

TARRAGON THEATRE
FINANCIAL STATEMENTS
JUNE 30, 2015

INDEPENDENT AUDITOR'S REPORT

To the Directors of Tarragon Theatre

We have audited the accompanying financial statements of Tarragon Theatre, which comprise the statement of financial position as at June 30, 2015, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tarragon Theatre as at June 30, 2015, and its financial performance, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Connell Hall, LLP

**October 27, 2015
Toronto, Ontario**

**Connell Hall LLP
Licensed Public Accountants**

**TARRAGON THEATRE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and equivalents	\$ 176,137	\$ 469,772
Investments (Note 3)	876,192	975,561
Accounts receivable	29,767	36,946
Prepaid expenses	83,957	35,139
	1,166,053	1,517,418
Capital assets (Note 4)	1,243,020	1,192,218
	\$ 2,409,073	\$ 2,709,636

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 51,385	\$ 123,959
Advance subscriptions and box office receipts	447,132	478,072
Deferred donations and grants (Note 6a)	58,124	75,500
Rental and other deposits	15,200	14,070
	571,841	691,601
Deferred capital asset donations and grants (Note 6b)	734,413	777,814
	1,306,254	1,469,415

NET ASSETS

Endowment Fund - held by Tarragon Theatre (Note 8a)	12,271	10,359
(Note 8b details the externally held OAF endowment funds, market value of \$1,855,579)		
Internally designated funds (Note 7)	888,261	1,014,542
Invested in capital assets	508,608	414,404
Unrestricted net assets	(306,321)	(351,872)
Working capital reserve (Note 9)	-	152,788
	1,102,819	1,240,221
	\$ 2,409,073	\$ 2,709,636

Approved by the Board



(See notes to the financial statements)

TARRAGON THEATRE
STATEMENT OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
Revenues		
Single tickets	\$ 487,291	\$ 416,613
Subscriptions	498,700	512,842
Concession	55,926	58,129
Rentals	38,289	55,326
Education programs	17,123	17,701
Endowment Fund (Note 8b)	77,669	75,936
Recognition of deferred capital asset donations and grants	80,601	60,888
Other revenue	60,971	33,049
	<u>1,316,570</u>	<u>1,230,484</u>
Fundraising revenues (Note 10)	414,078	475,490
Operating and other grants (Note 11)	<u>896,657</u>	<u>886,218</u>
Total revenues	<u>2,627,305</u>	<u>2,592,192</u>
Expenses		
Production		
Artistic fees and salaries	735,303	681,206
Technical fees and salaries	547,524	509,164
Royalties	84,755	82,003
Sets, props and costumes	128,438	102,545
Publicity, promotion and salaries	134,366	180,738
Subscription	18,229	39,999
Education and outreach	112,617	124,238
Play development projects (Note 7)	13,970	58,328
Travel and accommodation	27,303	11,555
	<u>1,802,505</u>	<u>1,789,776</u>
Theatre		
Maintenance and salary	131,541	105,600
Utilities and insurance	87,446	76,534
Front of house salaries	140,424	134,567
Concession	38,664	35,161
	<u>398,075</u>	<u>351,862</u>
Administration		
Administration fees and salaries	209,820	194,022
Administration expenses	67,054	57,530
Fundraising expense and salary	50,064	96,740
Amortization of capital assets	112,820	90,712
	<u>439,758</u>	<u>439,004</u>
Total expenses	<u>2,640,338</u>	<u>2,580,642</u>
Excess of operating revenues over expenses		
(expenses over revenues)	<u>\$ (13,033)</u>	<u>\$ 11,550</u>

(See notes to the financial statements)

TARRAGON THEATRE
INTERNALLY DESIGNATED FUNDS
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

		Chalmers Play Development Fund (Note 7)	Jerry Doiron Professional Development Fund (Note 7)	Mallory Gilbert Arts Administration Award Fund (Note 7)	2015 Total	2014 Total
Revenues						
Interest and dividends	\$	23,869	-	-	\$ 37,295	\$ 34,819
Realized gains on sales of investments (net)		-	-	-	-	23,458
Unrealized gains on investments		-	-	-	-	38,461
Donations received		-	15,000	-	15,000	4,885
Total revenues		<u>23,869</u>	<u>15,000</u>	<u>-</u>	<u>52,295</u>	<u>101,623</u>
Expenses						
Realized losses on sales of investments (net)	\$	17,825	-	-	\$ 27,852	\$ -
Unrealized losses on investments		69,640	-	-	108,812	-
Investment counsel fees		5,768	-	-	9,012	9,302
Income allocations (Note 7)		18,101	-	4,617	32,900	-
Total expenses		<u>111,334</u>	<u>-</u>	<u>4,617</u>	<u>178,576</u>	<u>9,302</u>
Net revenues (expenses) for the year		<u>(87,465)</u>	<u>15,000</u>	<u>(4,617)</u>	<u>(126,281)</u>	<u>92,321</u>
Fund balances, opening		<u>662,637</u>	<u>-</u>	<u>4,617</u>	<u>1,014,542</u>	<u>922,221</u>
Fund balances, closing	\$	<u><u>575,172</u></u>	<u><u>15,000</u></u>	<u><u>-</u></u>	<u><u>888,261</u></u>	<u><u>\$ 1,014,542</u></u>

