

Nelson Civic Theatre Society 2018-2021 Business Plan



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1. Introduction

The Nelson Civic Theatre Society is a charitable organization with a mandate to operate the Civic theatre as a multi-use community facility. After 5 years of operation, we can claim a great deal of success. We have exceeded our initial financial projections and have become an established and integral member of the arts and culture community in the Kootenay region. We have nurtured programs that have resulted in cross-fertilization with other non-profit cultural and educational groups and we are relied upon to provide services that benefit the whole community. We have become much more than movies.

But we find ourselves at a crossroads. If we are to continue to grow and deliver the programs and services now expected of us by our stakeholders, we must achieve financial sustainability. And this we can do only if we expand our current operation. We propose to subdivide our single-screen auditorium into 3 separate spaces. In this business plan, we will demonstrate the effect of that reconstruction on our financial stability and on our ability to deliver our charitable programs.



2. Executive Summary

The founders of the Nelson Civic Theatre Society had a big idea - turn a derelict movie house into a state of the art facility that would serve a multitude of purposes. It would present a widely diverse range of film, dialogue events, family events. It would be a community gathering space, available for community use. It would further education in film and digital media. It would support the creators of film and digital media. And, it would harness the power of fibre optic and new technology to connect to the world outside our rural community, bringing opportunities for learning in and sending creative content out.

Since the theatre reopened in 2013, those nascent ideas have evolved into a series of programs welcomed by and relied upon by community stakeholders. They reach a wide range of demographics, from youth to seniors, and comprise a wide range of purposes - from reaching audiences facing barriers to fostering the growth of our rural film industry.

We are a stable operation with steady attendance since reopening in 2013 and a stable gross profit margin, taking into consideration that fluctuations in box office revenue are dependent upon the product available. But, we are not thriving. It is evident that single screen theatres cannot provide long term sustainability, and we rely on revenues from our commercial operation to fund our charitable programs.

In order to fully realize the cultural and economic impact that is intrinsic in our programs and services, we need to increase the number of theatres within our current footprint. We propose to do this by subdividing the auditorium into three screening rooms. Projections for revenues from the expansion are projected to more than double from current levels, providing our Society with surplus dollars to invest in charitable programs and services.

The total cost of the expansion is \$4.24 Million and a funding strategy is in place that includes grant applications and targeted requests from federal, provincial, regional and municipal sources. In our financial analysis, we also consider debt financing and are confident that expanded operations could comfortably repay it over 10 years. This however is not the preferred option as it will significantly restrict our ability to fulfil our charitable mission.

3. Vision, Mission and Values

Vision

The Civic Theatre is a vibrant force in enriching the treasured culture of our community.

Guiding Words

Entertain, Educate, Connect, Communicate

Mission

The Nelson Civic Theatre Society (NCTS) operates The Civic Theatre, a non-profit cultural media arts centre dedicated to: presenting and promoting film as a cultural and economic force in our society; advancing education about film and digital media; and, through the power of technology, offering our city and region a greater role to play in a global community.

To fulfill our mission we have a mandate to:

- Program a wide range of cinematic features that respond to community interests.
- Protect, preserve and improve The Civic Theatre as a venue for cinematic and live cultural experiences, and for other educational and community-building programs and events.
- Support local film, digital media and their creators, and encourage the study and appreciation of film as an art and as a medium for information and education.
- Create an information and communications technology hub that provides our rural community the means of engaging with and participating in a global community.
- Partner with other organizations, institutions and individuals to create synergy and grow community capacity.
- Ensure the long-term financial sustainability of The Civic Theatre in order to invest in the future of our community and, in particular, its youth.

Values

- Our programming reflects our community's diversity and culture.
- We provide a fulfilling and respectful working environment for our staff and volunteers.
- Community input, dialogue and volunteerism are essential to our operation.
- We strive to be innovative and entrepreneurial, a catalyst to local thought leaders as they contribute positively to the digital world.
- We foster a spirit of collaboration and endeavour to complement the goals and programs of other community groups and organizations.

4. Goals 2018-2021

Over the next 3 years, NCTS will focus its energies on 4 strategic goals.

1. Building community
2. Focus on excellence in program and service delivery
3. Foster the growth of our rural film industry
4. Increase resiliency in our organization

Strategic Goal 1:

Building Community

NCTS is committed to making a significant contribution to enhancing quality of life for people in our community, to building relationships between generations, removing isolation and other barriers in our community and to continue to act as a cultural leader.

To achieve this goal, we will:

1. Continue to develop partnerships with community groups, supporting their dialogue, fundraising and audience development/engagement goals. We will build on our leadership in encouraging programs that improve community engagement, like Culture Days¹ and the Nelson and District Arts Council's Rural Artists Support Weekend², and embrace opportunities to work with partners on cultural events.
2. Develop programs for both youth and seniors. The programs will offer meaningful opportunities for engagement and involvement of these two demographics, decreasing isolation, increasing dialogue, and encouraging intergenerational projects and programming. Current efforts like the ReelYouth Festival³ and Films with Friends pre-screening meetups⁴ are deepening our connection with these audiences.

¹ Each year, Culture Days weekend features thousands of free, hands-on, interactive activities where the public can discover the world of artists, creators, heritage experts, architects, curators, designers and other creative professionals in their communities. The Civic Theatre shows free films and makes our space available to several other cultural providers over this weekend in September each year.

² This symposium provides an opportunity for local artists to gain business knowledge and skills.

³ This festival screens short films made by young people under 20, and tours in partnership with youth media organisations, high schools, community groups and other established film festivals. Its tour kicks off at the Vancouver International Film Festival and goes across Canada and around the world.

⁴ With a goal of decreasing isolation among community members, patrons meet before a movie for a social hour before going to the film together.

3. Upgrade our technical space and customer service for renters ensuring a professional and seamless experience for all events, from film screenings to live music and circus performances. The Civic Theatre will be seen as an excellent venue to produce live music recordings, and a space that can accommodate a wide variety of venue uses.

Strategic Goal 2:

Focus on Excellence in Program and Service Delivery

The Civic Theatre's goal is to be a pre-eminent community engagement point, with programs and services reaching a wide range of demographics, making special effort to reach audiences facing barriers.

To achieve this goal, we will:

1. Deepen and diversify our programming to meet the interests of our community. This translates into screening high demand on-the-break films in addition to a regular schedule of independent, documentary, international and family fare.
2. Explore virtual and augmented reality experiences for entertainment, training and therapeutic purposes. We will stay current and apprised of technological innovation in film and divergent media, and continue to look for ways to use new technology to benefit local audiences and needs.
3. Build on the success of virtual and in-person dialogue events for both community renters and our own events to online audiences. Examples of the latter include the recent Smart Cities webinars (2018)⁵, and plans for presentation of the Disruptive Innovation Festival (2018)⁶ and TEDxNelson (2021)⁷.



⁵ The Civic Theatre and the City of Nelson hosted two free webinars offered by the Intelligent Community Forum about the Smart Cities concept, in partnership with the Province of British Columbia, on February 15, 2018.

⁶ The Disruptive Innovation Festival (DIF) is an online, open access event that asks the question: what if we could redesign everything?

⁷ TEDx supports independent organizers who want to create TED-like speaker and presentation events in their own community.

Strategic Goal 3:

Foster the Growth of our Rural Film Industry

The Civic Theatre is home for the creation and support of screen-based and other artistic projects, with a growing reputation as a place that nurtures artists and new artistic work.

To achieve this goal, we will:

1. Provide a home for Kootenay film through our venue, programming, research, education events and kootenayfilm.com⁸. As a result of our efforts, the local Kootenay Film Industry will see success and growth year after year, including more locally made films and other screen-based content and more collaboration between local Screen-Based Industry (SBI)⁹ professionals.
2. Mount an annual Kootenay Film Festival supporting the creative and economic goals of the local SBI sector, including growing the opportunities for local filmmakers to screen their work while networking with industry professionals from other places.
3. Research the needs of the local screen based industry for services like post-production facilities, equipment rentals, and other priorities as they arise.
4. Cultivate our residency program for artists and companies developing content, offering our stage during the daytime as a developmental lab space. As a result, more art is being created and nurtured in Nelson than ever before. As a commissioning partner on these projects, we will establish a local and broader-reaching reputation as a place to develop cultural content.



