

**THE FACTORY THEATRE LAB**

**Financial Statements**

**June 30, 2022**

**THE FACTORY THEATRE LAB**

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**Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of The Factory Theatre Lab

### *Opinion*

We have audited the financial statements of The Factory Theatre Lab ("Factory"), 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, the accompanying financial statements present fairly, in all material respects, the financial position of Factory 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 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 Factory 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Factory's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Factory or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Factory'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.

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Independent Auditor's Report to the Members of The Factory Theatre Lab *(continued)*

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 entity'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 entity'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 entity 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.

*Hogg, Shain & Scheck PC*

Toronto, Ontario  
November 29, 2022

Authorized to practise public accounting by the  
Chartered Professional Accountants of Ontario

**THE FACTORY THEATRE LAB**  
**Statement of Financial Position**  
**As at June 30, 2022**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 897,811	\$ 882,658
Accounts receivable (Note 15)	36,901	116,741
Prepaid expenses	67,222	11,515
	1,001,934	1,010,914
<b>CAPITAL ASSETS (Note 3)</b>	2,943,534	3,031,591
	<b>\$ 3,945,468</b>	<b>\$ 4,042,505</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 76,320	\$ 72,165
Deferred revenues (Note 5)	336,313	272,830
Current portion of mortgage payable (Note 6)	25,679	17,249
	438,312	362,244
Renewable portion of mortgage payable (Note 6)	-	797,189
	438,312	1,159,433
<b>LONG-TERM</b>		
Mortgage payable (Note 6)	764,751	-
Deferred capital asset contributions (Note 7)	1,773,277	1,842,962
	2,976,340	3,002,395
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS</b>	379,827	374,191
<b>UNRESTRICTED</b>	581,895	629,689
<b>INTERNALLY RESTRICTED - BUILDING &amp; REDEVELOPMENT FUND (Note 8)</b>	7,406	36,230
	969,128	1,040,110
	<b>\$ 3,945,468</b>	<b>\$ 4,042,505</b>

**APPROVED ON BEHALF OF THE BOARD**

Noha Ghahia Director

Don Ruggie Director

See the accompanying notes to these

**THE FACTORY THEATRE LAB**

**Statement of Operations**

**Year Ended June 30, 2022**

	2022	2021
<b>REVENUES</b>		
Grants <i>(Note 10)</i>	\$ 969,657	\$ 808,304
Donations and fundraising <i>(Note 11)</i>	363,857	426,216
Government assistance <i>(Note 15)</i>	101,599	245,712
Amortization of deferred capital asset contributions <i>(Note 7)</i>	77,186	68,424
Earned - production and other:		
Performance fees	67,402	-
Theatre and other rentals	34,297	3,098
Interest and endowment payout <i>(Note 9)</i>	17,187	20,791
Other income	12,847	3,544
Bar and concession sales	796	-
	<u>1,644,828</u>	<u>1,576,089</u>
<b>EXPENSES</b>		
Production and technical fees <i>(Notes 12 and 13)</i>	526,347	320,001
Artistic fees and expenses	275,443	175,574
Theatre occupancy and maintenance	251,344	75,354
Marketing <i>(Note 12)</i>	202,010	138,308
Office and administration <i>(Note 12)</i>	182,101	173,037
Amortization of capital assets	89,058	80,889
Fundraising <i>(Note 12)</i>	75,047	89,126
Box office, bar and concessions	73,005	67,205
Interest on mortgage payable	41,455	43,090
	<u>1,715,810</u>	<u>1,162,584</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>\$ (70,982)</u>	<u>\$ 413,505</u>

*See the accompanying notes to these*

**THE FACTORY THEATRE LAB**  
**Statement of Changes in Net Assets**  
**Year Ended June 30, 2022**

	Unrestricted	Invested in capital assets	Internally restricted - building and re- development fund	Total 2022	Total 2021
<b>NET ASSETS - BEGINNING OF YEAR</b>					
Deficiency of revenues over expenses	\$ 629,689	\$ 374,191	\$ 36,230	\$ 1,040,110	\$ 626,605
Repayment of mortgage payable	(59,110)	(11,872)	-	(70,982)	413,505
Interfund transfer ( <i>Note 8</i> )	(24,008)	24,008	-	-	-
	35,324	(6,500)	(28,824)	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 581,895</b>	<b>\$ 379,827</b>	<b>\$ 7,406</b>	<b>\$ 969,128</b>	<b>\$ 1,040,110</b>

