

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)

Financial Statements

Year Ended June 30, 2024

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ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)

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Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Atelier Theatre Society (operating as Opera Atelier)

Qualified Opinion

We have audited the financial statements of Atelier Theatre Society (operating as Opera Atelier) (the "organization"), which comprise the statement of financial position as at June 30, 2024, and the statements of revenues and expenditures, changes in net assets (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2024, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising from the public the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended June 30, 2024 and 2023, current assets as at June 30, 2024 and 2023, and net assets as at July 1 and June 30 for both the 2024 and 2023 years. The predecessor auditor's opinion on the financial statements for the year ended June 30, 2023 was modified accordingly because of the possible effects of this limitation of scope.

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 organization in accordance with 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 qualified audit opinion.

Other Matter

The financial statements for the year ended June 30, 2023 were audited by another auditor who expressed a qualified opinion on those financial statements on January 25, 2024 for the reasons described in the *Basis for Qualified Opinion* section.

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

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Independent Auditor's Report to the Members of Atelier Theatre Society (operating as Opera Atelier)
(continued)

Those charged with governance are responsible for overseeing the organization'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 organization'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 organization'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 organization 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.

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24 (1)

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Statement of Financial Position****June 30, 2024**

	2024	2023
ASSETS		
CURRENT		
Cash	\$ 40,092	\$ 161,550
Investments (Note 3)	149,600	143,692
Accounts receivable	127,028	165,054
Prepaid expenses	11,444	43,152
	<u>328,164</u>	<u>513,448</u>
CAPITAL ASSETS (Note 4)	<u>58,868</u>	<u>4,202</u>
	<u>\$ 387,032</u>	<u>\$ 517,650</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 219,030	\$ 97,380
Performance revenue received in advance	160,800	151,797
Deferred contributions (Note 5)	140,157	40,900
Canada Emergency Business Account loan payable	-	40,000
	<u>519,987</u>	<u>330,077</u>
NET ASSETS		
Unrestricted	(302,406)	72,788
Invested in capital assets	58,868	4,202
Internally restricted	110,583	110,583
	<u>(132,955)</u>	<u>187,573</u>
	<u>\$ 387,032</u>	<u>\$ 517,650</u>

ON BEHALF OF THE BOARD

19 (1)

Director

19 (1)

Director

See accompanying notes

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Statement of Revenues and Expenditures****Year Ended June 30, 2024**

	2024	2023
REVENUES		
Fundraising	\$ 1,493,781	\$ 1,480,891
Government grants	520,096	620,615
Performance revenue	353,937	405,545
Investment and other revenue (Note 6)	46,529	18,040
	<u>2,414,343</u>	<u>2,525,091</u>
EXPENSES		
Production costs	1,233,415	1,155,743
Wages and benefits	789,770	778,171
Office and general	481,015	230,928
Marketing	183,391	182,440
Fundraising	34,734	100,224
Interest and bank charges	7,648	4,797
Amortization	4,898	1,800
	<u>2,734,871</u>	<u>2,454,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (320,528)</u>	<u>\$ 70,988</u>

See accompanying notes

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Statement of Changes in Net Assets (Deficiency)****Year Ended June 30, 2024**

	Unrestricted	Invested in Capital Assets	Internally Restricted	2024	2023
NET ASSETS -					
BEGINNING OF					
YEAR	\$ 72,788	\$ 4,202	\$ 110,583	\$ 187,573	\$ 116,585
Deficiency of revenues over expenses	(315,630)	(4,898)	-	(320,528)	70,988
Capital asset purchases during the year	(59,564)	59,564	-	-	-
NET ASSETS					
(DEFICIENCY) - END					
OF YEAR	\$ (302,406)	\$ 58,868	\$ 110,583	\$ (132,955)	\$ 187,573

See accompanying notes

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Statement of Cash Flows****Year Ended June 30, 2024**

	2024	2023
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (320,528)	\$ 70,988
Item not affecting cash:		
Amortization of capital assets	4,898	1,800
	<u>(315,630)</u>	<u>72,788</u>
Changes in non-cash working capital:		
Accounts receivable	38,026	(43,524)
Accounts payable and accrued liabilities	121,651	(34,461)
Performance revenue received in advance	9,003	(26,060)
Prepaid expenses	31,708	(10,602)
Deferred contributions	99,257	(38,451)
	<u>299,645</u>	<u>(153,098)</u>
Cash flow used by operating activities	<u>(15,985)</u>	<u>(80,310)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(59,564)	-
Purchase of investments	(5,909)	(2,674)
Cash flow used by investing activities	<u>(65,473)</u>	<u>(2,674)</u>
FINANCING ACTIVITY		
Repayment of Canada Emergency Business Account loan	(40,000)	-
DECREASE IN CASH FLOW	<u>(121,458)</u>	<u>(82,984)</u>
Cash - beginning of year	161,550	244,534
CASH - END OF YEAR	<u>\$ 40,092</u>	<u>\$ 161,550</u>

See accompanying notes

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Notes to Financial Statements****Year Ended June 30, 2024****1. NATURE OF OPERATIONS**

Atelier Theatre Society (operating as Opera Atelier) ("organization") aims to be a world leader in the rediscovery and revitalization of period opera and ballet, particularly works from the Baroque era. Through its historically informed productions, Opera Atelier seeks to provide thrilling theatrical experiences for modern audiences in Toronto, Ontario, and internationally while on tour.