⁸ Kootenayfilm.com is an online marketplace and networking site for the regional film industry, currently under development by NCTS.

⁹ "Screen-based industry" denotes workers in the areas of film, television, video, and divergent media.

Strategic Goal 4:

Increase Resiliency in our Organization

Our goal for the next 3 years is to continue on the path of strengthening and building our organization.

To achieve this goal, we will:

1. Aim for greater consistency and effectiveness in marketing and communication with our audiences, across all our media from our website functionality to our in-house signage. Focus on a substantial increase in our box office and concession income lines through a combination of more diverse programming, great incentives offered by our membership and CivicPoints programs, and our thorough understanding of our audiences' interests, tastes, and purchasing patterns.
2. Launch a Community Box Office. With expanded opening hours for our physical box office and the capacity to sell tickets at any time, we can offer a service to third-party clients and generate a new source of commission income. Implement payment by credit and debit card, as well as cash.
3. Ensure concession performance meets or exceeds industry standards. Strive for service to be efficient and consistent. The purchase of a venue liquor license will optimize concession performance; after capital expansion, at least one theatre will be designated 19+ so that alcohol can be served during regular screenings.
4. Build membership. Our newly implemented ticketing software system allows us to offer an incentive program for film-goers and enables us to gather demographic and purchasing information about patrons enrolled in the program (including members), so that we can make better pricing and marketing decisions. We will make membership more attractive because of its discounts and other tangible benefits. Our communication with members will be consistent, contributing to a high rate of renewal among members.
5. Focus on staff training and retention to ensure consistency in programs and services across all areas of our work. Staff turnover is minimal in our management and can be anticipated within our youth workers. Youth learn skills that will serve them well in workplaces after they graduate from high school.



5. Capital Expansion

The addition of more theatre spaces is essential for growth for 2 reasons:

- financial sustainability
- development of programs and services

Financial Sustainability

In order to thrive, we must achieve financial sustainability. A review of NCTS financial statements for the past 3 years shows that, operating with a single screen, we are at best break even. Single screen theatres are no longer viable. This was borne out in *Out of the Interior*, a 2017 documentary about single screen theatres in the BC interior. The Salmar in Salmon Arm and the Civic in Nelson were the only non-profits in the group. All the others earned no more than a moderate, even meager, living for their owners. Salmar has thrived because, apart from its Classic single screen theatre, it built a stand alone multiplex. Multiple screens offer flexibility in programming; the ability to dedicate a screen to a new release for a sometimes protracted period dictated by distribution studios; and cost efficiencies.



Major constraints on a single screen theatre are twofold:

1. Negative impacts of scheduling films on release.
2. Lack of flexibility in programming and services - in film offerings, in availability for community use.

On a film's opening, most studios take a 55%-64% share of box office receipts and impose strictures on the length of time a film must remain on the screen. There is often an additional restriction of showing only that film in that time period. This negatively impacts net revenues if the film does not do well. It also means disrupting regularly scheduled alternate programming like our Thursday art film, which has a loyal following (and thus disrupting patron habits); and, it means turning down community rental requests.

Our model from the beginning has been to book a film a few weeks after release, except for highly anticipated blockbusters. This “late” release has meant relaxed terms of 35% to 40% and fewer restrictions on the length of time the film has to remain on screen and on splitting the time period with another film.

For the most part, the model has worked, with a major caveat: the younger demographic has shown itself unwilling to wait for a late release. Financially, we lose market share on every release aimed at that demographic if we wait. From a social impact perspective, *we are failing to provide a service the community is demanding*.

Add to that increasing stringencies from large studios in the length of time a film has to stay on the screen. Disney, which represents 33% of our box office gross, used to demand a 7-day run for a film opening on release. They now demand 3-week minimum exclusive runs; ie, we cannot show any other film on our screen during the run.

There are times when we cannot afford to wait to screen a film. The financial consequences, in loss of market share, would be too great. The *Star Wars: The Force Awakens* release in December of 2015 is an example. The studio required it be shown for 4 weeks and that no other film be shown on our screen at the same time. We were extremely successful with that film, with an average 60% occupancy over the entire 4-week run, which included lesser attended daily matinees and weekend late-night slots demanded contractually by the distributor. However, our success resulted in an unexpected and unwelcome consequence - the demand by that distributor, and others, that we keep films on the screen for increasingly longer periods, both for newly released and for older films. Please see Appendix A: *The Life of a Film: An introduction to film distribution*.



Photo left: Hon. Michelle Mungall MLA and patron Chelsea Rose McQuillan at The Civic Theatre.

Development of Programs and Services

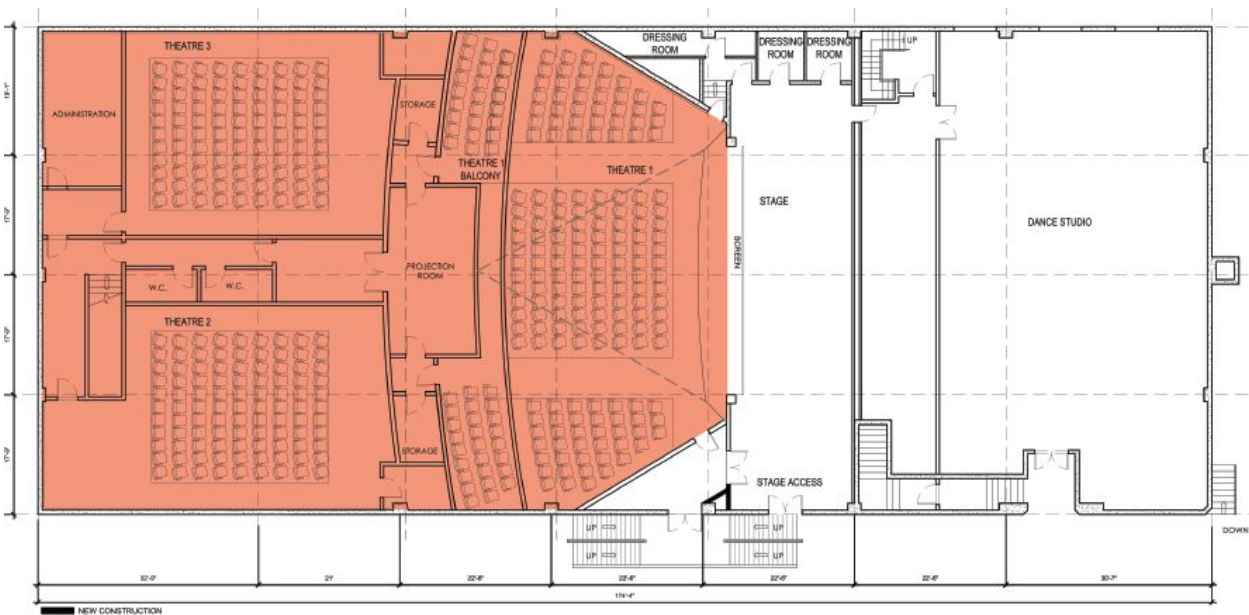
As a charitable organization, our central goal is to serve the needs of our community. We would like to fill our space with programming that entertains, educates and inspires. While our screen is booked in the evenings, our daytimes are frequently dark. However, as noted above, our space is often restricted during the daytime by distributors who lay claim to our entire auditorium on the day that their film is being presented. During those times we can focus only on programming that is not public, such as rehearsals, webinars and courses. It's a frustrating restriction when we know we could do so much more. We have had to turn down prospective rental clients and co-presentations with other area presenters and have had to pass on opportunities for webinars and workshops.

In summary, from the perspective of financial sustainability, we need a *minimum* of 2 screens; the third theatre space would allow us to introduce additional revenue streams. From the perspective of programming and fulfilling our mission, we need all three spaces. All three theatres will be used to deliver programs and services. An example of what a three-screen venue will achieve is in Appendix B: *The Civic Theatre: a venue projection for one month utilizing three spaces*.

Project Description

We propose to divide our 306-seat auditorium into 3 separate theatre spaces, as shown in the conceptual drawing below. Optimally, doing the work in a single phase would be the preferred method of proceeding. It would cause fewer disruptions to ongoing theatre operations and would effect cost efficiencies.

