

Financial Statements

Atelier Theatre Society
(operating as Opera Atelier)

June 30, 2022

DISCLOSED TO
PURSUANT TO
THE ATIA
A-2023-163785

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12

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), which comprise the statement of financial position as at June 30, 2022, and the statements of operations, changes in net assets, 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 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 Opera Atelier as at June 30, 2022, 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 qualified opinion

In common with many not-for-profit organizations, Opera Atelier derives revenue from fundraising from the public the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Opera Atelier. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2022 and 2021, current assets as at June 30, 2022 and 2021, and net assets as at July 1 and June 30 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended June 30, 2021 was modified accordingly because of the possible effects of this limitation in 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 Opera Atelier 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 qualified opinion.

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 Opera Atelier'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 Opera Atelier or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Opera Atelier'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 Opera Atelier'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 Opera Atelier'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 Opera Atelier 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.

24(1)

Toronto, Canada

24(1)

Chartered Professional Accountants
Licensed Public Accountants

24(1)

Atelier Theatre Society (operating as Opera Atelier)

Statement of Financial Position

June 30

2022

2021

Assets

Current

Cash	\$ 244,534	\$ 322,253
Investments (Note 4)	141,018	110,656
Accounts receivable (Note 5)	121,529	122,537
Prepaid expenses	32,550	27,234

539,631 582,680

Capital assets (Note 6)

6,002 8,575

\$ 545,633 \$ 591,255

Liabilities

Current

Accounts payable and accrued liabilities (Note 8)	\$ 131,840	\$ 182,659
Performance revenue received in advance	177,857	55,415
Ontario Cultural Attractions Fund loan payable	-	62,500
Deferred revenue (Note 9)	79,351	41,500

389,048 342,074

Canada Emergency Business Account loan payable (Note 10)

40,000 40,000

429,048 382,074

Net assets

Invested in capital assets	6,002	8,575
Unrestricted	-	(23,479)
Internally restricted	110,583	224,085

116,585 209,181

\$ 545,633 \$ 591,255

On behalf of the Board of Directors

19(1)

Director

Atelier Theatre Society (operating as Opera Atelier)

Statement of Operations

Year ended June 30	2022	2021
Revenue		
Fundraising	\$ 1,299,759	\$ 1,345,902
Government grants (Note 9)	894,599	1,099,359
Performance revenue	86,778	61,542
Canada Emergency Wage Subsidy (Note 13)	62,447	178,738
Other revenue	56,131	40,063
	<u>2,399,714</u>	<u>2,725,604</u>
Expenditures		
Production costs	1,118,894	1,230,320
Salaries	855,757	692,801
Office	249,166	193,043
Marketing	157,673	96,813
Fundraising	101,040	95,888
Interest	7,207	4,454
Amortization of capital assets	2,573	3,675
	<u>2,492,310</u>	<u>2,316,994</u>
(Deficiency) excess of revenue over expenditures	<u>\$ (92,596)</u>	<u>\$ 408,610</u>

Atelier Theatre Society (operating as Opera Atelier)

Statement of Changes in Net Assets

Year ended June 30

	Invested in capital assets	Unrestricted	Internally restricted	Total 2022	Total 2021
Balance, beginning of year	\$ 8,575	\$ (23,479)	\$ 224,085	\$ 209,181	\$ (199,429)
(Deficiency) excess of revenue over expenditures	(2,573)	(90,023)	-	(92,596)	408,610
Board designated transfer	-	113,502	(113,502)	-	-
Balance, end of year	<u>\$ 6,002</u>	<u>\$ -</u>	<u>\$ 110,583</u>	<u>\$ 116,585</u>	<u>\$ 209,181</u>

Atelier Theatre Society (operating as Opera Atelier)

Statement of Cash Flows

Year ended June 30

2022

2021

Increase (decrease) in cash

Operating

(Deficiency) excess of revenue over expenditures	\$ (92,596)	\$ 408,610
Items not affecting cash		
Amortization of capital assets	2,573	3,675
Deferred revenue recognized as revenue (Note 9)	(911,852)	(1,184,016)
	(1,001,875)	(771,731)
Change in non-cash working capital items		
Accounts receivable	1,008	(68,955)
Prepaid expenses	(5,316)	(21,859)
Accounts payable and accrued liabilities	(50,819)	102,215
Performance revenue received in advance	122,442	(149,637)
Deferred revenue received (Note 9)	949,703	853,259
	15,143	(56,708)

Financing

Repayment of Ontario Cultural Attractions Fund loan payable	(62,500)	-
Proceeds from Ontario Cultural Attractions Fund loan payable	-	62,500
Proceeds from Canada Emergency Business Account loan payable	-	10,000
	(62,500)	72,500

Investing

Purchase of investments	(30,362)	(386)
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Net change in cash during the year (77,719) 15,406

Cash

Beginning of year	322,253	306,847
End of year	\$ 244,534	\$ 322,253

Atelier Theatre Society (operating as Opera Atelier)

Notes to the Financial Statements

June 30, 2022

1. Nature of operations

Atelier Theatre Society (operating as Opera Atelier) is 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 a thrilling theatrical experience for modern audiences.

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 have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities at the year end date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Financial instruments

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

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 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.

Capital assets

Capital assets are recorded at cost and are being amortized over their estimated useful life. The annual amortization rate and method is 30% declining balance for computer equipment and software.

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.

Atelier Theatre Society (operating as Opera Atelier)

Notes to the Financial Statements

June 30, 2022

2. Summary of significant accounting policies (continued)

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 expenses 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.

Endowment contributions are recognized as direct increases in net assets in the statement of changes in net assets.

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 as earned.

Canada Emergency Wage Subsidy is recognized in the period to which it relates.