(see notes to the financial statements)

TARRAGON THEATRE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Endowment Fund</u> (Note 8a)	<u>Internally Designated Funds</u> (Note 7)	<u>Working Capital Reserve</u> (Note 9)	<u>Invested in Capital Assets</u>	<u>Unrestricted Net Assets</u>	<u>2015 Total</u>	<u>2014 Total</u>
Opening balance	\$ 10,359	\$ 1,014,542	\$ 152,788	\$ 414,404	\$ (351,872)	\$ 1,240,221	\$ 1,136,299
Excess of revenues over expenses (expenses over revenues)	-	(126,281)	-	-	(13,033)	(139,314)	103,872
Fund transfers	-	-	(152,788)	-	152,788	-	-
Invested in capital assets (1)	-	-	-	126,423	(126,423)	-	-
Amortization of capital assets	-	-	-	(112,820)	112,820	-	-
Amortization of deferred capital asset donations	-	-	-	80,601	(80,601)	-	-
Endowment fund contributions	1,912	-	-	-	-	1,912	50
Closing balance, June 30, 2015	\$ 12,271	\$ 888,261	\$ -	\$ 508,608	\$ (306,321)	\$ 1,102,819	\$ 1,240,221

(1) Consists of: capital asset expenditures \$ 163,623
capital asset donations and grants (37,200)
\$ 126,423

(see notes to the financial statements)

**TARRAGON THEATRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from production activity	\$ 958,259	\$ 961,428
Cash received from non-production activity	112,468	129,107
Cash received from fundraising activity	403,615	444,122
Cash received from grants	896,657	888,218
Endowment and investment payouts received for operations	79,256	77,345
Cash paid for salaries, fees and benefits	(2,061,680)	(1,960,308)
Cash paid for materials and supplies	<u>(560,275)</u>	<u>(427,799)</u>
	<u>(171,700)</u>	<u>112,113</u>
Cash flows from investing activities		
Purchase of capital assets	(163,623)	(142,965)
Contributions towards capital assets	50,700	124,300
Fund transfers and disbursements from cash - net	<u>(9,012)</u>	<u>(9,302)</u>
	<u>(121,935)</u>	<u>(27,967)</u>
Net increase (decrease) in cash and equivalents	(293,635)	84,146
Cash and equivalents, beginning of year	<u>469,772</u>	<u>385,626</u>
Cash and equivalents, end of year	<u>\$ 176,137</u>	<u>\$ 469,772</u>
Cash and equivalents is comprised of:		
Cash	\$ 176,137	\$ 371,572
Short term deposits	<u>-</u>	<u>98,200</u>
	<u>\$ 176,137</u>	<u>\$ 469,772</u>

(See notes to the financial statements)

TARRAGON THEATRE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

1. OBJECTIVES AND INCORPORATION

The primary objectives of the Tarragon Theatre are to develop and produce new theatrical works created by Canadian artists and technicians.

Tarragon Theatre was incorporated in 1970 as a company without share capital under the Corporations Act of Ontario, and is exempt from income taxes as a registered charity.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

(b) Revenue recognition

Unrestricted contributions are recognized as revenue in operations when received or deemed receivable. Restricted contributions for operating expenses of one or more future periods are deferred and recognized as revenue in the year in which the related expenses are incurred. Endowment fund contributions are allocated as direct increases in the endowment fund. Contributions to the designated funds are recognized as revenue in the appropriate fund. Restricted contributions for the purchase of capital assets or improvements are deferred and amortized into revenue on the same basis as the related assets.

Investment income earned on the designated fund investments is recorded as revenue in the designated funds. Other revenues, including subscription and box office sales, co-production contributions and theatre rentals are recorded as income at the time the related productions are staged. Revenue from concessions is recorded at the time of sale.