Should funding not allow that, we would divide the work into 3 phases. Phase 1 would necessarily incur the greatest cost as it would include infrastructure work for all 3 phases. Two theatres are essential to our survival as a charity. Three theatres give us flexibility to fully realize our charitable mission. Therefore, our 3-year goal is to complete all 3 phases before the end of 2021. We estimate an 20 month design and construction timeline. Construction will necessitate a 3-4 month shutdown for Phase 1, which would be scheduled during lean months. Our target for shutdown is February-May 2021. Theatre 1 would then reopen and remain in operation during Phases 2 and 3. This timeline, which would cause the least disruption means a start date for design of March of 2020. It also means that funding confirmation for Phase 1 must be in place by January of 2020.



Phase 1

A partition at the existing cross aisle will form the back wall of Theatre 1, which will remain the main auditorium with approximately 220 seats in the orchestra section and an additional 60 seats in a newly constructed balcony. The existing projection booth will be demolished and a new sound and light booth constructed over the cross aisle behind Theatre 1. The lobby will be upgraded with an elevator, new washrooms, box office and patron services desk and new finishes throughout. Essential infrastructure work throughout the theatre will be completed in preparation for Phases 2 and 3.

Phase 2

One of the existing rear sections will be enclosed to form Theatre 2. Two new washrooms will be installed in the corridor between Theatre 2 and Theatre 3.

Phase 3

The other existing rear section will be enclosed to form Theatre 3. Temporary administrative spaces will be built into the back of the theatre.

As programming develops beyond year 3 and, as the screen-based industry grows, we will continue to analyze and develop plans for production and studio equipment as needed by this sector, which may be incorporated across all three of our spaces, depending on where it is best suited.

Photo right: Installing our retractable screen in 2017.



Rehabilitation Costs¹⁰

Phase 1	Theatre 1 & Lobby	280 seats	\$2,248,500
Phase 2	Theatre 2	80 seats	1,283,250
Phase 3	Theatre 3	60 seats	768,250
Total			\$4,300,000
Total if 3 phases done simultaneously¹¹			\$4,240,000

Please see Appendix C or Conceptual plans for the capital expansion.

Please see Appendix D for Design and construction timelines and cash flow estimates.

¹⁰ The table summarizes the total project cost associated with each of the phases. The project costs assume a 2020-21 construction period and include hard construction costs, consultant and design fees, theatre equipment, other furniture, fixtures and equipment and a contingency.

¹¹ If all 3 phases were done together, there would be a \$60,000 savings on construction overhead and mobilization. There would also be less disruption to theatre operations and the ability to program more diverse content more quickly, leading to increased revenue generation sooner.

Project Impact

Financial Impact

The gross profit margin (GPM) projections for both a 2-screen and a 3-screen operation show a significant improvement in operational efficiency with a rise in gross profit of 99.6% for a 2-screen theatre and 167% for a 3-screen.¹² The two-screen revenue projections were built by virtually programming, over the course of 2016, the actual titles we would have shown had we the two-screens, measured against market results of other cinemas reported to Rentrak and past results on our own screening of films of similar demographic and genre appeal. The projections for a 3-screen scenario were compiled using a similar process for the last 4 months of 2017 and projecting a full year based on our own box office cash flow (process is detailed in Appendix E).

As detailed in our financial projections, we are confident that our net profits will enable us to build out our charitable programming even with the assumption of a loan repayment, should that be the course we pursue.

Gross Profit Margin: Comparison between 1, 2 and 3 Screens

	2016/17 Single Screen (Actuals)	2 screen scenario	3 screen scenario
Income			
Box Office Gross	\$330,557	\$570,828	\$678,666
Concession Gross Sales	\$157,819	\$285,414	\$376,797
Theatre Rental	\$19,358	\$19,500	\$39,260
Screen advertising	\$6,310	\$15,000	\$20,250
Total Income	\$514,044	\$890,742	\$1,114,973
Cost of Goods Sold			
Box Office COS	\$196,318	\$333,415	\$379,398
Concession COS	\$51,557	\$66,515	\$86,047
Theatre Rental COS	\$6,441	\$6,291	\$12,341
Advertising COS	\$3,000	\$3,750	\$5,063
Wages & Benefits Hourly	\$70,589	\$109,158	\$134,702
Total Cost of Goods Sold	\$327,905	\$519,129	\$617,551
Gross Profit	\$186,139	\$371,613	\$497,422
Gross Profit Margin	36%	42%	45%

¹² These numbers are conservatively consistent with the research of the Art House Convergence National Audience Survey (Ref: NCTS Business Plan, Appendix I, National Audience Survey, page 30).

Social Impact

A second screen will ease many of the strictures we face with our own programming but will likely have little impact on our ability to make the venue available for greater community use and thus on our ability to show significant growth in our charitable programming. The biggest benefit of the second screen will be our ability to show more films on release, keeping Nelson audiences in town, particularly our younger demographic, who have shown little patience in waiting for a late release. However, the recent growth in more stringent demands from major distributors translates to a certainty that we will have to hold films on each of two screens exclusively for longer periods of overlap. We will see little change in our programming of alternative limited release screenings, documentary and independent/international/art house films. We have seen significant attrition in our audiences for this content in the past two years because we cannot guarantee consistent alternative programming from week to week.

A third screen will help us achieve consistency and will enable us to increase the number of times that we can screen a film that largely depends on word of mouth to build interest. Most importantly, the schedule will open up for our charitable programming. Content will rotate from the main-screen to one of the rear auditoriums to allow for live-music and other presentation events in our main auditorium, while still honouring distributor terms.

With the demand on our venue diffused across our three spaces, The Civic Theatre can finally become the multi-faceted, future-forward media arts centre that we envision. The addition of a third theatre would allow us the space to develop other programs and services aligned with our charitable mission, including our recently-launched artists residency program, and greater exploration surrounding the use of fibre optic internet for learning and collaboration with communities and artists in other places.

With more spaces, our programming opportunities expand exponentially: we can accommodate more rental clients, engage more co-presentations with other area presenters, and consider many other presentation and programmatic opportunities, such as offering a virtual reality lounge or daytime films for families on school breaks. We can begin to have regularly scheduled and publicized classes on the same days as films are being presented, partnering with organizations like Learning in Retirement and Selkirk College's Digital Arts and New Media and Professional Music programs.

In short, the completion of all three phases will finally give us the means of fully building out our charitable program, as detailed in *Programs and Services* (Page 20). By developing and presenting a wide variety of arts and culture offerings that meet the interests of a diverse community, we will have created a cultural space that enriches our community. And, through harnessing the potential of fibre optic and new technology, we will have created new opportunities to bring entertainment and knowledge into our region and developed content that we can send out to the world.

Project Funding

Our campaign schedule is planned in two distinct phases: Major Grants and Community Fundraising.

NCTS Capital Campaign Gift Table 2018-2020

Gift Levels	Gift Range	No. gifts required	No. prospects required	Subtotal	Cumulative	%	Prospect Information
Phase 1: Major Grants							
Investing in Canada (BC) program	\$3,000,000	1	1	\$2,717,000	\$2,717,000	64%	
Columbia Basin Trust	\$300,000	1	1	\$300,000	\$3,017,000	71%	
Heritage BC	\$75,000	1	1	\$75,000	\$3,092,000	73%	
Total Phase 1: Major Grants				\$3,092,000			
Phase 2: Fundraising (note 1)							
Other government grants	\$10,000-\$100,000	4-12		\$300,000	\$3,392,000	80%	
Theatre 1 naming rights (sponsorship)	\$150,000	1	70	\$150,000	\$3,542,000	84%	Large business with local interest, foundations with capital campaign programs
Theatre 2 naming rights (sponsorship)	\$100,000	1		\$100,000	\$3,642,000	86%	
Theatre 3 naming rights (sponsorship)	\$100,000	1		\$100,000	\$3,742,000	88%	
Corporate and Foundation (grants or sponsorship)	\$10,000-\$50,000	4-20		\$220,000	\$3,962,000	93%	
Major Individual Gifts 1 (donations)	\$5,000	12	40	\$60,000	\$4,022,000	95%	Local businesses and individual prospects
Major Individual Gifts 2 (donations)	\$1,000	30	60	\$30,000	\$4,052,000	96%	
Community Giving (average giving)	\$100	500	3,000	\$50,000	\$4,102,000	97%	
Fundraising Events				\$54,000	\$4,156,000	98%	
Total Phase 2: Fundraising				\$1,064,000			
NCTS Savings (restricted for Capital)				\$84,000	\$4,240,000	100%	
Total Project Cost (estimated)		549-573	3,173	\$4,240,000			
Note 1: We have received a \$1 Million line of credit from the City of Nelson, which is available to us for this project. Phase 2 represents our effort to minimize borrowing.							