*See the accompanying notes to these*

**THE FACTORY THEATRE LAB**

**Statement of Cash Flows**

**Year Ended June 30, 2022**

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ (70,982)	\$ 413,505
Items not affecting cash:		
Amortization of capital assets	89,058	80,889
Amortization of deferred capital asset contributions	(77,186)	(68,424)
	<u>(59,110)</u>	<u>425,970</u>
Changes in non-cash working capital:		
Accounts receivable	79,840	(74,273)
Prepaid expenses	(55,707)	(10,210)
Accounts payable and accrued liabilities	4,155	10,950
Deferred revenues	63,483	(178,266)
	<u>91,771</u>	<u>(251,799)</u>
Cash flows from operating activities	<u>32,661</u>	<u>174,171</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets and cash flows used in investing activity	<u>(1,000)</u>	<u>(306,589)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of mortgage payable	(24,008)	(22,670)
Capital contributions received	7,500	156,623
Cash flows from (used by) financing activities	<u>(16,508)</u>	<u>133,953</u>
<b>NET INCREASE IN CASH</b>	15,153	1,535
<b>CASH - BEGINNING OF YEAR</b>	<u>882,658</u>	<u>881,123</u>
<b>CASH - END OF YEAR</b>	<u>\$ 897,811</u>	<u>\$ 882,658</u>

*See the accompanying notes to these*

# THE FACTORY THEATRE LAB

## Notes to Financial Statements

Year Ended June 30, 2022

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### 1. NATURE AND PURPOSE OF THE ORGANIZATION

The Factory Theatre Lab ("Factory") was founded in 1970 to develop interest and skill in the theatrical arts, provide theatrical performances, and provide a situation for the production and the development of Canadian playwrights. It was incorporated under the Ontario Corporations Act as a not-for-profit organization without share capital.

Factory is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income tax under subsection 149(1).

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

These financial statements are the responsibility of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

#### Revenue recognition

Factory follows the deferral method of accounting for contributions. Restricted contributions, including grants and donations, are recognized as revenues in the year in which the related activities are carried out and expenses are incurred. Restricted contributions for the purchase of capital assets or for capital improvements are deferred and amortized into revenue on the same basis as the related assets.

Unrestricted contributions are recognized as revenues when received or receivable, provided that contributions receivable can be reasonably estimated and collection is reasonably assured.

Revenues from performance fees, and theatre and other rentals are recognized upon completion of performances. Revenue from bar and concessions is recorded at the time of sale. Costs related to performances that are incurred prior to the date of performance are deferred as prepaid expenses until the date of the performance

Government assistance is recognized when received or receivable in the year Factory meets the eligibility criteria.

#### Contributed services

A substantial number of volunteers have made significant contributions of their time to Factory's programs and supporting services. Since these services are not normally purchased by Factory, such contributed services are not reflected in these financial statements.

#### Capital assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives at the following rates:

Building	40 years
Equipment and fixtures	20 years
Computer equipment	5 years

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## THE FACTORY THEATRE LAB

### Notes to Financial Statements

Year Ended June 30, 2022

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### Impairment of long-lived assets

Factory tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows that the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

##### Allocation of expenses

Expenses are recorded and reported by programs and services. Certain employees perform a combination of production and technical, marketing, fundraising, and administrative functions. Salaries and benefits are allocated based on an estimate of time dedicated to the functional activities (*Note 12*). Such allocations are reviewed regularly by management.

##### Employee future benefits

Under a collective agreement (*Note 13*), eligible stage employees are participants in a multi-employer retirement savings plan. As sufficient information is not available to use defined benefit plan accounting, defined contribution plan accounting is used.

##### Financial instruments

Factory's financial instruments consist of cash, accounts receivable, accounts payable, and mortgage payable. All financial instruments are initially measured at fair value, and subsequently, at amortized cost.

##### Impairment of financial instruments

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. A previously recognized impairment loss may be reversed to the extent of the improvement, either 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 loss not been recognized previously. The amount of any write down or reversal is recognized in excess (deficiency) of revenues over expenses.

##### 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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known. Such estimates include the collectability of accounts receivable, the useful life of capital assets when determining amortization expense and amortization of deferred capital asset contributions. Actual results could differ from these estimates.

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# THE FACTORY THEATRE LAB

## Notes to Financial Statements

Year Ended June 30, 2022

### 3. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 1,059,875	\$ -	\$ 1,059,875	\$ 1,059,875
Building	1,925,946	485,487	1,440,459	1,488,870
Equipment and fixtures	875,148	441,231	433,917	470,929
Computer equipment	76,592	67,309	9,283	11,917
	<u>\$ 3,937,561</u>	<u>\$ 994,027</u>	<u>\$ 2,943,534</u>	<u>\$ 3,031,591</u>

### 4. LINE OF CREDIT

Factory has an authorized credit facility which provides for an operating line of credit up to \$50,000. The line of credit bears interest at the National Bank of Canada's prime rate plus 4% per annum as of June 30, 2022 and is secured by a general security agreement. As at June 30, 2022, the Factory had drawn \$Nil against the line of credit.