(c) Financial instruments

Tarragon's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. Cash and investments are measured at fair value. Changes in fair value are recognized as revenue and expense in the period in which the change occurs. Accounts receivable and payable are initially measured at fair value when Tarragon becomes a party to the contractual provisions, and are subsequently measured at amortized cost, which approximates fair value due to their short term nature.

(d) Capital assets and amortization

Assets having a value of \$1,000 or greater are capitalized. Assets having a value of less than \$1,000 and items acquired for repair and maintenance purposes are expensed in the year of acquisition. Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair market value at the date of donation.

TARRAGON THEATRE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Capital assets and amortization (continued)

Amortization is calculated on a straight line basis over the life of the asset, which for the building and improvements is 40 years; renovations, 20 years; fixtures, 10 years; sound and video equipment, 5 years; and for all other assets is 3 years. A full year's amortization is recorded for assets acquired in the first half of the fiscal year; a half year's amortization is recorded for assets acquired in the second half of the fiscal year.

(e) Contributed services

Volunteers contribute their time to assist Tarragon in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(f) Cash and equivalents

Included in cash and equivalents are cash and short term deposits or guaranteed investment certificates intended and available for operations and which are due or cashable within one year of the statement of financial position date.

(g) Use of estimates

Canadian ASNPO's require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates and assumptions used in the preparation of these financial statements are reasonable and prudent. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. INVESTMENTS

Investments consist of various marketable securities and fixed income products. The market value of investments at June 30, 2015 was \$876,192 (2014 - \$975,561). The cost of investments at June 30, 2015 was \$971,693 (2014 - \$964,427).

TARRAGON THEATRE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

4. CAPITAL ASSETS

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 263,589	\$ -	\$ 263,589	\$ 263,589
Building and improvements	1,955,303	1,174,174	781,129	851,102
Renovations	93,671	4,570	89,101	-
Computer equipment and software	112,964	94,007	18,957	5,953
Sound and video equipment	114,322	63,626	50,696	51,962
Lighting equipment	102,694	79,041	23,653	536
Fixtures	31,810	15,915	15,895	19,076
	<u>\$ 2,674,353</u>	<u>\$ 1,431,333</u>	<u>\$ 1,243,020</u>	<u>\$ 1,192,218</u>

5. ACCOUNTS PAYABLE

As at June 30, 2015, Tarragon was current and up-to-date on all government remittances. Accounts payable at June 30, 2015 include HST payable of \$19,774 (2014 - \$6,737) and payroll source deductions of \$4,098 (2013 - \$NIL), both subsequently paid in July.

6. DEFERRED DONATIONS AND GRANTS

(a) Amounts received during the year and which are deferred for future programs and expenditures are as follows:

	<u>2015</u>	<u>2014</u>
Corporate and private donations	\$ 40,056	\$ 37,500
George Cedric Metcalf Charitable Foundation - Strategic Initiatives	18,068	38,000
	<u>\$ 58,124</u>	<u>\$ 75,500</u>

(b) Deferred capital asset donations and grants consist of an original grant from the Ontario Ministry of Citizenship and Culture for the purchase of the land and building at 30 Bridgman Avenue, as well as contributions from individuals, corporations and foundations for building renovations and capital asset acquisitions.

Changes in deferred donations and grants relating to capital assets are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 777,814	\$ 700,902
Contributions received during the year:		
Department of Canadian Heritage	22,200	-
Private donations	15,000	-
Ontario Trillium Foundation	-	102,800
City of Toronto	-	35,000
Amounts amortized to revenue	<u>(80,601)</u>	<u>(60,888)</u>
Balance, end of year	<u>\$ 734,413</u>	<u>\$ 777,814</u>

TARRAGON THEATRE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

7. INTERNALLY DESIGNATED FUNDS

Tarragon Theatre has established internally designated funds as follows:

(a) Bill Glassco Fund

Named in honor of Tarragon Theatre's founding artistic director, the Fund was established in 1982 when the Theatre received the first Vantage Arts Academy Award, given in recognition of contributions to the development of Canadian theatre. This, together with subsequently received donations, has been invested in short term deposits and marketable securities, and it is the Theatre's intention to use the Fund and the income generated thereon for bursaries, special acquisitions and play development activities, at the discretion of the board of directors.

During the 2014-2015 season, the board resolved to utilize the interest and dividend income, net of investment management fees, of \$18,101 to fund a portion of play development activities for the year (2013-2014 - \$NIL).

(b) Chalmers Play Development Fund

In 1990, the late Mr. Floyd S. Chalmers donated common shares of MacLean Hunter Limited, together with a cash donation from the Woodlawn Arts Foundation. These shares were sold in 1994 and the proceeds were reinvested in short term deposits and marketable securities, and it is the Theatre's intention to use the Fund and the income generated thereon for play development activities, at the discretion of the board of directors.