For a campaign of \$4.24 Million, we will begin with Major Grant prospects. This includes, Provincial, Regional, and Municipal requests. The expectation is that this phase will fund 73% of our campaign goal. As of the end of January 2019, we will have applied to all three of these major prospects.

With our Phase 1 requests complete, we will proceed to Phase 2 (Fundraising) of our campaign schedule. This will be the stage at which we will apply to smaller government grant programs and begin to contact corporate and foundation prospects that have the funds and propensity to give significant donations or purchase time-limited naming rights (sponsorships) within our venue. We will also approach and communicate with our community through direct mail and email, prospect cultivation meetings, frequent public updates on our status, and fundraising events. We feel confident in our ability to fundraise locally as we have had successes in both 2012-14 when we raised \$250,000 from community donors to re-open the theatre, and again in 2016 when we raised more than \$30,000 in only 6 weeks to purchase a new screen and theatrical stage drape. Our goal for this phase of the campaign will be \$1,064,000 or 25% of our goal by 2020. The final 2% of our campaign will come from NCTS savings earmarked for capital upgrades.

The City of Nelson has approved a \$1 Million Line of Credit for us, which we could use instead of raising this full amount. Our cash flow projections in Appendix K show that we can carry debt up to this amount, but we are looking to borrow less and raise more.

Phase			potential sources of funds (options)				
	Description	Cost	Major Grants	Financing (LOC)	Fundraising	NCTS Fund	Total
Phase 1	Detailed Plans	374,250	374,250				374,250
	Theatre 1 & Lobby	1,888,500	1,684,500	200,000	204,000		1,888,500
	FFE	160,000	140,000	100,000		24,000	164,000
Phases 2&3	Building Theatres 2 & 3	1,647,250	893,250	700,000	754,000		1,647,250
	FFE	170,000			106,000	60,000	166,000
	TOTAL	4,240,000	3,092,000	1,000,000	1,064,000	84,000	4,240,000

6. Overview

Background

The Civic Theatre opened in 1935 as a live performance venue within the Civic Centre. The following year, it was converted into a film theatre and was in continuous use as a commercial operation until September of 2010, when it was closed. It remained closed for two years. In April 2012, a Nelson mother issued a rallying cry to save the theatre, and it galvanized our community. By June, 4,000 signatures in support had been



gathered, and the Nelson Civic Theatre Society was founded. In October of 2012, the NCTS submitted to Nelson City Council a feasibility study and business plan and succeeded in signing a 20-year lease with a 10-year option for renewal. The following months were focussed on raising funds to rehabilitate the derelict space and install digital equipment. A regular program of screenings and events began in June of 2013.

From its inception, the NCTS has operated with a set of purposes intent on building community. Its model has been to use box office revenue to support programs that engage community and respond to its needs and interests. In our short history, we have offered support to more than 50 community organizations through affordable rentals, advertising, free and subsidized webinars, and complimentary tickets and technical advice. In 2016, we attained charitable status.

For our first 1 ½ years, we operated without an Executive Director and relied on volunteers for a range of roles and responsibilities - projectionist relief, building maintenance and improvements, website development, technical and technological upgrades, marketing, membership, concession and box relief, ushering. Volunteers have been critical in building our community theatre. However, by mid 2014 it became apparent that the lack of staff resources was limiting our ability to further our mission, and that we were headed to volunteer burnout. A decision was made to hire an Executive Director in full knowledge of the strain that would put on our financial resources in the short term. On the plus side, over the last three years we have achieved substantive growth in organizational structure and program and service development. We are now at a point where we are sufficiently stable in our operations and strong enough in our program and service delivery to expand.

Our Successes

2013-2018

Reopened the theatre with new digital equipment

Fully renewed our concession

Installed fibre optic internet

2014 Newsmaker of the Year, Nelson Star

2015, 2016, and 2017 Platinum and Gold Best in Business Awards from Kootenay Business Magazine

2017 nomination of Eleanor Stacey for Women of Influence Award, Kootenay Business Magazine

2017 finalist for the Nelson and District Chamber of Commerce Hospitality and Tourism Excellence award

2018 finalist for the Nelson and District Chamber of Commerce Nonprofit of the Year award

Launched the **Kootenay Screen Based Industry initiative**

Purchased a new retractable screen & theatrical drape

Presented our first **film festival (Kinesis)** featuring close to 40 locally-made pieces

Added significant sound and lighting upgrades

Enrolled 3,000 founding members

Employed more than 50 youth

Engaged more than 400 volunteers

Created job roles for more than 20 local people

Added \$670,000 in capital improvements

Maintained a paid membership of close to 1,000 members

Logged more than 20,000 volunteer hours

Welcomed 180,000 visitors

Presented 2,000 screenings of 700 films

Live-streamed diverse content from around the world

Facilitated 100 affordable community rental events

"Our future success starts with a home for these new activities and gatherings: a centre that connects physical space to digital space"

Awarded two \$500 awards to L.V. Rogers High School Graduates

Started initiatives to engage youth and reduce isolation among seniors

Launched an **artists residency program** to support the creation and development of new work in our space

Helped **50+ community groups** helped through ticket donations and venue subsidies

Built relationships with more than **60 business partners**

Programs and Services

In all of our programming, we focus on mission delivery.

Film Presentation

In contrast to a for-profit theatre, our film programming encompasses a diverse range from commercial new releases to cult classics, live performance on screen, documentaries and festival content, international selections, independent films and local work. The income derived from presenting commercial films enables us to take greater risk in presenting limited releases and independent content.

Photo right: Dancescreen film Aleksander Ekman's *A Swan Lake*



A Centre for Dialogue

We partner with local organizations to foster discourse on key topics of local interest. Recent free events include the Kalein Hospice Society's Liminal Learning Lab¹³, Nelson and District Arts Council's Rural Artists Support Weekend¹⁴, and the Disruptive Innovation Festival¹⁵ sessions (sponsored by the Kootenay Coop) on agricultural innovation and the circular economy. We also proudly presented the 2016 livestream of the Banff Centre for Arts and Culture's Truth and Reconciliation Summit.



Developing the Kootenay Screen Based Industry Sector

Since May 2016, we have been growing our commitment to the region's screen-based industry workers. Beginning with the establishment of monthly meetups and quarterly open screenings at The Civic Theatre, and the launch of kootenayfilm.com, we have continued to grow our Facebook *Kootenay Screen Based Industry Workers* group (now at 308 members), and focus on offering content through that group and our meetups that supports networking and education for people in this local sector. Our work is now growing faster thanks to the addition of an SBI Community Coordinator to our team in November 2017.

Image left: Sherpas Cinema's short film *Imagination*.

¹³ This 4-day event explored death, grief and loss through a multitude of presentations and interactive sessions.

¹⁴ A free weekend symposium featuring speakers from the business community, in an effort to help local artists to improve their business practices.

¹⁵ A global online event, bringing together entrepreneurs, designers, industry, makers, learners and doers to explore and respond to the changing economy.

Developing a Kootenay Film Festival

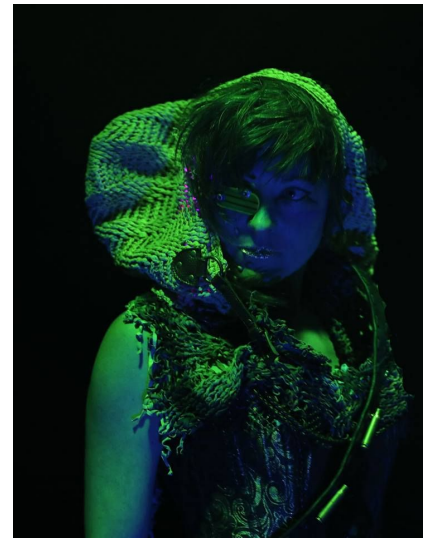
In September 2017, we staged our inaugural film festival event, entitled *Kinesis: A Celebration of Kootenay Film*, bringing 39 film pieces by Kootenay filmmakers to our screen, a wide array of professional development sessions and panel discussions, and a one-day Open Space session to consider opportunities for the future of this local sector. *Kinesis* also debuted *#FermentingAwesome*, The Civic's own signature beer ad competition featuring pieces about local breweries, which in 2018 grew into a stand-alone regional microbrewery ad festival called CBCB (Craft Brews of the Columbia Basin), now planned to be an annual event.

