

*Financial Statements of*

**NELSON CIVIC THEATRE SOCIETY**

*July 31, 2018*

**NELSON CIVIC THEATRE SOCIETY**  
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**July 31, 2018**

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**December 3, 2018**

**Nelson, B.C.**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of the  
Nelson Civic Theatre Society

We have audited the accompanying financial statements of the Nelson Civic Theatre Society, which comprise the statement of financial position as at July 31, 2018 and the statements of operations and changes in net assets 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 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 auditor's 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 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.

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## INDEPENDENT AUDITORS' REPORT (continued)

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To the Board of Directors  
Nelson Civic Theatre Society

### Basis for Qualified Opinion

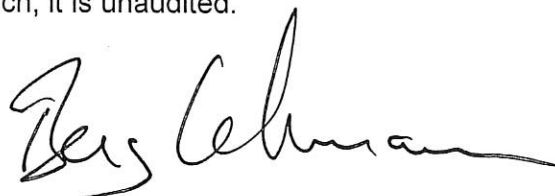
In common with many charitable organizations, the Society derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Nelson Civic Theatre Society and we were not able to determine whether any adjustments might be necessary to recorded contributions, the excess of revenues over expenses, and cash flows from operations for the year ended July 31, 2018. Our audit opinion on the financial statements for the year ended July 31, 2018 was modified accordingly, because of the possible effects of this scope limitation.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements present fairly, in all material respects, the financial position of the Nelson Civic Theatre Society, as at July 31, 2018 and its financial performance and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

### Comparative Information

Without modifying our opinion, we were not engaged to report on the comparative information on the statement of operations, the statement of changes in net assets and the statement of cash flows, and as such, it is unaudited.



Chartered Professional Accountants

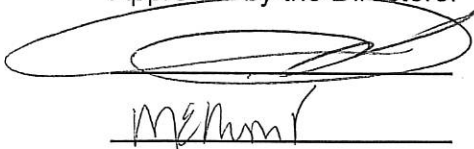
December 3, 2018

Nelson, B.C.

**NELSON CIVIC THEATRE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
As At July 31, 2018

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 34,471	\$ 32,381
Accounts receivable	12,228	10,751
Inventory	4,778	3,082
Prepaid expenditures	17,351	11,026
	<b>68,828</b>	<b>57,240</b>
<b>RESTRICTED CASH</b> (note 7)	<b>84,000</b>	<b>100,000</b>
<b>CAPITAL ASSETS</b> (note 3)	<b>423,094</b>	<b>372,627</b>
	<b>\$ 575,922</b>	<b>\$ 529,867</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 24,498	\$ 24,222
Government remittances payable	5,775	2,359
Wages payable	1,860	1,650
Deferred contributions (note 4)	46,639	39,549
	<b>78,772</b>	<b>67,780</b>
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (note 5)	<b>313,822</b>	<b>264,832</b>
<b>NET ASSETS</b>		
Invested in capital assets (note 6)	109,272	107,795
Internally restricted (note 7)	84,000	100,000
Unrestricted	( 9,944)	( 10,540)
	<b>183,328</b>	<b>197,255</b>
	<b>\$ 575,922</b>	<b>\$ 529,867</b>

Approved by the Directors:



**NELSON CIVIC THEATRE SOCIETY****STATEMENT OF OPERATIONS**

For the Year Ended July 31, 2018

	2018	2017
<b>REVENUE</b>		
Box office gross	\$ 413,038	\$ 330,557
Food and drink	155,615	157,819
Fundraising, contributions and donations (note 8)	53,307	20,921
Rentals	21,602	19,358
Membership dues	16,879	16,071
Advertising sales	15,192	6,310
Interest	864	805
Miscellaneous revenue	-	44
Amortization of deferred capital contributions	32,913	29,047
In-kind contributions (note 9)	7,800	7,800
	<b>717,210</b>	<b>588,732</b>
<b>EXPENDITURES</b>		
Advertising and promotion	7,981	16,241
Amortization	35,368	29,728
Bank charges and interest	9,782	7,641
Box office and theatre cost of sales	230,415	196,318
Building maintenance and repair	23,390	21,448
Food and drink supplies	45,050	51,557
Insurance	3,493	2,945
In-kind expenses (note 9)	7,800	7,800
Licenses, dues and service fees	12,604	7,669
Office expenses	19,652	3,680
Program and services	17,952	9,902
Professional and bookkeeping	26,771	23,452
Staff and volunteer recognition training expenses	2,925	5,814
Technical consulting	24,712	14,144
Telephone and internet	4,689	4,906
Tax and utilities	10,513	11,551
Wages and benefits	248,040	220,969
	<b>731,137</b>	<b>635,765</b>
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	<b>\$ ( 13,927)</b>	<b>\$ ( 47,033)</b>

