

# The Grand Theatre

Financial statements

June 30, 2024



# Independent auditor's report

To the Board of Directors of  
**The Grand Theatre**

## Opinion

We have audited the financial statements of **The Grand Theatre** [the "Theatre"], which comprise the statement of financial position as at June 30, 2024, and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Theatre as at June 30, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Theatre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other matter

The financial statements for the year ended June 30, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 23, 2023.

## Responsibilities of management and those charged with governance for the financial statements

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

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

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Theatre'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 Theatre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Theatre 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 timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

London, Canada  
December 2, 2024

# The Grand Theatre

## Statement of financial position

As at June 30

	2024	2023
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	2,741,233	2,284,312
Accounts receivable <i>[note 3]</i>	329,378	771,942
Due from The Grand Theatre Foundation <i>[note 5]</i>	—	126,441
Prepaid expenses	253,147	293,541
	<b>3,323,758</b>	<b>3,476,236</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 4]</i>	472,249	339,904
Due to The Grand Theatre Foundation <i>[note 5]</i>	367,811	—
Deferred revenue	2,438,453	2,004,849
<b>Total current liabilities</b>	<b>3,278,513</b>	<b>2,344,753</b>
Payable to The Grand Theatre Foundation <i>[note 5]</i>	—	813,883
<b>Total liabilities</b>	<b>3,278,513</b>	<b>3,158,636</b>
<b>Net assets</b>		
Unrestricted	45,245	317,600
	<b>3,323,758</b>	<b>3,476,236</b>

Commitments *[note 9]*

Contingency *[note 10]*

See accompanying notes

On behalf of the Board:

Director

Director

## The Grand Theatre

### Statement of operations and changes in net assets

Year ended June 30

	2024	2023
	\$	\$
<b>Revenue</b>		
Productions	4,973,458	4,197,715
Fundraising <i>[note 7]</i>	1,466,252	1,472,625
Grants <i>[note 8]</i>	1,304,941	1,391,828
Concessions	309,260	247,217
Other <i>[note 5]</i>	274,052	239,542
	<u>8,327,963</u>	<u>7,548,927</u>
<b>Expenses <i>[schedule 1]</i></b>	<u>9,414,201</u>	<u>7,830,437</u>
Deficiency of revenue over expenses before the undernoted items	(1,086,238)	(281,510)
Other income		
Forgiveness of The Grand Theatre Foundation loan <i>[note 5]</i>	813,883	—
<b>Deficiency of revenue over expenses</b>	<u>(272,355)</u>	<u>(281,510)</u>
Net assets, beginning of year	317,600	599,110
<b>Net assets, end of year</b>	<u>45,245</u>	<u>317,600</u>

See accompanying notes

## The Grand Theatre

### Statement of cash flows

Year ended June 30

	<b>2024</b>	<b>2023</b>
	\$	\$
<b>Operating activities</b>		
Deficiency of revenues over expenses	<b>(272,355)</b>	(281,510)
Deduct item not involving cash – loan forgiveness	<b>(813,883)</b>	—
	<b>(1,086,238)</b>	(281,510)
Net change in non-cash working capital balances related to operations		
Accounts receivable	<b>442,564</b>	983,229
Prepaid expenses	<b>40,394</b>	(80,898)
Accounts payable and accrued liabilities	<b>132,345</b>	(31,444)
Due to/from The Grand Theatre Foundation	<b>494,252</b>	(295,711)
Deferred revenue	<b>433,604</b>	501,052
<b>Cash provided by operating activities</b>	<b>456,921</b>	794,718
<b>Net increase in cash during the year</b>	<b>456,921</b>	794,718
Cash, beginning of year	<b>2,284,312</b>	1,489,594
<b>Cash, end of year</b>	<b>2,741,233</b>	2,284,312

*See accompanying notes*

# The Grand Theatre

## Notes to financial statements

June 30, 2024

### 1. Nature of operations

The Grand Theatre [the "Theatre"] is incorporated as a non-profit organization without share capital under the *Corporations Act* (Ontario) and is exempt from income taxes under Section 149(1)(f) of the *Income Tax Act* (Canada). The principal activity of the Theatre is the production of plays. The Theatre is responsible for all production, administrative and operating costs which are primarily financed by production revenues, grants and fundraising activities.

### 2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook – Accounting*. Significant accounting policies adopted by the Theatre are as follows:

#### Revenue recognition

The financial statements of the Theatre are maintained in accordance with the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenues in the year in which the related expense is incurred. Operating grants are recorded as revenues in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued.

Revenues from productions, concessions, and fundraising are recognized in the period in which the goods or services are provided by the Theatre. Revenue received for a future period, including gift cards, is deferred until the productions are provided, or in the case of unutilized gift cards, after a seven-year period.

Other revenues include shop sales, advertising, management fees and room rentals, and are recognized when the services are provided or the goods are sold.

#### Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Contributed services are not recognized in the financial statements because of the difficulty of determining the fair value.

#### Financial instruments

Financial instruments that are originated, issued or assumed in an arm's length transaction are recorded at fair value on initial recognition. The Theatre subsequently measures all of its arm's length financial instruments at amortized cost.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by the Theatre; consideration with repayment terms is measured at amortized cost while consideration without repayment terms

## The Grand Theatre

### Notes to financial statements

June 30, 2024

is recorded at the carrying or exchange amount, depending on the circumstances. The amounts due from and to The Grand Theatre Foundation are subsequently recorded at cost.