A report on the Screen-Based Industry Sector and Kootenay Film Festival initiative to date is included in Appendix G.

Developmental Residencies

Program development is underway to offer single and multi-week daytime residencies on our stage, enabling filmmakers and multi-media artists to further the developmental process of a creative project. Our residency vision is unique because of the focus on using fibre to connect a project in our rural community to collaborators elsewhere. This may support a local artist, or an artist from elsewhere retreating to Nelson to develop their work, while still having the opportunity to collaborate and communicate with others. We offered our first residency opportunity to award-winning local filmmaker Jonathan Robinson in March 2018, who used our auditorium stage and lighting to produce a new music video.

Photo right: Dancer Amanda Lynn, from Jonathan Robinson's video shoot on The Civic Theatre's stage.



Free Annual Signature Family-friendly Events

The Civic Theatre is a community gathering space. This is in evidence before and after every film, when socialization among patrons keeps the lobby full. And it is equally in evidence at our free community events that are enthusiastically attended: *Home for the Holidays Winter Celebration of Family and Friends*¹⁶, the *Zombie Walk*¹⁷, and *Culture Days* at The Civic.

Photo left: Jason Asbell leads the 2015 Zombie Walk

Co-presentation and sponsorship of events by local charities and nonprofits

¹⁶ In early December, this free all-ages family event invites audiences to join us for an afternoon of classic films and a visit from Santa. We collect food donation for The Food Cupboard as well.

¹⁷ With the help of a crew of volunteer make up artists, the undead mob is created in our lobby, then led through the downtown core by a New Orleans Funeral band (Courtesy of the Oxygen Orchestar) before returning to the theatre for a free and ghoulish film.

This is a service that builds community capacity by providing local groups the means of presenting fundraising, awareness and community-interest events like school and service group fundraisers, free informational events on wildfire or avalanche awareness.

Rental of our space to community groups

The rental program offers our venue to local presenters to hold their own film screenings, live music events, and other content on our stage. We keep our rental rates affordable to ensure local accessibility, while ensuring that they result in a profit margin that supports NCTS' other programs and services.

Civic Theatre's Youth Initiative

The initiative has three goals:

- Develop and encourage screen-based youth projects and deepen youth appreciation and engagement surrounding film and screen-based media;¹⁸
- Supplement and support other youth programs, education, and organizations in our region.
- Offer valuable employment and entry-level workplace training to local youth each year in our concession and box office.¹⁹

Seniors Engagement Program

This program focuses on decreasing isolation and engaging in dialogue and community building. We offer ongoing volunteer opportunities within NCTS including ushering, membership and patron services (multigenerational), and opportunities to support and develop engaging community programming, like the 2017 presentation of *Chicken People*, which was curated by a group of seniors. We also offer the weekly *Films With Friends* pre-movie coffee meet up geared towards welcoming people who don't come to movies because they don't want to attend alone.



¹⁸ Following our first Youth Film Festival (in partnership with Self-Design High School) in 2015, we are now working with more than 60 youth and educators towards building youth audiences and developing locally-created content to contribute to the touring ReelYouth film festival, which we plan to host annually going forward.

¹⁹ We employ up to 15 teens in the box office and concession, as well as in up to 3 seasonal administrative roles.

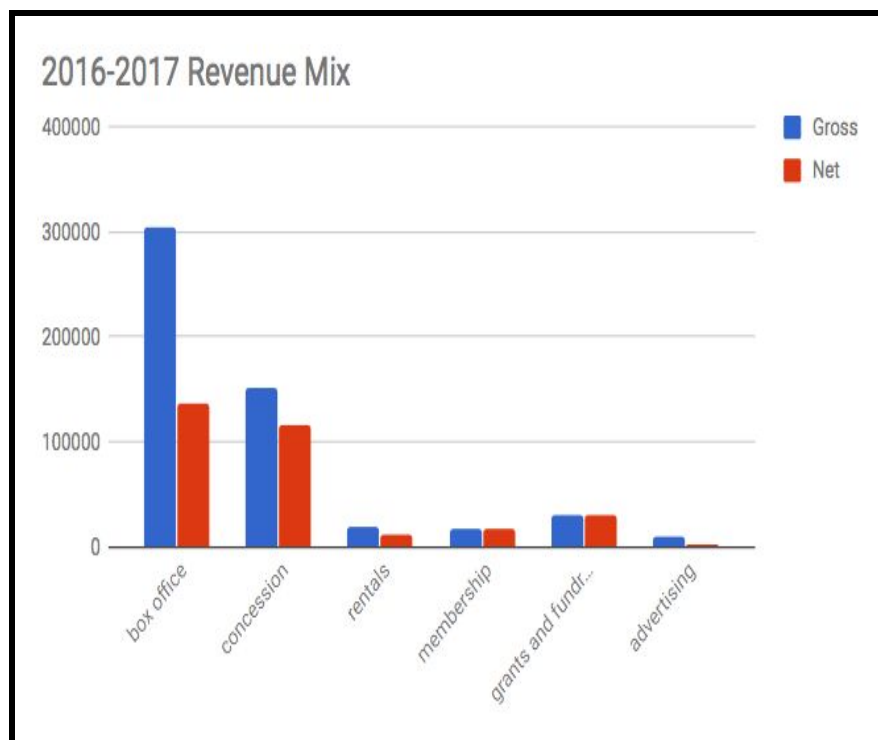
Theatre Operation

It is difficult to compare our operation to industry standards because our purposes are so different from a for profit business. As a registered charitable organization, we program for the social good and include in the mix offerings that are not expected to meet margin but that are meeting community demand. Nevertheless, because our revenues fund our charitable programs and services, we strive for operational efficiency and monitor our business operations carefully.

Revenue Mix

The chart below shows the revenue mix for our fiscal year ending July 31, 2017. In gross income, box office is the greatest revenue generator. However, when we look at net income, the importance of concession as a revenue generator becomes evident. Profit margins for box office are 45% compared to 76% for concession. We have focussed on optimizing our concession margins and have grown them to this level from 57% in our 13/14 fiscal year (our first full year of operations).

Industry statistics use per capita to measure concession performance. In 2015, the average for the top 5 North American cinema exhibitors was \$4.38 per capita.²⁰ In 2016, we matched that figure. Further improvements in our performance, as outlined in Goals, are a strategic objective.



²⁰ North American Cinema Exhibitors Report 2016

Attendance

Attendance has been steady since we re-opened the theatre, particularly in light of the disruptions to regularity in programming caused by increasingly stringent restrictions by the studios on the length of time a film must be shown. Disruptions include our inability to accommodate community rentals or to include alternative content in our programming mix. These are issues we face with a single screen theatre.

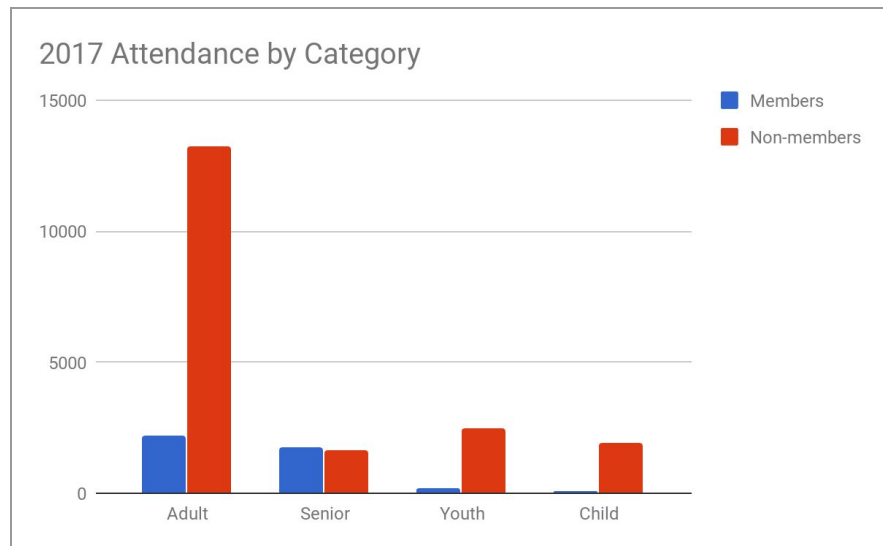
It should be noted that the higher occupancy in 2013 can be attributed to pent-up demand and the excitement in our community for the theatre reopening.

