

Globe Theatre Society

Financial Statements

June 30, 2021



Management's Responsibility for Financial Statements

The accompanying financial statements of the **Globe Theatre Society** have been prepared by the Society's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Board of Directors have delegated certain responsibilities to the Audit and Finance Committee, including the responsibility for reviewing the annual financial statements and meeting with management and external auditors on matters relating to the financial reporting process and the Society's system of controls.

The Audit and Finance Committee has reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.

Jaime Boldt
Executive Director

INDEPENDENT AUDITORS' REPORT

To the Members,
Globe Theatre Society

Opinion

We have audited the accompanying financial statements of the **Globe Theatre Society** which comprise the statements of financial position as at June 30, 2021 and the statements of operations, change in fund balances, cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, 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.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditors' Report continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

September 9, 2021
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants

Globe Theatre Society
Statement of Financial Position
As of June 30, 2021
(with comparative figures for 2020)

	Theatre Operations Fund	Capital Fund	Endowment Fund	Building Operations Fund	Consolidated Funds	
					2021	2020
Assets						
Current Assets						
Cash	\$ 407,979	\$ -	\$ -	\$ -	\$ 407,979	154,720
Accounts receivable	188,740	1,151,850	-	(698)	1,339,892	384,648
Marketable securities (Note 3)	100,251	-	-	-	100,251	168,804
Prepaid expenses	44,599	-	-	-	44,599	59,765
Interfund receivable (payable)	-	(698)	-	698	-	-
Inventory	-	-	-	-	-	11,982
	741,569	1,151,152	-	-	1,892,721	779,919
Capital Assets (Note 4)	-	4,702,420	-	-	4,702,420	2,173,644
Endowment Investments	-	-	16,970	-	16,970	14,964
	\$ 741,569	\$ 5,853,572	\$ 16,970	\$ -	\$ 6,612,111	2,968,527
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	\$ 621,356	\$ -	\$ -	\$ -	\$ 621,356	336,942
Current portion of deferred revenue - capital (Note 7)	-	-	-	-	-	33,203
Deferred revenue (Note 5)	425,872	-	-	-	425,872	659,116
Building mortgage (Note 6)	-	900,000	-	-	900,000	900,000
	1,047,228	900,000	-	-	1,947,228	1,929,261
Fund Balances						
Endowment fund - externally restricted	-	-	16,970	-	16,970	14,964
Working capital reserve - internally restricted	50,000	-	-	-	50,000	50,000
Invested in capital assets	-	4,953,572	-	-	4,953,572	1,508,893
Building Fund	-	-	-	-	-	4,555
Unrestricted	(355,659)	-	-	-	(355,659)	(539,146)
	(305,659)	4,953,572	16,970	-	4,664,883	1,039,266
	\$ 741,569	\$ 5,853,572	\$ 16,970	\$ -	\$ 6,612,111	2,968,527

See accompanying notes to the financial statements.

Approved by:

_____ Director

_____ Director

Globe Theatre Society
Statement of Operations
For the year ended June 30, 2021

(with comparative figures for the year ended June 30, 2020)