During the 2014-2015 season, the board resolved to use the interest and dividend income, net of investment management fees, of \$10,182 to fund a portion of play development activities for the year (2013-2014 - \$NIL).

(c) Jerry Doiron Professional Development Fund

This fund has been established by a donation during the 2014-2015 season from Laura Dinner in the memory of Jerry Doiron, long-time Canadian theatre arts administrator. The purpose of the fund is to enable Tarragon staff members to participate in professional development initiatives that will enhance their contribution to their work at both the Tarragon Theatre and the broader arts community.

The maximum amount of funds available for use each year will be \$3,000. Should the full amount not be used in any given fiscal year, the remaining funds may be added to the available funds in the following fiscal year.

(d) Mallory Gilbert Arts Administration Awards Fund

In 2006 Tarragon joined with the Professional Association of Canadian Theatres (PACT) to create the Mallory Gilbert Leadership Award, named in honor of Tarragon Theatre's former long time general manager. The fund was wound up as of June 30, 2015 as the purpose for which it was established has been satisfied.

TARRAGON THEATRE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

8. URJO KAREDA PLAYWRIGHTS ENDOWMENT FUND

Named In 2002 to commemorate Tarragon Theatre's late artistic director, the Urjo Kareda Playwrights Endowment Fund provides funding for play development activities. There are two separate endowment funds. The first was established in 1998 and is held by Tarragon Theatre. The second was established by the Ontario Arts Foundation (OAF) in 1999 and is held in perpetuity and administered on behalf of Tarragon Theatre by the OAF.

Under the OAF Arts Endowment Fund program, donations raised by Tarragon Theatre and contributed to its OAF Endowment Fund were eligible to be matched by the Province of Ontario subject to established annual limits.

(a) Endowment Fund held by Tarragon Theatre

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 10,359	\$ 10,309
Donations received during the year	<u>1,912</u>	<u>50</u>
Balance, end of year	<u>\$ 12,271</u>	<u>\$ 10,359</u>

(b) Arts Endowment Fund held by the OAF on behalf of Tarragon Theatre, but not reflected as an asset on the balance sheet.

	<u>2015</u>	<u>2014</u>
Total contributions	<u>\$ 1,382,415</u>	<u>\$ 1,382,415</u>

The market value of the fund at June 30, 2015 was \$1,855,579 (June 30, 2014 - \$1,767,716), During the 2014-2015 season, Tarragon Theatre received a payout of \$77,669 (2013-2014 - \$75,936) from the fund.

9. WORKING CAPITAL RESERVE

Tarragon Theatre participated in the Working Capital for the Arts program operated by the Creative Trust for four years, concluding in the 2008-09 fiscal year. The program was designed to assist Toronto-based performing arts companies achieve long-term fiscal stability. For each of the four years, Tarragon Theatre received a working capital award of \$88,197, the total of which was allocated to a Working Capital Reserve, as was required by the program.

For the 2014-2015 season, the board of directors resolved to transfer the balance of the reserve to Unrestricted Net Assets, effective June 30, 2015.

TARRAGON THEATRE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

10. FUNDRAISING

Tarragon Theatre raised a total of \$430,990 during the 2014-2015 season (2013-2014 - \$480,025) as follows:

	<u>2015</u>	<u>2014</u>
Operations	\$ 414,078	\$ 475,490
Jerry Doiron Play Development Fund contribution (Note 7)	15,000	-
Designated Fund contributions	-	4,885
Endowment Fund contributions (Note 8a)	<u>1,912</u>	<u>50</u>
 Total donations	 <u><u>\$ 430,990</u></u>	 <u><u>\$ 480,425</u></u>

11. OPERATING AND OTHER GRANTS

Grants and awards were provided by the following:

	<u>2015</u>	<u>2014</u>
The Canada Council	\$ 409,000	\$ 409,000
The Ontario Arts Council - annual operating grant	239,000	239,000
The Toronto Arts Council	200,000	200,000
Other grants	<u>48,657</u>	<u>38,218</u>
	 <u><u>\$ 896,657</u></u>	 <u><u>\$ 886,218</u></u>

12. FINANCIAL RISK MANAGEMENT

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Tarragon is exposed to market risk on its equity investments and some of its fixed income investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in the bank's prime rate can cause fluctuations in interest payments and cash flows from variable-interest bearing investments. As Tarragon's interest bearing investments are all of a fixed income nature, it is not exposed to significant interest rate risk.

It is the opinion of management that Tarragon is not exposed to significant currency, credit or liquidity risk.