ATTENDANCE	2017	2016	2015	2014	2013 (7 months)
# of Films	130	150	163	132	83
# of Screenings	402	481	469	407	228
Attendance	34,706	39,971	39,813	34,643	22,693
% Occupancy	28%	27%	28%	28%	33%

Members

Of total attendance in 2017, members account for approximately 17% of ticket sales. (It should be noted that, until now, online ticket sales which represent 20% of the total were not categorized. With the implementation of a new POS system, we will be able to do so going forward.) This represents 7.4 visits per year, which compares favourably with industry averages of 4.1 times a year.²¹ A

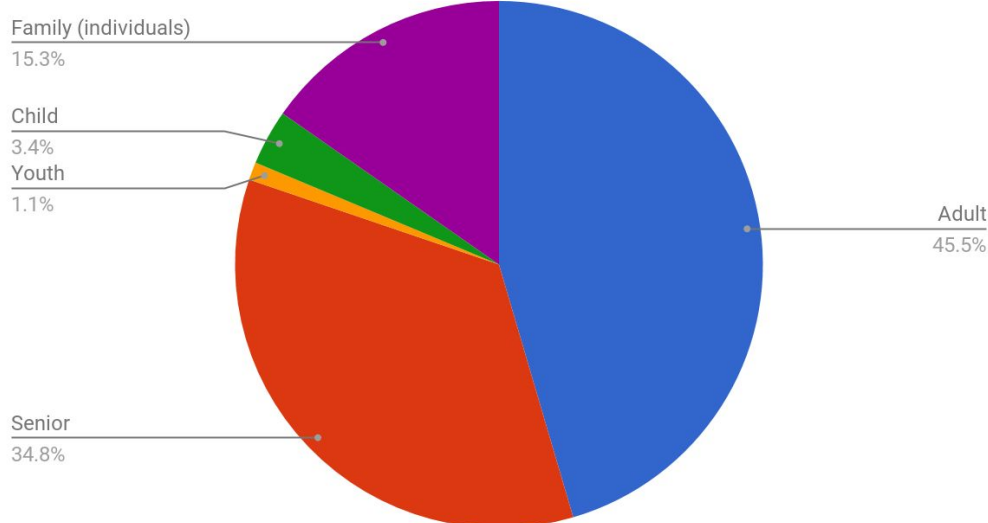
strong membership is important on many levels. Members provide stable financial support in the frequency of their visits. They provide support for our charitable goals. They form the basis of a very strong volunteer network, without which we could not provide the level of service that we do. We currently have 1,041 members.



²¹ Motion Picture Association of America 2016

It is interesting to note that, though seniors accounted for 9% of ticket sales in 2017, they represented 34.8% of our membership. This is a demographic that we rely on heavily for volunteer participation at all levels in our organization. It is also a demographic for which we aim to provide greater services in the next three years.

2016 Membership by category



Performance Metrics

We measure performance through monthly review of Gross Profit Margin (GPM) and other Key Performance Indicators (KPIs) related to operational efficiency.

GPM has been relatively stable. Box office income from commercial films varies according to the product available to us.

Gross Profit Margin				
	2014	2015	2016	2017
Total Income	442,040	439,607	515,172	488,376
Total Cost of Goods Sold	255,444	265,602	323,807	308,179
Gross Profit	186,596	174,005	191,365	179,112
Gross Profit Margin	42%	39%	37%	37%

Other key operational metrics include concession sales: box office sales and concession COS:concession sales and net revenue (box+concession) per patron. The Dashboard of KPIs is in Appendix H.

7. Market Analysis

The Civic Theatre is located in Nelson's downtown core, which is a shopping, entertainment, and service centre for Nelson and area. Residents have easy access to our venue and a viable entertainment option every night of the week. The Nelson business community has also shown great support for NCTS as we keep residents and their spending dollars downtown.

Industry Trends

The North American Cinema Industry

The North American cinema industry has proven to be generally stable over the last 25 years.²² In 2015, it achieved record numbers for box office revenue which, in turn, increased concession revenue and improved margins. This result can be attributed to several factors and trends in the industry. After peaking in 2002, attendance generally began trending downwards at a decrease of 1.3% a year. The decline has been attributed to technology and alternative forms of delivery and content. An exception to the downward trend are the years with mega blockbusters. Consequently, major cinema chains took several measures to correct the trend:

- Upgrading theatre spaces with enhanced offerings like luxury seating with reclining seats
- Raising ticket prices
- Introducing alternative content like e-sports, concerts, corporate events
- Introducing options complementing the movie experience like in-theatre dining with beer and wine

While we are a completely different model than a for-profit commercial enterprise, it is interesting to note that, with our diverse programming, we have maintained steady attendance over the past 5 years.

The Art House Convergence

In their 2017 field-wide National Audience Survey²³, the Art House Convergence shows how our model is neither new nor untested. The 132 organizations that comprise this group are not commercial entities - they are independent nonprofit organizations, many of whom have stories that parallel ours, and who offer similar content, programs and services in their communities, and face many of the same challenges and decisions that we do, including how to balance content with distributor restrictions in place, upkeep, repair and renovation of historic cinemas, and a deep mission-based interest in offering meaningful outreach and adjacent experiences to their audiences and communities.

²² Motion Picture Association of North America. More details can be found in Appendix I: North American Cinema Exhibitor Report.

²³ This survey can be found in Appendix I.

This survey shows:

- Art house theatres are experiencing upward trends in attendance and revenue.
- Patrons are engaged and feel strongly that art house theatres bring value to their communities.
- Operating margins are generally higher than comparable non-cinematic arts organizations.
- Art house theatres depend on an average of 49% of their revenue to come from contributions from individuals, foundations, corporations and government funding (page 32).
- On average each subsequent screen added more than the income of the previous one: in other words, with a second screen, theatres saw a 105% increase in box office income, and with a third screen, they saw that same increase again (page 30).

Demographics

Our programming is diverse and we consequently cater to a wide variety of interests, but our four main markets can be segmented accordingly:

- General Adult (30-64 years old): Nelson's audiences have widely varied tastes – we have seen full houses for films ranging from *The Hunger Games* to *Ladybird* to *Awake: The life of Yogananda*.
- Seniors (65+): While many seniors are keen to see the same films as our general adult audiences, they have an amplified interest in daytime screenings. We also find that seniors make up a significant portion of our general audiences.
- Families: Parents/grandparents with young children, who are seeking an inexpensive, family-oriented entertainment experience.
- Young Adults (16-29 years old): This group is interested in seeing new action/adventure and comedy films on opening night and in the first week after a film is released.

Competitive Analysis

The Civic Theatre has been Nelson's movie house since 1935. While a few other local presenters (the Capitol Theatre, Expressions Café, and Bloom Nightclub) show occasional films, we do not see them as competition as they do not show mainstream work or multi-night runs of films. Instead, we view them as industry colleagues and active and important contributors to the local screen-based industry.

Competition for movie theatres includes the indirect competition of any entertainment alternative in the local area. In Nelson, on any night of the week this could include live performances, fundraising events, restaurant promotions, school events, hockey games, and many other things. Restaurants also present a potential complementary offering that we exploit through Films with Friends and Dinner and a Movie – both promotions that benefit both The Civic Theatre and participating restaurants.

There is additionally limited competition from in-home rentals (either from Reo's Videos or live streaming). But, as we have said before, the Civic Theatre is very much a community theatre and a social occasion for moviegoers, who enjoy an outstanding viewing experience in a comfortable and nostalgic movie theatre.

Our direct competitor for film screenings is Kootenay Centre Cinemas in Castlegar. The inconvenience to Nelson audiences of travelling to Castlegar, a roundtrip of close to 90 km, presents a great opportunity and advantage to The Civic Theatre. It is key to note that we have no desire to lure Castlegar audiences to Nelson. Our only interest is in offering a convenient location for Nelson and area audiences to see films. These are the same audiences that have come to The Civic Theatre for more than 80 years, minus the recent 2-year closure.