	Theatre Operations Fund	Capital Fund	Endowment Fund	Building Operations Fund	Consolidated Funds	
					2021	2020
Ticket Revenue						
Other income	\$ 63,203	\$ -	\$ -	\$ -	\$ 63,203	\$ 354,542
Rental income	-	-	-	6,569	6,569	92,342
Single tickets	11,981	-	-	-	11,981	912,511
Subscriptions	-	-	-	-	-	609,002
Theatre school	27,729	-	-	-	27,729	126,742
	<u>102,913</u>	<u>-</u>	<u>-</u>	<u>6,569</u>	<u>109,482</u>	<u>2,095,139</u>
Investment Revenue						
Investment Income	1,255	-	2,006	-	3,261	9,332
Donations & Sponsorships						
Corporate donations	15,000	-	-	-	15,000	9,900
Foundation grants and donations	12,000	-	-	-	12,000	20,000
Fundraising events	-	-	-	-	-	65,433
Individual donations	85,648	526,973	-	-	612,621	439,620
Sponsorships	119,750	-	-	-	119,750	253,750
	<u>232,398</u>	<u>526,973</u>	<u>-</u>	<u>-</u>	<u>759,371</u>	<u>788,703</u>
Grant Revenue						
Canada Council for the Arts operating grant	412,000	-	-	-	412,000	515,000
Municipal operating grant	130,276	-	-	-	130,276	128,000
Saskatchewan Arts Board operating grant	238,930	-	-	-	238,930	238,930
Canada Emergency Wage Subsidy	762,835	-	-	-	762,835	247,715
Other grants	251,440	3,368,677	-	-	3,620,117	378,305
	<u>1,795,481</u>	<u>3,368,677</u>	<u>-</u>	<u>-</u>	<u>5,164,158</u>	<u>1,507,950</u>
Total Revenue	<u>2,132,047</u>	<u>3,895,650</u>	<u>2,006</u>	<u>6,569</u>	<u>6,036,272</u>	<u>4,401,124</u>
Artistic Expenses						
Artistic and production expenses	553,452	-	-	-	553,452	1,996,899
Theatre school	86,840	-	-	-	86,840	221,769
	<u>640,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640,292</u>	<u>2,218,668</u>
Administration Expenses	538,333	35,296	-	51,643	625,272	705,275
Capital - Amortization	-	15,993	-	-	15,993	161,869
Capital - Loss on Disposal of Assets	-	576,290	-	-	576,290	-
Facilities Expenses	207,778	-	-	134,653	342,431	811,784
Fundraising Expenses	66,779	-	-	-	66,779	83,992
Marketing Expenses	143,598	-	-	-	143,598	342,205
Total Expenses	<u>1,596,780</u>	<u>627,579</u>	<u>-</u>	<u>186,296</u>	<u>2,410,655</u>	<u>4,323,793</u>
Excess (deficiency) of revenues over expenses	<u>\$ 535,267</u>	<u>\$ 3,268,071</u>	<u>\$ 2,006</u>	<u>\$ (179,727)</u>	<u>\$ 3,625,617</u>	<u>\$ 77,331</u>

Globe Theatre Society
Statement of Changes in Fund Balances
For the year ended June 30, 2021
(with comparative figures for the year ended June 30, 2020)

	Theatre Operations Fund	Capital Fund	Endowment Fund	Building Operations Fund	Consolidated Funds	
					2021	2020
Fund balance, beginning of year	\$ (489,146)	\$ 1,508,893	\$ 14,964	\$ 4,555	\$ 1,039,266	\$ 961,935
Excess (deficiency) of revenue over expenses	535,267	3,268,071	2,006	(179,727)	3,625,617	77,331
Interfund transfers	(351,780)	176,608	-	175,172	-	-
Fund balance, end of year	<u>\$ (305,659)</u>	<u>\$ 4,953,572</u>	<u>\$ 16,970</u>	<u>-</u>	<u>\$ 4,664,883</u>	<u>\$ 1,039,266</u>

See accompanying notes to the financial statements.

Globe Theatre Society
Statement of Cash Flows
For the year ended June 30, 2021

(with comparative figures for the year ended June 30, 2020)

	Theatre Operations Fund	Capital Fund	Endowment Fund	Building Operations Fund	Consolidated Funds	
					2021	2020
Cash provided by (used in) operating activities:						
Excess (deficiency) of revenues over expenses	\$ 535,267	\$ 3,268,071	\$ 2,006	\$ (179,727)	\$ 3,625,617	\$ 77,331
Items not involving cash:						
Amortization	-	15,993	-	-	15,993	161,869
Loss on disposal of capital assets	-	576,290	-	-	576,290	500
	535,267	3,860,354	2,006	(179,727)	4,217,900	239,200
Changes in working capital accounts						
Accounts receivable	192,997	(1,151,850)	-	3,609	(955,244)	(241,785)
Inventory	11,982	-	-	-	11,982	(6,374)
Prepaid expenses	6,862	-	-	8,304	15,166	161,547
Accounts payable and accruals	293,533	-	-	(9,119)	284,414	181,350
Prepaid rent	-	-	-	-	-	(1,603)
Deferred revenue	(233,246)	(33,201)	-	-	(266,447)	(926,181)
	807,395	2,675,303	2,006	(176,933)	3,307,771	(593,846)
Cash provided by (used in) financing activities:						
Inter-fund transfers	(351,780)	176,608	-	175,172	-	-
Cash provided by (used in) investing activities:						
Additions to investments	(1,002)	-	-	-	(1,002)	(167,800)
Proceeds on the disposal of investments	67,800	-	-	-	67,800	257,006
Accrued interest on investments	(251)	-	-	-	(251)	(4,196)
Purchase of capital assets	-	(3,121,059)	-	-	(3,121,059)	(464,094)
	66,547	(3,121,059)	-	-	(3,054,512)	(378,584)
Increase (decrease) in cash and cash equivalents	522,162	(269,148)	2,006	(1,761)	253,259	(972,430)
Cash - beginning of year	154,720	-	-	-	154,720	1,127,150
Cash - end of year	\$ 676,882	\$ (269,148)	\$ 2,006	\$ (1,761)	\$ 407,979	\$ 154,720