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

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

#### Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

#### 3. Accounts receivable

	2024	2023
	\$	\$
The City of London	250,000	250,000
Canada Council for the Arts	—	350,000
Other	92,378	184,942
	<b>342,378</b>	784,942
Less allowance for doubtful accounts	13,000	13,000
	<b>329,378</b>	771,942

#### 4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$204,627 [2023 – \$126,541], which includes amounts payable for HST and payable for payroll related taxes.

#### 5. The Grand Theatre Foundation

The Theatre exercises significant influence over The Grand Theatre Foundation [the "Foundation"] by virtue of its ability to appoint some of the Foundation's Board of Directors. The Theatre uses the property owned by the Foundation and the resources of the Foundation are devoted to the operations of the Theatre. The Foundation is



## The Grand Theatre

### Notes to financial statements

June 30, 2024

incorporated under the laws of Ontario without share capital and is a registered charity under the *Income Tax Act*. The net assets and results from operations of the Foundation are not included in these financial statements since the Theatre does not control the Foundation. Separate audited financial statements of the Foundation are also prepared.

During the year, the Grand Theatre entered into certain related party transactions in the ordinary course of business, and these transactions were recorded at the amount agreed upon between the Grand Theatre and the Foundation. The amounts due from and to the Foundation are non-interest bearing, unsecured and have no specified terms of repayment.

Related party transactions during the year include:

	<b>2024</b>	<b>2023</b>
	\$	\$
Donations – fundraising revenue	—	241,214
Donations – fundraising expense	<b>263,540</b>	—
Management fees – other revenue	<b>130,000</b>	126,000
Rent – facility operations	<b>196,600</b>	100,000

During 2019, the Foundation loaned \$813,883 to the Theatre. On June 30, 2024, the Foundation forgave the loan balance and this has been included separately on the statement of operations.

#### 6. Credit facility

Under its agreement with the Libro Credit Union, the Theatre has an available operating credit facility to a maximum of \$750,000. At year-end, no amount was drawn on this facility [2023 – nil].

#### 7. Endowment funds

The Theatre has established permanent endowment funds at the London Community Foundation and the Ontario Arts Council Foundation. The Theatre does not have legal title over the endowment funds. As at June 30, 2024, the endowment funds had a balance of \$2,537,532 [2023 – \$2,499,355] to generate income for the Theatre. During the year, the Theatre received \$142,975 [2023 – \$123,959] of investment income from the endowment funds. Investment income earned is included in fundraising revenue in the statement of operations when the cash is received. In addition, the Theatre fund established at the London Community Foundation has an undistributed income balance of \$623,167 [2023 – \$520,726] of which approximately \$445,000 [2023 – \$343,000] is accessible upon approval from the London Community Foundation.

## The Grand Theatre

### Notes to financial statements

June 30, 2024

#### 8. Grants

During the year, the Theatre received contributions from various sources as indicated below:

	2024	2023
	\$	\$
The City of London	524,998	500,000
Canada Council for the Arts	350,000	350,000
Ontario Arts Council	265,343	309,308
The Ministry of Canadian Heritage	—	35,000
Ontario Trillium Foundation	89,600	72,400
Southwest Ontario Tourism Corporation	55,000	100,000
Metcalf Foundation	—	25,120
Other	20,000	—
	<b>1,304,941</b>	<b>1,391,828</b>

#### 9. Commitments

The Theatre rents equipment under operating leases expiring at various dates to 2027. Minimum annual lease payments to the end of the lease terms are as follows:

	\$
2025	5,078
2026	4,191
2027	1,048
	<b>10,317</b>

The Theatre pays rental charges to the Foundation. During the year ended June 30, 2023, the Theatre and the Foundation came to an agreement to charge a flat rate of \$100,000. During the year ended June 30, 2024, the Theatre and the Foundation came to an agreement to charge a flat rate of \$196,600. As there is no lease agreement between the parties, no amount has been included in the minimum annual lease payments disclosed in the table above.

#### 10. Contingency

The Theatre has provided a letter of guarantee to the Canadian Actors' Equity Association in the amount of \$136,425 [2023 – \$136,425] expiring on September 13, 2024. On September 13, 2024, the letter of guarantee was renewed until September 2025.

## Notes to financial statements

June 30, 2024

### 11. Financial risks

#### Liquidity risk

Liquidity risk is the risk that the Theatre will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Theatre is exposed to this risk in respect of its accounts payable and accrued liabilities and due to The Grand Theatre Foundation. The Theatre manages its liquidity risk by monitoring its operating requirements. The Theatre prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Theatre has access to a \$750,000 operating credit facility [note 6]. There has been no change to the risk exposure from 2023.

#### Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Theatre is exposed to credit risk with respect to the accounts receivable. The Theatre assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from 2023.

### 12. Comparative amounts

The Company has adjusted the financial statements as at and for the year ended June 30, 2023 to reclassify certain amounts to conform to the presentation of the financial statements as at and for the year ended June 30, 2024.

**The Grand Theatre**

**Schedule to financial statements**

Year ended June 30, 2024

**Schedule 1 – Expenses**

	<b>2024</b>	<b>2023</b>
	\$	\$
Productions	<b>4,470,964</b>	3,913,744
Marketing and fundraising <i>[note 5]</i>	<b>1,321,288</b>	953,168
Facility operations <i>[note 5]</i>	<b>832,851</b>	633,424
Administration	<b>835,966</b>	721,663
Front of house, box office and concessions	<b>985,867</b>	874,609
Royalties	<b>967,265</b>	733,829
	<b>9,414,201</b>	7,830,437