We are a community-oriented organization, with film screenings and programs and services that fulfill our charitable mandate and aim to support the unique social and economic needs and opportunities that present in Nelson and area. In truth, there is only a very small part of our activities that is similar to those of Kootenay Centre Cinemas. The bulk of what we do is what makes our organization unique in our region and a leader among independent not-for-profit community cinemas.



Strategy and Implementation

The Civic Theatre strives to provide fair-priced, quality entertainment close to Nelson and area residents of all ages. We reach audiences through the following avenues:

- Our marquee and posters outside our front doors and in our lobby
- Weekly newsletter to more than 2,700 subscribers
- Social media (Facebook, Twitter and Instagram) reaching more than 4,000 followers, including the weekly publication of The Pitch (averaging 1,500 views per video)
- Civictheatre.ca
- Weekly print advertising in the Nelson Star
- Flyers distributed weekly in Nelson's downtown business area
- Posters for special events
- On-screen slide advertising and preshow trailers before films shown in our venue
- Our movie phone line (250.505.1007)

- Radio talk by DJs on JuiceFM, facilitated through a contra agreement
- Targeted promotional partnerships with other businesses and cultural providers in our area
- Word of mouth

We spend approximately \$30,000 each year on marketing efforts, including wages, design, printing, advertising purchases, postage and courier, and website expenses.

Sales strategy

- Loyalty Program: CivicPoints earns patrons points every time they purchase a ticket or a concession item, rewarding them with free admission, popcorn and fountain drinks at various redemption levels. This program is aimed towards people who are not members but who could be convinced to see more films at The Civic Theatre because of the rewards.
- Membership Benefits: Members receive a \$2.00 discount at the box office, as well as the opportunity to accumulate CivicPoints. They are also invited to see monthly Member Monday films for free, and have a vote at our Annual General Meeting.
- Cheap Tuesdays and Matinees: it is important to us to ensure that price is not a barrier to audiences, so we lower our already-reasonable admission further on Tuesdays and at matinees. Tuesday nights are a very popular evening for us thanks to this strategy.

Admission Pricing

Admission prices were originally set to be competitive with other Kootenay cinemas. The non-member pricing has recently been raised to be slightly higher than the area average due to the higher costs associated with administering our more robust, limited run art films, as well as mainstream programming, and community responsive programs that the average cinema doesn't offer.

8. Business Operations

NCTS operates as a charitable organization with programs and services for the public. We support our charitable mission primarily through the sale of tickets to films and other events in our venue, as well as through food and drink sold at our concession. Secondary income streams include rental revenues, membership sales, on-screen advertising sales. Currently we also undertake fundraising for projects as needed.

Our operations depend on a wide variety of suppliers and service providers:

- Film distributors (such as Disney, Fox, Universal, Warner Brothers, Sony, and Mongrel Media), several of which are communicated with through Mark Satok, our booking agent
- Harlan Fairbanks, Save On Foods, and Canada Superstore for concession inventory
- Cintas and Inland Allcare for cleaning and bathroom supplies, as well as lobby mats
- Sunshine Cleaners for deep cleaning support, such as deep cleans of our auditorium seats and carpets
- Orkin for pest control
- High Five Maintenance for exterior maintenance and cleaning, as well as occasional interior repairs

In addition, we have service contracts with:

- Sensible Solutions, an IT company supporting our website hosting and office technology maintenance
- Veezi, providing our ticketing, concession and membership/loyalty systems
- Chase Paymentech and PaymentExpress, which support payment processing of our online ticket sales, as well as on-site credit and debit card purchases at our concession (starting in February 2018)

9. Management

As a registered Canadian charity, Nelson Civic Theatre Society is governed by a volunteer board of directors. This engaged and passionate governance body of nine people has guided our efforts to reopen the venue, establish a 20-year lease, install seating, raise funds to purchase cutting-edge theatrical, digital projection, and sound technology and to renovate our concession. It is also leading the capital campaign outlined in this business plan.

The board is led by a board president, who is supported by a vice-president, treasurer and secretary. Board members also participate on at least one of three oversight committees: Internal Affairs, External Affairs, and Governance. These committees keep a pulse on the activity and key performance indicators for the organization and take on special projects, as needed.

In some cases, additional volunteers may be invited to take part in board-led initiatives. For example, the campaign to raise funds for our renovation is supported by the External Affairs committee, but as the campaign grows we may invite other members of our community to help us grow the reach of the campaign.



The board oversees one employee: the Executive Director. Our core operations are overseen by our Executive Director who is supported by a Programmer and an Operations Manager.

The Executive Director reports to the Board of Directors and is responsible for the organization's consistent achievement of its mission and financial objectives. She is a thought leader and contributes to the social and economic sectors through extensive and current knowledge of how to serve our patrons and rental clients, meet community investment and outreach needs, and ensure staff and volunteer engagement and performance. She is responsible for raising capital campaign funds for the organization and is cognizant of the political, social and economic drivers behind private and public funding prospects, with an especially strong understanding of the economic, social, environment and cultural needs of rural communities. The Executive Director sustains a culture of learning in the organization such that customer service, community

relations, and staff knowledge are encouraged and supported in a way that innovative ideas and managed risk taking are nurtured and valued.

The Programmer selects, schedules and orders films to screen at The Civic Theatre, analyzing the outcomes of our presentation schedule on a monthly and quarterly basis. He has a thorough knowledge of the industry, and keeps abreast of trends and shifts within cinema technology and produced content. He also creates innovative written and filmed marketing content. The Programmer is responsible for a significant portion of the development and production of our charitable programs and services for the community, and is a key point person for communication with programmatic partners and prospects.

The Operations Manager hires, trains and manages 14 staff and approximately 50 volunteers in our front of house, including nightly supervisors (Floor Leads), box office and concession staff, and volunteer ushers and patron services providers (membership table). She manages our ticketing system and works to ensure that the patron experience is outstanding from beginning to end. She orders concession stock, tracks inventory and supplies, and looks after facility maintenance issues. The Operations Manager is the point-person for rental clients, assessing their needs, planning their experiences in our venue, and connecting them with our Technical Director if needed.

The majority of our concession and box office staff is comprised of youth, many of whom are employed for the first time at The Civic Theatre. It is important to us to offer an entry-level service opportunity to youth, teaching them service industry skills that will benefit them in the workplace in the future.

In 2017 we added the contract role of SBI Community Coordinator, who works to grow relationships with SBI professionals in the Kootenays and expand programs and services for this local sector, such as meetups, screenings, collaborations, training, and residencies. In the coming year, the SBI Community Coordinator will also be central in the further development and community use of kootenayfilm.com.

Our core operations are supported by a contract Bookkeeper and House Technician/Custodian. The House Technician/Custodian maintains and repairs our venue and its systems, and all our theatrical and projection equipment, and supports technical needs for our presentations and for rental clients.

Staff and Board bios and NTCS' Organizational Chart are included in Appendix J.

10. Financial Analysis

Given that our capital expansion plan is to transition from a single theatre into three spaces, we must examine the outcomes of several scenarios.

Not discussed here are the possibilities of planning for a smaller project or borrowing less to complete the proposed project, mainly because neither of these are optimal solutions.

Single-screen venue projection:

1. **A single-screen year with a four-month closure for construction:** We anticipate a four-month closure to complete the renovation and rehabilitation of our current theatre, including the installation of a demising wall to bisect the space for the installation of the second and third theatres. When the first theatre is finished, our evening operations will resume with a single-screen, while the other two theatres are constructed during the daytime.

Two-screen venue projections:

2. **A two-screen year:** This shows a snapshot of our operations, programs and services with only one additional theatre built in one of the two new spaces, and our venue in operation after completing a capital project that is paid for entirely through grants, sponsorships and donations.
3. **A two-screen year, including expense of principal and interest:** Also showing the outcome of only one additional theatre, this projection shows our venue in operation after completing a capital project that includes a \$1 Million loan at 4.5% over a 10-year term²⁴. In this scenario, our mission-driven programs and services to the community are greatly reduced during the 10-year repayment period so that we can service the loan.

Three-screen venue projections:

4. **A three-screen year:** This shows a snapshot of our operations, programs and services with two additional theatres built in the rear part of our space, and our venue in operation after completing a capital project that is paid for entirely through grants, sponsorships and donations.