**NELSON CIVIC THEATRE SOCIETY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the Year Ended July 31, 2018

	Invested in Capital Assets (note 6)	Reserve Fund (Internally Restricted) (note 7)	Unrestricted	Total 2018	Total 2017
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>\$ 107,795</b>	<b>\$ 100,000</b>	<b>\$( 10,540)</b>	<b>\$ 197,255</b>	<b>\$ 244,288</b>
Deficiency of revenue over expenditures	( 2,455)	-	( 11,472)	( 13,927)	( 47,033)
Contribution from unrestricted net assets for purchase of capital assets	3,932	-	( 3,932)	-	-
Internal transfer	-	( 16,000)	16,000	-	-
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 109,272</b>	<b>\$ 84,000</b>	<b>\$( 9,944)</b>	<b>\$ 183,328</b>	<b>\$ 197,255</b>

**NELSON CIVIC THEATRE SOCIETY**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended July 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenditures	\$( 13,927)	\$( 47,033)
Items not affecting cash flow		
- amortization	35,368	29,728
- capital contributions amortized	( 32,913)	( 29,047)
	( 11,472)	( 46,352)
Capital grant contributions received	81,903	46,426
Changes in non-cash working capital (note 11)	1,495	23,854
Cash Provided By Operating Activities	71,926	23,928
<b>INVESTING ACTIVITIES</b>		
Capital asset additions	( 87,348)	( 52,693)
Proceeds from disposal of capital assets	1,512	-
Cash Used For Investing Activities	( 85,836)	( 52,693)
<b>DECREASE IN CASH</b>	( 13,910)	( 28,765)
<b>CASH, BEGINNING OF YEAR</b>	132,381	161,146
<b>CASH, END OF YEAR</b>	\$ 118,471	\$ 132,381
<b>Cash Represented By:</b>		
Cash	\$ 34,471	\$ 32,381
Restricted cash	84,000	100,000
	\$ 118,471	\$ 132,381



**1. PURPOSE OF THE ORGANIZATION**

The Society was incorporated under the Society Act of British Columbia on June 25, 2012. Its purpose is to operate and maintain the Civic Theatre as a multi-use facility for film screening primarily, and for other artistic, educational and community-building programs and events; to advance the public's appreciation of the arts by operating and maintaining a theatre for the presentation of films primarily, and also live events; to advance education by providing lectures, workshops, courses and seminars on topics related to film and digital media; and to protect, preserve and improve the Nelson Civic Theatre with a view to commemorating the site and educating the public about it. The Civic Theatre was officially reopened in 2013. The Civic Theatre Society was recognized as a Canadian Registered Charity effective February 19, 2016.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit organizations. The following is a summary of the significant accounting policies of the Society.

**Capital Assets**

Capital assets are recorded at cost. Contributed capital assets are recorded at the fair value at the date of contribution. Amortization is calculated on a straight-line basis over the useful life of the assets as follows:

Leasehold improvements	straight-line, 25 years
Future, fixtures and office equipment	straight-line, 10 years

**Donated Materials, Labour and Services**

Donated materials, labour, and services are not recorded in the accounts of the Society.

**Revenue Recognition**

The Society follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into income at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue or receivable if the amount to be received can be reasonably estimated and collection is reasonably ensured. Internally restricted reserves are in place to protect the ongoing operation of the Society and to allow planning for large capital projects.

**Financial Instruments**

The Society's financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is at amortized cost. The Society's financial instruments include cash, accounts receivable, accounts payable, and deferred contributions.

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of Long-Lived Assets

The Society assesses long-lived assets for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized on a long-lived assets when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of the impairment loss is equal to the excess of the asset's carrying value over its fair value. No impairment loss was recognized by the Society in the current year.

### Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures reported in financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent, however, actual results could differ from these estimates.

The Society's most significant estimates include the useful lives of assets for amortization and recognition of deferred capital contributions.

