Financial Statements of

THEATRE CALGARY

And Independent Auditor's Report thereon

Year ended May 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Theatre Calgary

Opinion

We have audited the financial statements of Theatre Calgary (the "Entity"), which comprise:

- the statement of financial position as at May 31, 2023;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at May 31, 2023, and its results of 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 "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our auditor's report.

We are independent of the Entity 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 the 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 Entity'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 Entity'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 auditor’s report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

August 28, 2023

THEATRE CALGARY

Statement of Financial Position

May 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 1,270,871	$ 1,832,145
Accounts receivable	166,982	212,539
Prepaid expenses	293,562	253,168
Inventory	13,009	–
	1,744,424	2,297,852
Equipment (note 4)	1,264,118	1,639,639
	$ 3,008,542	$ 3,937,491
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (notes 5 and 6)	$ 456,917	$ 659,389
Deferred revenue (note 8)	1,752,762	951,393
Current portion – promissory note (note 7)	151,966	49,158
	2,361,645	1,659,940
Non-current liabilities:		
Deferred capital contribution (note 9)	361,326	201,751
Promissory note (note 7)	538,017	702,334
Loan from Theatre Calgary Endowment Foundation (note 12)	500,000	500,000
	3,760,988	3,064,025
Net assets:		
Unrestricted	(752,446)	873,466
Commitments (note 10)		
	$ 3,008,542	$ 3,937,491

See accompanying notes to financial statements.

Approved by the Board of Directors:

_____ Director

_____ Director

THEATRE CALGARY

Statement of Operations

Year ended May 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Operating grants (Schedule 1)	$ 1,639,845	$ 2,733,111
Fundraising (Schedule 1)	1,682,974	1,623,143
Productions (Schedule 1)	3,994,779	1,824,276
Transfers from Theatre Calgary Endowment Foundation (note 12)	573,452	363,095
Fee for service	2,500	–
Other revenue	271,102	73,461
Interest	25,486	4,953
	8,190,138	6,622,039
Expenses:		
Production:		
Main stage	3,539,499	1,819,187
Production overhead	1,338,417	1,021,288
Marketing and publicity	1,074,957	703,285
Box office and concessions	305,715	150,096
Operations	1,267,788	896,419
Subscriptions	–	4,857
Learning, engagement, and artistic development	317	20,038
	7,526,693	4,615,170
General:		
Administration	1,439,018	1,178,931
Fundraising	427,296	297,661
Depreciation	422,788	426,337
	2,289,102	1,902,929
Total expenses	9,815,795	6,518,099
(Deficiency) excess of revenues over expenses	$ (1,625,657)	$ 103,940

See accompanying notes to financial statements.

THEATRE CALGARY

Statement of Changes in Net Assets

Year ended May 31, 2023, with comparative information for 2022

	Unrestricted	Internally Restricted Cash (note 3)	Total 2023	Total 2022
Balance, beginning of year	$ 873,211	$ –	$ 873,211	$ 769,526
(Deficiency) excess of revenues over expenses	(1,625,657)	–	(1,625,657)	103,940
Balance, end of year	$ (752,446)	$ –	$ (752,446)	$ 873,466

See accompanying notes to financial statements.

THEATRE CALGARY

Statement of Cash Flows

Year ended May 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenues over expenses	$ (1,625,657)	$ 103,940
Item not involving cash:		
Depreciation	422,788	426,337
Amortization of deferred capital contribution	(90,425)	(50,549)
	(1,293,294)	479,728
Change in non-cash operating working capital:		
Accounts receivable	45,557	(172,632)
Prepaid expenses	(40,394)	38,965
Accounts payable and accrued liabilities	(202,472)	503,766
Inventory	(13,009)	–
Deferred revenue	801,369	110,071
	(702,243)	959,898
Investing:		
Purchase of equipment	(47,522)	(411,655)
Deferred capital contribution received	250,000	–
	202,478	(411,655)
Financing:		
Repayments of promissory notes	(61,509)	–
Increase (decrease) in cash	(561,274)	548,243
Cash, beginning of year	1,832,145	1,283,902
Cash, end of year	$ 1,270,871	$ 1,832,145

See accompanying notes to financial statement

1. Nature of operations:

Theatre Calgary (the "Organization") is a not-for-profit regional theatre company whose purpose is to entertain audiences with plays produced from Canadian and International repertoires, and to develop the theatrical community in Calgary.

The Organization is incorporated under the Societies Act of Alberta and is a registered charity exempt from income tax under the provisions of paragraph 149(1)(f) of the Income Tax Act (Canada).

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountant ("CPA") Handbook. Significant accounting policies are summarized below:

(a) Basis of presentation:

These financial statements have been prepared on a non-consolidated basis. Financial details regarding the Theatre Calgary Endowment Foundation, a controlled entity, are disclosed in note 12 to these financial statements.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such other financial instruments at fair value.