²⁴ We are anticipating a 3.7% borrowing rate from the City of Nelson, so our cost of this loan will be lower than originally projected.

5. **A three-screen year, including expense of principal and interest:** Also showing the outcome of two additional theatres, this projection shows our venue in operation after completing a capital project that includes a \$1 Million loan at 4.5% over a 10-year term²⁵. In this scenario, our mission-driven programs and services to the community are greatly reduced during the 10-year repayment period so that we can service the loan.
6. **A three-screen year, including expense of principal alone:** With two new theatres added, this projection shows our venue in operation after completing a capital project that includes a \$1 Million loan with 0% interest. This option would enable us to preserve more of our programs and service while repaying the principal to the lender.

There are various ways for NCTS to raise the capital necessary to complete our proposed project. We are considering the following two scenarios:

A. The project is underwritten entirely through fundraising (grants, sponsorships and donations): In both the two-screen and three-screen scenarios, when the project is completed entirely through fundraising, the end-of-year surplus is significantly more substantial than in the versions including a financing option. In these versions, our mission-driven programs and services beyond simply showing films will remain uninterrupted and have the opportunity to grow from their current levels, offering greater community impact and benefit. In addition, NCTS will be able to begin building a cash reserve for future maintenance and repair, as well as program/project development, conceivably placing us in a position to seldom seek grant funding for future projects.

This is an exciting position to contemplate. If the project is funded entirely through contributed income, there is a risk that it could take longer to raise the capital needed to complete it.

B. The project is underwritten through a combination of fundraising and financing: Because our organization generates a significant earned income through box office and concession sales, we project that we could carry the cost of financing of up to \$1 Million, provided the interest rate on this debt were low. The benefit of including financing in our capital plan is that we could likely begin the project faster and open our new theatres sooner, thereby also increasing our income sooner.

One drawback of taking on debt is that in order to repay it, we would have to limit our community programs and service spending until the 10-year repayment period ended.

We are grateful to the City of Nelson for extending a \$1 Million line of credit to us to underwrite costs of completing this project. Their support will enable the project to take place; our fundraising in the meantime will help to lower the amount we will need to borrow. At this time, we could not fundraise any further and the project would be viable.

²⁵ Again, as we are anticipating a 3.7% borrowing rate from the City of Nelson, the cost of this loan will be lower than originally projected.

These projected budgets compare the above-mentioned scenarios. Financial statements from the last four years, and cashflow projections for each of these scenarios (as well as the construction year including a 4-month closure) are in Appendix K.

Appendix K - Comparative Summary (Projected Budgets)					
	1 Screen	2 Screens		Three Screens	
	2017/18	100% funded	Mixed grant & financing	100% funded	Mixed grant & financing
REVENUE					
Box office Sales	\$395,334	\$585,828	\$585,828	\$710,666	\$710,666
Concession Sales	\$166,875	\$295,914	\$295,914	\$390,197	\$390,197
Facility Maintenance and Repair Fee	\$26,389	\$57,083	\$57,083	\$67,867	\$67,867
Other Earned Income (Membership, Rental Fees, Advertising, Sponsorship)	\$38,911	\$80,000	\$80,000	\$91,110	\$91,110
Interest Income	\$766	\$500	\$500	\$500	\$500
Grant Funding	\$81,400	\$0	\$0	\$0	\$0
Transfer from Savings	\$5,000	\$0	\$0	\$0	\$0
Fundraising Income	\$300	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$714,976	\$1,019,325	\$1,019,325	\$1,260,340	\$1,260,340
EXPENSES					
Advertising & Promotion	\$12,100	\$9,600	\$9,600	\$12,550	\$12,550
Bank charges and Interest (does not include principal)	\$7,350	\$7,200	\$52,200	\$7,200	\$52,200
Box Office & Theatre Cost of Sales	\$231,637	\$356,038	\$356,038	\$420,727	\$420,727
Building Maintenance and Repair	\$27,329	\$30,401	\$30,401	\$20,684	\$20,684
Scholarships/Uncategorized Expenses	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600
Food and Drink Supplies	\$42,260	\$68,240	\$68,240	\$89,129	\$89,129
Insurance	\$2,963	\$3,579	\$3,579	\$3,580	\$3,580
Licenses and Dues	\$24,962	\$25,000	\$25,000	\$25,000	\$25,000
Office Expenses	\$7,825	\$10,025	\$10,025	\$10,025	\$10,025
Program and Services	\$16,475	\$5,420	\$5,420	\$6,733	\$6,733
Professional and Bookkeeping	\$30,256	\$34,184	\$34,184	\$34,184	\$34,184
Staff and Volunteer Recognition Training	\$9,050	\$9,900	\$9,900	\$9,900	\$9,900
Technical Consulting	\$19,600	\$19,612	\$19,612	\$5,000	\$5,000
Telephone and Internet	\$3,723	\$5,152	\$5,152	\$5,152	\$5,152
Taxes and Utilities	\$12,810	\$14,110	\$14,110	\$14,110	\$14,110
Wages and Benefits	\$245,679	\$329,425	\$272,425	\$466,784	\$411,679
TOTAL EXPENSES	\$696,620	\$930,486	\$918,486	\$1,133,357	\$1,123,252
BALANCE	-\$5,457	\$88,839	\$100,839	\$126,983	\$137,088

11. Risk Management

External factors

- Poor film content resulting in low attendance. We manage this risk by keeping attendance and content statistics, and using that information to forecast which films will appeal to Nelson and area audiences.
- Audiences electing to see films elsewhere first when we must delay content due to distributors requiring longer runs than we can offer. Our *See it at The Civic* marketing slogan and CivicPoints loyalty program are both efforts to encourage local audiences to see films at The Civic Theatre. However, the best strategy to counter this risk is to show high-performing films on the day they are released.
- Weather (very good or very bad weather conditions). This is not a factor that we can manage well, given that people will choose not to drive in a snowstorm or to stay out late on a summer night. Our best management of these conditions is to minimize staffing costs by sending staff home after a two-hour minimum shift, so as to not incur more expenses than needed on those screenings.

Financial risks

- Waiting longer to complete capital renovation, as we are operating at a deficit. It is not a good option to cut program and service expenses as they are central to our charitable mission, and doing this would limit our ability to access several key grants. We are focused now on securing funding as quickly as we are able so that we can move our capital plans forward and begin operating a multi-screen venue as soon as possible.
- Long runs of films with poor audience turnout can quickly put NCTS in a cashflow deficit position until better content can recoup the loss. When we see a multi-week screening engagement performing poorly, we cut our costs on that film by minimizing staffing and marketing expenses, and looking to book a high-grossing title as soon thereafter as possible.
- Not realizing projected future income expectations, once our capital renovation is complete. Looking at our history to date, we have in fact been more successful than other Art House theatres, simply in that we have managed our budget to not require substantial contributed income to operate. However, the same research also indicates that, as a charitable organization with a mandate to develop and manage a number of social, cultural, and educational goals, if we did find ourselves with a need to raise funds towards our operating budget, it would not be an unprecedented action²⁶ and we expect that we would be able to supplement our operations with contributed income, if it were absolutely necessary.

²⁶2017 National Audience Survey, Art House Convergence, page 32 (Appendix I)

Operational risks

- Losing management staff, which would result in loss of institutional knowledge and contacts, and negatively affect service through a break in consistent management. We manage this risk by endeavouring to offer a healthy, sustainable work environment that values employees' quality of life. We also recognize that many roles within our staffing will be filled by early to mid-career employees who can be expected to stay with NCTS for 2-4 years. Succession planning, current training manuals, and sharing of knowledge across staff are key strategies for us.
- Significant facility shortcomings, such as our failing ceiling, that could render us unable to operate without notice. We manage these risks by caring for these components of our facility as well as we can in the interim, and keeping a watch on them until they can be rehabilitated and/or replaced.
- Wear and tear on equipment, resulting in unexpected failures of key components that are not readily available in our region and may take several days to receive (examples: projector bulb, ballast, popcorn machine parts). We manage this risk by only allowing trained operators to work our equipment, ensuring that professional cleaning and maintenance takes place on a regular basis, and observing performance on an ongoing basis, so that performance irregularities can offer early warnings. When it makes sense to do so, we keep stock of replacement parts (in the case of bulbs and ballasts, these parts cost upwards of \$1,000).