3. Capital management

Opera Atelier's capital is comprised of its net assets.

In the management of its capital resources, Opera Atelier's overall goals are to maintain the financial viability and success of the organization and to increase its capital base over time in a sustainable manner to support the achievement of its artistic vision and plan.

On an annual basis, the Executive Director prepares an operating budget and cash flow forecast which is reviewed by the Treasurer, Finance and Audit Committee and Executive Committee and approved by the Board of Directors. Throughout the year, the Executive Director and Treasurer monitor the actual results against the budget and forecast and report to the Finance and Audit Committee, Executive Committee and Board of Directors on the results of their review.

In the planning of artistic productions and related future commitments, anticipated costs and related revenues are reviewed to ensure they appropriately support the continued financial and artistic success of the organization.

4. Investments

Investments consist of guaranteed investment certificates bearing interest between 0.20% and 1.00% (2021 - 0.20% and 0.35%), and maturing between November 28, 2022 and May 31, 2023 (2021 - November 27, 2021 and May 30, 2022). Of the investments, \$102,360 (2021 - \$102,360) is held as security for Opera Atelier's line of credit with the 24(1) (Note 7).

Atelier Theatre Society (operating as Opera Atelier)

Notes to the Financial Statements

June 30, 2022

5. Accounts receivable

Included in accounts receivable are pledges of \$83,988 (2021 - \$Nil) which were recognized as revenue during the year.

6. Capital assets

			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment and software	\$ 46,163	\$ 40,161	\$ 6,002	\$ 8,575

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, 2022 (2021 - \$Nil). The facility is secured by the investment of \$102,360 (2021 - \$102,360) described in Note 4, 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 (2021 - \$80,000) representing two weeks' contractual fees for equity artists.

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$Nil (2021 - \$Nil).

Atelier Theatre Society (operating as Opera Atelier)

Notes to the Financial Statements

June 30, 2022

9. Deferred revenue

	Balance July 1, 2021	Amount received	Amount recognized as revenue	Balance June 30, 2022
Government grants				
Canada Council for the Arts	\$ -	\$ 320,200	\$ 320,200	\$ -
Trillium Foundation	-	251,500	251,500	-
Ontario Arts Council	27,000	210,085	210,085	27,000
Toronto Arts Council	-	90,000	90,000	-
Canadian Cultural Centre	4,000	-	-	4,000
Other grants	-	22,814	22,814	-
	31,000	894,599	894,599	31,000
Foundation grant				
Toronto Art Foundation	-	40,000	6,753	33,247
Fundraising				
Other grants	10,500	15,104	10,500	15,104
	\$ 41,500	\$ 949,703	\$ 911,852	\$ 79,351

10. Canada Emergency Business Account loan

	2022	2021
Canada Emergency Business Account loan	\$ 40,000	\$ 40,000

Opera Atelier took advantage of the Canada Emergency Business Account loan. The loan is interest free and due no later than December 31, 2023. If Opera Atelier is able to pay \$40,000 on or before December 31, 2023, the remaining \$20,000 will be forgiven. If the loan cannot be repaid by December 31, 2023, the loan will be converted into a 2-year term loan, with an interest rate of 5% due no later than December 31, 2025. Opera Atelier is expecting to repay the loan by December 31, 2023, and therefore, has recognized the forgivable portion as revenue (\$10,000 in fiscal 2020 and \$10,000 in fiscal 2021).

Atelier Theatre Society (operating as Opera Atelier)

Notes to the Financial Statements

June 30, 2022

11. 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:

	Opera Atelier Arts Endowment Fund	Opera Atelier Vivian Pilar Endowment Fund	Opera Atelier Canadian Heritage Endowment Fund	Total 2022	Total 2021
Opening market value	\$ 227,874	\$ 346,206	\$ 238,099	\$ 812,179	\$ 677,163
Investment (loss) gain	(18,927)	(28,790)	(19,763)	(67,480)	178,597
Management and administration fees	(4,719)	(7,163)	(4,936)	(16,818)	(8,263)
Payout of income to Opera Atelier representing 6.4% of the market value of the fund at Dec 31, 2021 (Dec 31, 2020 - 5.2%)	(11,311)	(16,844)	(11,931)	(40,086)	(35,318)
Closing market value	\$ 192,917	\$ 293,409	\$ 201,469	\$ 687,795	\$ 812,179

12. Financial instruments

Opera Atelier is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposures and concentrations.

Credit risk

Credit risk arises as a result of the potential non-performance by counterparties of contract obligations which could lead to a financial loss to Opera Atelier. The organization's credit risk relates to its accounts receivable. In the opinion of management, the credit risk exposure to Opera Atelier is not significant due to the nature of its receivables.

Atelier Theatre Society (operating as Opera Atelier)

Notes to the Financial Statements

June 30, 2022

12. Financial instruments (continued)

Liquidity risk

Liquidity risk represents the risk that Opera Atelier could encounter difficulty in meeting obligations associated with its financial liabilities. Therefore, Opera Atelier is exposed to liquidity risk mainly with respect to its accounts and loans payable. Opera Atelier reduces exposure to liquidity risk by ensuring that adequate access to financing is maintained.

Other risks

It is management's opinion that Opera Atelier is not exposed to significant interest rate, currency or market risks arising from its financial instruments.

There are no changes in risks from the prior year.

13. COVID-19

The impact of the COVID-19 pandemic, as well as its impact on the financial position and results of Opera Atelier for future periods remains unclear at this time. During the year performance revenue declined, however, Opera Atelier was able to supplement funding with the Canada Emergency Wage Subsidy of \$62,447 (2021 - \$178,738) and increased fundraising and government grants. Opera Atelier anticipates that available liquid assets and ongoing cost mitigation efforts will provide the necessary support to sustain Opera Atelier.