Transactions costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Significant accounting policies (continued):

(c) Revenue recognition:

The Organization follows the deferral method of accounting for revenue. Restricted contributions, such as grants and donations designated for a specific purpose, are recognized as revenue in the period in which the related expenses are incurred. If the restricted contribution relates to a capital item, the contribution is recognized in revenue as the related capital asset is depreciated. Unrestricted contributions, such as grants and donations not designated for a specific purpose, are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Revenues, including grants, and expenses which relate to the following year's performances are recorded as deferred revenue, net of related costs, and will be recognized when the performances occur.

Interest revenue is recognized when it is earned.

(d) Equipment:

Depreciation is provided over the estimated useful lives of the assets on a straight-line basis over the following years:

	Years
Theatre equipment	3 – 7
Projector equipment	4 – 12
Leasehold improvements	5 – 7
Computers	3 – 4
Sound system	5

(e) Donated materials and services:

Donated materials and services are recorded at their estimated fair value if the fair value can be reasonably estimated and they would otherwise be paid for if not donated. The fair value is recorded as both revenue and an expense item in the statement of operations.

(f) Volunteer services:

A substantial number of volunteers make a significant contribution of their time to the Organization. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective valuation or measurement.

2. Significant accounting policies (continued):

(g) Deferred revenue:

Deferred revenue represents fees associated with certain fundraising activities of the Organization as well as deferred subscriptions which relate to plays to be performed in the future.

Deferred contributions related to equipment represent contributions restricted for the purchase of equipment. This revenue is amortized on a straight-line basis over the period of benefit.

(h) Cash:

Cash is comprised of deposits in banks.

(i) Impairment of long-lived assets:

Long-lived assets, including equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Organization uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(j) Use of estimates:

The preparation of financial statements in conformity 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 contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful life of equipment and the valuation accounts of receivable. Actual results could differ from those estimates.

(k) Inventory:

Inventory consists of liquor and confectionary and are measured at the lower of cost and net realizable value. Cost includes purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first in first out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to generate the sale.

3. Restricted cash:

In prior years, the Alberta Foundation for the Arts has provided funding to the Organization to be held in an unencumbered, restricted cash account that can only be accessed upon a resolution by a majority vote of the Board of Directors. In 2020, upon Board resolution, $494,900 of restricted cash was accessed to temporarily finance an unbudgeted operating deficit. The Organization is committed to transfer the funds back to restricted cash at a later date. Alberta Foundation for the Arts has not imposed a requirement to transfer back the funds to restricted cash by a certain date. As of May 31, 2023, no amounts have been transferred back to restricted cash.

4. Equipment:

			2023	2022
	Cost	Accumulated depreciation	Net book value	Net book value
Theatre equipment	$ 1,135,193	$ 868,362	$ 266,831	$ 437,971
Projector equipment	322,192	170,665	151,527	206,103
Leasehold improvements	1,324,349	819,627	504,722	663,436
Computers	63,692	35,429	28,263	15,451
Sound system	1,303,535	990,760	312,775	316,678
	$ 4,148,961	$ 2,895,870	$ 1,264,118	1,639,639

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $13,201 (2022 – $15,636), which include amounts payable for payroll related taxes, worker's safety insurance premiums and goods and services tax.

6. Line of credit:

The Organization has a credit agreement with a Canadian financial institution. Under the credit agreement, the Organization has access to two facilities, the first is to a demand revolving credit facility with a maximum of $500,000 of which $nil was drawn at May 31, 2023 (2022 − $nil). The demand revolving credit facility bears interest at the bank's prime rate plus 0.75% per annum. The second facility is a credit card facility to a maximum of $175,000, of which $nil has been drawn at May 31, 2023 (2022 – $nil) and is included in accounts payable and accrued liabilities on the statement of financial position. The credit agreement is secured by way of a general security agreement constituting a first ranking security interest in all property of the Organization.

7. Promissory note:

On November 1, 2019, the Organization obtained a promissory note of $800,000 from The Calgary Foundation. The promissory note is secured by a guarantee by Theatre Calgary Endowment Foundation (note 12) and by a general security agreement of the Organization. Interest of $32,155 (2022 – $32,565) was paid to the Calgary Foundation and is included in administration expenses. During 2022, the promissory note agreement was amended to allow for a two-year interest only extension to the loan, ending January 2023. Payment of interest and principal amounts commenced after January 2023. Details of the promissory note are as follows:

	2023	2022
Promissory note, payable in monthly blended repayments of $14,733, including interest of 4%, due Sept 1, 2027	$ 689,983	$ 751,492
Less : current portion	(151,966)	(49,158)
Non-current portion	$ 538,017	$ 702,334

The aggregate amount of principal repayments required on the promissory note in each of the next four fiscal years is as follows:

2024	$ 151,966
2025	158,158
2026	164,601
2027	171,308
Thereafter	43,950
	$ 689,983