See accompanying notes to the financial statements.

Globe Theatre Society
Notes to the Financial Statements
For the year ended June 30, 2021

(with comparative figures for the year ended June 30, 2020)

1. Nature of operations

The mission of the Globe Theatre Society ("Globe Theatre") is to educate, entertain and engage Saskatchewan people in the art of professional theatre by offering high-quality performances to audiences, professional theatre training for artists, and classes for children and adults. Globe Theatre is incorporated under the Non-profit Corporation Act of Saskatchewan, 1995 and is a registered charity under the Income Tax Act and is exempt from income tax under Section 149 (1)(l) of the *Income Tax Act*.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Financial instruments - recognition and measurement

Financial assets and financial liabilities are recorded on the statement of financial position when the Globe Theatre becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of marketable securities and endowment funds is at fair value. All other financial assets and liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair value of financial assets and financial liabilities measured at fair value are recognized in excess of revenues over expenses.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

The Globe Theatre's recognized financial instruments include cash, accounts receivable, marketable securities, endowment investments, accounts payable, accrued liabilities and the building mortgage. The marketable securities and endowment investments are recorded at fair value. The fair value of the remaining financial instruments approximate their carrying value given the short term nature of the accounts.

Fund accounting

The Globe Theatre uses the restricted fund method and maintains four funds:

Theatre Operations Fund

The Theatre Operations fund reflects the general operations including theatre operations and administrative activities. RCMP charity gala proceeds are recognized in this fund and directed to the Theatre School Development Fund to support future initiatives. Within this fund, the Board of Directors has internally restricted funds for a working capital reserve for unbudgeted expenses and special projects.

Capital Fund

The Capital Fund reflects the activities related to the acquisition and amortization of capital assets. Fundraising and other revenues for capital asset purposes are recognized in this fund. A capital improvement fee is charged on every Main Stage ticket and is reported in other income.

Endowment Fund

Endowment contributions are reported in the Endowment Fund and recognized as direct increases in net assets. Investment income earned on the fund is used in general operations.

Building Operations Fund

The Building Operations Fund includes all activities related to the portion of the building leased to third parties.

Globe Theatre Society
Notes to the Financial Statements
For the year ended June 30, 2021
(with comparative figures for the year ended June 30, 2020)

2. Summary of significant accounting policies continued

Inventory

Inventory is valued at the lower of cost and net realizable value, with cost determined on the first in first out basis.

Capital assets

Capital assets are recorded in the Capital Fund at cost, net of accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the assets at the following rates:

Automotive	3 years
Building	40 years
Building improvements	20 years
Office and bar equipment	5 years
Theatre equipment	5 years

Deferred Revenue

Deferred revenue in the Theatre Operations Fund includes subscription sales, ticket fees and theatre school revenue related to the next fiscal year. It also includes grants received in advance of the contract period, or for which services have not yet been delivered.

Revenue recognition

Ticket sale revenue is recognized when the performance occurs. Conservatory and theatre school revenues are recognized as the program services are delivered. Operating grants are recognized in the period specified in the funding agreement. Other grants are recognized as revenue as the services are provided. Fundraising and donations are recognized as revenue when the funds are received. Sponsorship revenues are recognized in accordance with the terms of the sponsorship agreement. Other income is recognized as the goods or services are provided.

The capital improvement fee (included in ticket fees) is recognized as revenue in the Capital Fund when the performance occurs. Rental income is recognized as revenue in the Building Operation Fund in the period that the lessee uses the leased space. Restricted contributions related to operations are recognized as revenue in the year the related expenses are incurred.