## 3. CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furnishing, fixtures and office	\$ 316,098	\$ 96,570	\$ 231,526	\$ 72,380
Leasehold improvements	<u>275,122</u>	<u>71,556</u>	<u>275,122</u>	<u>61,641</u>
	<u>591,220</u>	<u>168,126</u>	<u>506,648</u>	<u>134,021</u>
Cost less accumulated amortization	<u>\$ 423,094</u>		<u>\$ 372,627</u>	

**NELSON CIVIC THEATRE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**As At July 31, 2018**

**4. DEFERRED CONTRIBUTIONS**

Deferred contributions represent specific grants, donations and deposits for specific purposes that have been received but unspent as of the year end:

	2018	2017
Columbia Basin Trust - theatre upgrade grant	\$ 21,970	\$ -
Employment and Social Development Canada Seniors Grant	-	5,529
Rural Dividend research grant	-	9,950
Culture Days corporate sponsorships	-	750
RDCK Community Investment Program - stage upgrades grant	11,917	11,917
RDCK Community Investment Program - screen based industry grant	1,351	-
Deferred box office revenues	7,601	8,653
Deferred advertising revenue	2,500	2,750
Event deposits	1,300	-
	<u>\$ 46,639</u>	<u>\$ 39,549</u>

**5. DEFERRED CAPITAL CONTRIBUTIONS**

	2018	2017
Balance, beginning of year	\$ 264,832	\$ 247,453
Additions	81,903	46,426
Less: amounts amortized to revenue	<u>( 32,913)</u>	<u>( 29,047)</u>
Balance, end of year	<u>\$ 313,822</u>	<u>\$ 264,832</u>

Deferred capital contributions are amortized on a straight-line basis over the useful life of the assets that they funded.

**6. INVESTMENT IN CAPITAL ASSETS**

	2018	2017
Investment in capital assets is calculated as follows:		
Capital assets	\$ 423,094	\$ 372,627
Less: amounts financed by deferred capital contributions	<u>( 313,822)</u>	<u>( 264,832)</u>
	<u>\$ 109,272</u>	<u>\$ 107,795</u>

**NELSON CIVIC THEATRE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**As At July 31, 2018**

**7. INTERNALLY RESTRICTED RESERVE FUNDS**

The Society may, with a Board resolution, set aside funds for a specific purpose. In 2018, the Society has one internally restricted fund as follows:

	2018	2017
Reserve fund - general capital campaign/projects	<u>\$ 84,000</u>	<u>\$ 100,000</u>

**8. FUNDRAISING, CONTRIBUTIONS AND DONATIONS**

	2018	2017
Creative B.C.	\$ -	\$ 5,000
Employment and Social Development Canada Seniors Grant	5,529	2,765
Canada Summer Jobs Grant	8,443	3,597
Columbia Basin Trust School Works Grant	-	3,694
B.C. Arts Council grant	-	2,310
Rural Dividend research grant	9,950	-
Kootenay Career Development Society wage subsidy	4,384	-
Columbia Basin Trust business planning grant	10,000	-
RDCK Community Investment Program - screen based industry grant	1,564	-
Individual donations	6,599	873
Municipal government grants	600	-
Corporate sponsorships	5,260	1,870
Fundraising event revenue	978	812
	<u>\$ 53,307</u>	<u>\$ 20,921</u>

**9. IN-KIND CONTRIBUTIONS AND RELATED EXPENSES**

In-kind contributions and expenses reflect estimated costs and the related contribution for property taxes on the Society's leased building that are waived by a permissive tax exemption received from the City of Nelson.

## 10. FINANCIAL INSTRUMENTS

The Society has some exposure to risks through its financial instruments. The following analysis presents the Society's exposures to significant risk at the reporting date, July 31, 2018.

### 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 Society is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Society does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

### Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to liquidity risk arising primarily from its accounts payable. The Society's ability to meet obligations depends on the receipt of funds from its operations and grants.

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## 11. CHANGES IN NON-CASH WORKING CAPITAL

	2018	2017
Accounts receivable	\$( 1,477)	\$( 6,719)
Inventory	( 1,695)	4,269
Prepaid expenditures	( 6,325)	( 2,015)
Accounts payable and accruals	276	( 3,681)
Government remittances payable	3,416	925
Wages payable	210	1,650
Deferred contributions	7,090	29,425
	<u>\$ 1,495</u>	<u>\$ 23,854</u>

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