8. Deferred revenue:

	2023	2022
Main stage	$ 371,951	$ 507,403
Grants and fundraising	1,380,811	443,990
	$ 1,752,762	$ 951,393

9. Deferred capital contribution:

	2023	2022
Opening balance	$ 201,751	$ 252,300
Received during the year	250,000	-
Amortized in the year	(90,425)	(50,549)
Ending Balance	$ 361,326	$ 201,751

10. Commitments:

The Organization's storage warehouse lease was renegotiated in May 2017 and expired August 31, 2018 with two extension options of September 2018 to August 2022 and September 2022 to August 2026. The second extension option was exercised. The annual commitments before operating costs under this arrangement is as follows:

2024	$ 58,850
2025	59,400
2026	59,400
Thereafter	9,900

The minimum annual payments for rent of the theatre premises and other associated costs are $793,650 subject to an adjustment to reflect any increase or decrease in the aggregate amount of the Organization's portion of the building expenses.

11. Related party transactions:

Several companies owned by directors of the Organization as well as individual directors provided donations as well as purchased tickets to productions in the amount of $367,626 (2022 – $389,237).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Theatre Calgary Endowment Foundation:

The Theatre Calgary Endowment Foundation (the “Foundation”) is a not-for-profit organization incorporated on August 9, 2000 under the Societies Act of Alberta. The purpose of the Foundation is to provide funds to the Organization by way of income generated by endowment funds or to otherwise hold specified funds on behalf of the Organization. The Foundation’s purpose is integrated with that of the Organization, and accordingly, the Organization controls the Foundation.

During the year ended May 31, 2023, the Board of Directors of the Foundation approved the transfer of the legal minimum disbursement quota from the Foundation which was calculated at $573,452 (2022 – $363,095) to the Organization to fund fiscal 2023.

The transfers are in the normal course of operations and are measured at the exchange amount of consideration established and agreed by the related parties.

During the year ended May 31, 2021, the Foundation advanced an unsecured interest-free loan of $500,000 to the Organization. As at May 31, 2023 $500,000 (2022 - $500,000) is outstanding on this loan. There is currently no expectation from the Foundation to have this amount repaid in the next year.

The Foundation has not been consolidated in the Organization’s financial statements. The financial statements of the Foundation are available on request.

12. Theatre Calgary Endowment Foundation (continued):

Financial summaries of this entity as at May 31, 2023, and 2022 and for the years then ended are as follows:

As at May 31	2023	2022
Financial position:		
Total assets	$ 10,786,489	$ 11,008,233
Total liabilities	–	35,200
Restricted for endowment purposes	5,842,788	5,842,788
Unrestricted	4,943,701	5,130,245
Net assets	$ 10,786,489	$ 10,973,033

For the year ended May 31	2023	2022
Results of operations:		
Total revenues	$ 654,667	$ 897,618
Total expenses	(116,246)	(84,025)
Net transfer to Theatre Calgary	(573,452)	(363,096)
Change in unrealized loss/(gain) on marketable securities carried at fair value	151,513	(1,288,720)
Deficiency revenue over expenses	$ (186,544)	$ (838,223)

For the year ended May 31	2023	2022
Cash flows:		
Cash from operations	$ (14,446)	$ 334,117
Cash (used in) from investing activities	18,148	(333,173)
Increase in cash	$ 3,702	$ 944

13. Financial instrument risk:

(a) The Organization has exposure to the following risks, none of which have changed from prior year, relating to its financial instruments:

(i) Interest rate risk:

Interest rate risk is the risk that the fair value of the financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market rates. Interest rate risk is also due to variable interest rates on the line of credit mentioned note 6.

(ii) Credit risk:

Credit risk refers that a counter party may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to its accounts receivable and cash. A substantial portion of the accounts receivable are with well-known and reliable funders and are subject to normal credit risk. Cash is deposited with respectable Canadian commercial banks.

(iii) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost.

The Organization manages liquidity risk by maintaining adequate cash and preparing budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

THEATRE CALGARY

Schedule of Revenues Schedule 1

Year ended May 31, 2023, with comparative information for 2022

	2023	2022
Productions:		
Ticket sales	$ 3,624,277	$ 1,814,905
Bar revenue	280,945	9,371
Theater rental	8,953	–
Other	80,604	–
	$ 3,994,779	$ 1,824,276
Fundraising:		
Donations – individuals	$ 738,037	$ 768,170
Donations – corporate	594,195	783,575
Special projects	143,315	71,398
Donations – other	207,427	–
	$ 1,682,974	$ 1,623,143
Operating grants:		
Alberta Foundation for the Arts	$ 913,303	$ 913,303
Calgary Arts Development Authority	460,600	463,600
Canada Council	115,500	238,600
Canadian Emergency Wage Subsidy	–	692,074
Canadian Emergency Rent Subsidy	–	258,092
Canadian Heritage	50,442	50,442
Non-Government Grants	100,000	117,000
	$ 1,639,845	$ 2,733,111