Opera Atelier was incorporated in 1983 as a not-for-profit organization under the laws of Ontario and presented its first production in 1985. Opera Atelier is registered as a charitable organization under the Income Tax Act (Canada) and, accordingly, is exempt from income tax and may issue donation receipts for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant policies are:

Revenue recognition

Opera Atelier follows the deferral method of accounting for externally restricted contributions. Externally restricted contributions from fundraising and government grants are recognized as revenue in the year to which the funding is related or the year in which the related expenditures are incurred. Unrestricted revenue is recognized when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges are recognized at the time of commitment when the amount can be reasonably estimated and collection is reasonably assured.

Performance and other revenue is recognized when performances are delivered. Advance ticket sales are recorded as performance revenue received in advance. Interest income is recognized when earned.

Endowment contributions are under the custody and financial management of the Ontario Arts Foundation as described in Note 6. Contributions are recorded directly in the investment accounts. The endowment fund assets are not recognized in the financial statements of Opera Atelier as they are not under the organization's control. The assets are held for the purpose of generating investment income, which is paid out to Opera Atelier in accordance with investment returns and minimum repayment amounts as required by foundation regulations.

Financial instruments

Opera Atelier's financial instruments comprise cash, investments, accounts receivable, accounts payable and accrued liabilities.

Opera Atelier's financial instruments are initially recognized at fair value. All financial assets and financial liabilities are subsequently measured at amortized cost.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

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ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Notes to Financial Statements****Year Ended June 30, 2024****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30% declining balance method
Sets, costumes and equipment	20 years straight-line method

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed. Government grants are treated as a reduction of capital assets cost.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas of the financial statements subject to estimates include allowance for doubtful accounts, amortization of capital assets, deferred contributions and accounts payable and accrued liabilities. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

3. INVESTMENTS

Investments consist of guaranteed investment certificates bearing interest between 4.25% and 4.75% (2023 - 3.25% and 4.00%), and maturing between November 28, 2024 and May 31, 2025 (2023 - November 28, 2023 and May 31, 2024). Of the investments, \$106,422 (2023 - \$102,360) is held as security for Opera Atelier's line of credit with the ^{24 (1)} (Note 7).

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Computer equipment	\$ 52,757	\$ 44,210	\$ 8,547	\$ 4,202
Sets, costumes and equipment	52,970	2,649	50,321	-
	<u>\$ 105,727</u>	<u>\$ 46,859</u>	<u>\$ 58,868</u>	<u>\$ 4,202</u>

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Notes to Financial Statements****Year Ended June 30, 2024****5. DEFERRED CONTRIBUTIONS**

	Balance, July 1, 2023	Amount received	Amount recognized as revenue	2024
Government grants				
Canada Council for the Arts	\$ -	\$ 266,800	\$ 266,800	\$ -
Ontario Trillium Foundation	40,900	-	40,900	-
Ontario Arts Council	-	168,068	168,068	-
Canada Summer Job	-	9,528	9,528	-
Toronto Arts Council	-	68,400	68,400	-
Other	-	7,300	7,300	-
	<u>40,900</u>	<u>520,096</u>	<u>560,996</u>	<u>-</u>
Fundraising				
Fundraising for the production of David and Jonathan scheduled in fiscal 2025	-	140,157	-	140,157
	<u>\$ 40,900</u>	<u>\$ 660,253</u>	<u>\$ 560,996</u>	<u>\$ 140,157</u>

The amount received from Ontario Trillium Foundation was repaid subsequent to year end and included in accounts payable and accrued liabilities at June 30, 2024.

6. ENDOWMENT FUND

The financial statements do not reflect the accounts of the Opera Atelier Endowment Funds (the "Funds") operated by the Ontario Arts Foundation (the "Foundation"). The Funds are to be held in perpetuity by the Foundation. The market value of the Funds are as follows:

	Arts Endowment Fund	24 (1) Endowment Fund	Canadian Heritage Endowment Fund	2024	2023
Opening market value	\$ 216,364	\$ 345,861	\$ 237,440	\$ 799,665	\$ 687,795
Investment gain (loss)	24,066	38,470	26,411	88,947	128,988
Management and administration fees	(2,243)	(3,586)	(2,465)	(8,294)	(6,556)
Payout of income representing 4.5 % of the market value of the fund (2023 - 1.3%)	(10,925)	(17,063)	(11,715)	(39,703)	(10,562)
Closing market value	<u>\$ 227,262</u>	<u>\$ 363,682</u>	<u>\$ 249,671</u>	<u>\$ 840,615</u>	<u>\$ 799,665</u>

ATELIER THEATRE SOCIETY (OPERATING AS OPERA ATELIER)**Notes to Financial Statements****Year Ended June 30, 2024****7. CREDIT FACILITIES**

Opera Atelier has a line of credit available in the amount of \$320,000 bearing interest at the prime rate plus 2.50%, of which \$nil was outstanding as of June 30, 2024 (2023 - \$nil). The facility is secured by the investment of \$106,422 (2023 - \$102,360) described in Note 3., and by a third party security agreement and personal guarantees from a related party.

In addition, the bank is holding a letter of credit in the amount of \$110,000 (2023 - \$110,000) representing two weeks' contractual fees for equity artists.

8. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of June 30, 2024.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk with its accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization does not have a significant credit risk based on the nature of its receivables.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts receivable and loans payable. The organization reduces this risk by ensuring that adequate access to financing is maintained.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its investments and credit facilities.

Other risks

It is management's opinion that the organization is not exposed to significant currency or market risks arising from its financial instruments.

Unless otherwise noted, there has been no change to the risk profile of the organization during the year.

9. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.