Contributed Services & Goods

Volunteers contribute approximately 2,000 hours per year to assist Globe Theatre in carrying out its activities. Also, various items are provided in kind to Globe Theatre. Because of the difficulty in determining their fair value, contributed services and goods are not recognized in the financial statements.

3. Marketable Securities

	<u>2021</u>	<u>2020</u>
Guaranteed investment certificates	\$ 100,000	\$ 167,801
Accrued interest	251	1,003
	<u>\$ 100,251</u>	<u>\$ 168,804</u>

The guaranteed investment certificates bear interest at 0.6% (2020 - 1.00 - 2.00%) maturity at January 2022 (2020 - July 2020 - January 2021).

Globe Theatre Society
Notes to the Financial Statements
For the year ended June 30, 2021

(with comparative figures for the year ended June 30, 2020)

4. Capital Assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Automotive	\$ 9,608	\$ 9,608	\$ -	\$ -
Building	399,831	128,254	271,577	287,567
Building renovation in progress	3,758,844	-	3,758,844	685,306
Building improvements	-	-	-	438,564
Land	672,000	-	672,000	672,000
Office and bar equipment	-	-	-	20,072
Theatre equipment	-	-	-	70,135
	\$ 4,840,283	\$ 137,862	\$ 4,702,421	\$ 2,173,644

At year end, the Globe Theatre had started its building renovation project in the Prince Edward Building. No amortization will be taken on the building until the renovations are complete.

5. Deferred Revenue - Theatre Operations Fund

Deferred revenue consists of the following:

	<u>2021</u>	<u>2020</u>
Grants	\$ 231,251	\$ 392,951
Gift certificates	15,758	47,687
Tickets sold for the 2021-22 (2020-21) season	178,863	218,478
	\$ 425,872	\$ 659,116

6. Building Mortgage

The Globe Theatre's building mortgage has interest only payments required until August 1, 2022. The mortgage is due on demand and is secured by the building with a net book value of \$4,030,421 (2020 - \$1,110,564).

The estimated interest payments for the next year are \$35,550 at an interest rate of prime +1.5% (2020 - prime +1.5%).

Globe Theatre Society
Notes to the Financial Statements
For the year ended June 30, 2021

(with comparative figures for the year ended June 30, 2020)

7. Deferred Revenue - Capital Fund

	<u>2021</u>	<u>2020</u>
Beginning of the year	\$ 33,203	\$ 228,876
Additions	-	-
Recognized during the year	<u>(33,203)</u>	<u>(195,673)</u>
	-	33,203
Current portion	-	(33,203)
End of year	<u>\$ -</u>	<u>\$ -</u>

8. Contractual Obligations

As is common among theatres, Globe Theatre enters into agreements with various individuals and organizations to secure production rights for use in future periods. These rights and other production costs are recognized in the statement of operations when the production occurs. Due to the global pandemic, there are no production contracts outstanding at year end (2020 - \$nil).

In 2019, the Globe Theatre was approved to receive \$26,457,209 in federal, provincial and municipal funding to undertake significant renovations to the Prince Edward Building. At year end, the Globe Theatre has outstanding contracts in the amount of \$22,650,000 related to this project.

9. Financial risk management

The Globe Theatre has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Globe Theatre is exposed are:

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 Globe Theatre is exposed to credit risk on the accounts receivable, however they do not have a significant exposure to any customer and believe there is minimal risk with collection. The Globe Theatre incurred insignificant bad debt expense during the past three years. At year end, an allowance for doubtful accounts of \$5,500 (2020 - \$57,643) was included in accounts receivable.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Globe Theatre's exposure to interest rate risk is limited to the long term debt. The interest rate on this debt is variable; therefore, the Globe Theatre may face increasing interest costs in an increasing interest rate market.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Globe Theatre's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditures requirements, and are considered adequate to meet the Globe Theatre's financial obligations.

10. Significant event

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus. The Globe Theatre is following health advisories and mandatory requirements from local, provincial, and national health and government organizations. During the year, the Globe Theatre did not host any performances and its offices were closed to the public. The future impact of the pandemic on the Globe Theatre's operations and finances, if any, are unknown at this time.