037	83,565
Fixed income	100,519	388,860
Equities	145,043	841,113
Mutual funds	150,394	-
	454,993	1,313,538

The contributions of the Minister of Canadian Heritage, as described in note 17, are restricted amounts and are available to Neptune Theatre Foundation only in the form of interest earned and capital appreciation on the total endowment and, therefore, have not been included above. The Minister of Canadian Heritage's investments have a market value of \$1,329,873 (2017 - \$1,246,043) on which the Foundation can earn interest.

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9. LONG-TERM INVESTMENTS (continued)

During the year, the Trident Endowment Fund loaned \$1,000,000 to the Capital Fund, and earns interest on this amount through the Aqueduct Foundation. See note 10 and note 17.

10. DUE FROM (TO) OTHER FUNDS

The Capital and Trident Endowment Funds have amounts owing to the Operating Fund. These balances are non-interest bearing with no set terms of repayment and are classified as current.

The Trident Endowment Fund has 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 at 5% on an annual basis. The loan is repayable in full on the maturity date, October 31, 2032.

11. CAPITAL ASSETS

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
	\$	\$	\$	\$
Land	388,308	-	388,308	388,308
Buildings	11,491,460	6,116,569	5,374,891	5,758,812
Building improvements	5,878,089	161,718	5,716,371	2,551,694
Furnishings and equipment	2,583,225	2,202,174	381,051	464,344
	20,341,082	8,480,461	11,860,621	9,163,158

12. DEFERRED REVENUE

a) Operating Fund

Deferred revenue of the Operating Fund includes subscription and voucher package sales for performances that take place after May 31, 2018, deposit payments on theatre rentals after May 31, 2018, and revenues for theatre school summer classes that take place in July and August 2018. 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. The deferred revenue as at May 31, 2018 will be recognized as revenue during the fiscal year ending May 31, 2019.

b) Capital Fund

Deferred revenue of the capital fund consists of a capital fund surcharge on tickets sold for performances that take place after May 31, 2018, as well as deferred capital and other restricted contributions that will be recognized as revenue in the next fiscal period (see note 13).

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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:

	Ticket Surcharges	Grants	Restricted Donations	2018	2017
	\$	\$	\$	\$	\$
Balance, beginning of year	58,264	1,359,986	632,232	2,050,482	1,164,143
Contributions received during the year	138,947	499,980	56,400	695,327	954,877
Recognized as revenue during the year	(58,264)	(81,476)	(32,124)	(171,864)	(68,538)
	138,947	1,778,490	656,508	2,573,945	2,050,482
Less: current portion	(138,947)	-	-	(138,947)	(58,264)
Balance, end of year	-	1,778,490	656,508	2,434,998	1,992,218

During the year, the Foundation received \$556,380 in government grants and donations related to the renovation of Scotiabank Studio Theatre and Fountain Hall (2017 - \$896,613 related to the renovations of Scotiabank Studio Theatre and Fountain Hall). Cumulative funding for the renovation raised to date of \$2,456,362 (2017 - \$1,899,982) has been deferred by the Foundation, of which \$92,901 (2017 - \$11,263) 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

	2018	2017
	\$	\$
Bank of Nova Scotia facility	2,614,246	1,341,788
Less: scheduled current portion of repayments	79,970	119,056
Less: due for renegotiation	2,534,276	467,288
	-	755,444

During the year, the Foundation renegotiated the existing credit facilities with the Bank of Nova Scotia and entered into a non-revolving term loan facility with the Bank of Nova Scotia for \$2,878,926 to complete the renovations of Fountain Hall. The facility bears interest at prime plus 1.75% and is repayable in monthly principal instalments of \$15,994 over 15 years, maturing in October 2018. This loan is subject to the terms of the credit facility described in note 4.

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14. LONG-TERM DEBT (continued)

The approximate principal due within the next year is as follows:

	Scheduled Repayments	Due for Renegotiation
	\$	\$
2019	79,970	2,534,276

The approximate principal due in each of the next five years, assuming renegotiation under similar terms, would be \$191,928.

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:

	2018	2017
	\$	\$
Marketing	91,409	263,165
Productions	60,000	61,750
Administrative	5,000	9,225
	156,409	334,140

16. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Operating Fund	Capital Fund	2018	2017
	\$	\$	\$	\$
Accounts receivable	148,791	(136,248)	12,543	(77,887)
Inventory	(6,123)	-	(6,123)	534
Other assets	(302,342)	-	(302,342)	102,694
Accounts payable and accrued liabilities	(90,700)	2,869	(87,831)	92,377
Deferred revenue	872,857	523,463	1,396,320	698,064
	622,483	390,084	1,012,567	815,782

17. TRIDENT ENDOWMENT FUND

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

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17. TRIDENT ENDOWMENT FUND (continued)

The Minister of Canadian Heritage has established the Endowment Incentives Component of the Canada Culture Investment Fund 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, 2018, the Minister of Canadian Heritage contributed \$105,610 to the fund, matching the Foundation's contribution of \$160,118 at approximately 66%, thus increasing the total principal of the fund to \$2,569,060 (2017 - \$2,303,332).

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 \$319,813 (2017 - \$1,159,695) on the statement of financial position. The principal contributions made by the Minister of Canadian Heritage and Official Languages (\$1,249,247; 2017 - \$1,143,637) are restricted assets of the Aqueduct Foundation and are not recorded.

For the purposes of calculating earned investment income and leveraging future contributions and donations, the Trident Endowment Fund is considered to have a market value of \$2,784,866 (2017 - \$2,509,582). 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 being 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. COMMITMENTS

The Foundation rents premises under a five year lease which expires June 2020, with the following yearly commitments:

	\$
2019	41,900
2020	43,100
2021	3,600

19. 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.

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20. CONTINGENCY

From time to time, the Foundation is involved in litigation relating 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, 2018.