### 5. DEFERRED REVENUES

Deferred revenues consist of the following:

	2022	2021
Toronto Arts Council - operating grant	\$ 169,500	\$ -
Government of Canada - CrossCurrents Canada	60,000	-
Canada Council for the Arts - Digital Now	50,000	-
Rental	25,350	-
Toronto Arts Council - Resiliency fund	25,000	-
Donations, fundraising and other	6,463	14,308
Ontario Arts Council - Arts Recovery funding	-	168,853
Department of Canadian Heritage - project grant	-	50,000
Donations received for future capital purchases	-	39,669
	<u>\$ 336,313</u>	<u>\$ 272,830</u>

The change in deferred revenues is as follows:

	2022	2021
Balance, beginning of year	\$ 272,830	\$ 596,298
Add: amounts received during the year	1,076,809	1,079,905
Less: amount transferred to deferred capital asset contributions	(7,500)	(145,202)
amounts recognized as revenue in the year	<u>(1,005,826)</u>	<u>(1,258,171)</u>
Balance, end of year	<u>\$ 336,313</u>	<u>\$ 272,830</u>

**THE FACTORY THEATRE LAB****Notes to Financial Statements****Year Ended June 30, 2022****6. MORTGAGE PAYABLE**

	<u>2022</u>	<u>2021</u>
Mortgage payable due March 2025, bearing interest at 4.97% (2021 - 5.28%), repayable in monthly blended payments of \$5,380, secured by the land and building and a general security agreement over all fixtures acquired for use in Factory's operations.	\$ 790,430	\$ 814,438
Current portion	<u>(25,679)</u>	<u>(17,249)</u>
	764,751	797,189
Renewable portion	<u>-</u>	<u>(797,189)</u>
	<u>\$ 764,751</u>	<u>\$ -</u>

Over the previous two years, significant operating surpluses have accumulated due to receipt of COVID-19 assistance in advance of incurring expenses. In 2022, Factory phased in its operations and planned a deficit budget to use these excess surpluses and reduce its net asset ratio towards an internally set target of 20-25% of operating expenses by 2023. This resulted in a small deficit for the current year, which meant Factory was not able to maintain its minimum debt service ratio financial covenant at year end. Management is working with the lender to resolve the matter.

Principal repayment terms are approximately:

2023	\$ 25,679
2024	26,985
2025	21,136
Thereafter	<u>690,951</u>
	<u>\$ 764,751</u>

**7. DEFERRED CAPITAL ASSET CONTRIBUTIONS**

Changes in deferred capital asset contributions are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,842,962	\$ 1,609,561
Add: amount transferred from deferred revenues	-	145,202
funds received during the year	7,500	156,623
Less: amount amortized to revenue	<u>(77,186)</u>	<u>(68,424)</u>
Balance, end of year	<u>\$ 1,773,277</u>	<u>\$ 1,842,962</u>

The above capital asset contributions relate to Capital acquisition costs.

**8. INTERNALLY RESTRICTED - BUILDING & REDEVELOPMENT FUND**

In fiscal 2020, the Board of Directors (the "Board") created the internally restricted Building & Redevelopment Fund, to fund expenses related to the study, maintenance, and redevelopment of Factory's property.

During fiscal 2022, building repairs and maintenance costs were incurred for a new HVAC and door installation, as well as for re-opening restoration costs.

## THE FACTORY THEATRE LAB

### Notes to Financial Statements

Year Ended June 30, 2022

#### 9. ENDOWMENT FUND

The Ontario Arts Foundation ("OAF") operates an Ontario Arts Endowment Fund Program in which it holds and has supplemented contributions made to arts organizations for endowment purposes. The Factory Theatre Lab Endowment Fund and the Canadian Heritage fund are external endowment funds, the assets of which are controlled and managed by OAF in accordance with its investment and income distribution policies. Accordingly, assets of these funds are not reflected in these financial statements.

Income of \$13,108 (2021 - \$17,384) from the endowment funds was recognized by Factory for the year ended June 30, 2022.

As at June 30, 2022, the total market value of the endowment funds was \$223,660 (2021 - \$264,178).

#### 10. GRANTS

	2022	2021
Canada Council for the Arts - operating	\$ 408,000	\$ 340,000
Toronto Arts Council - operating	169,500	169,500
Ontario Arts Council - Arts recovery funding	178,853	-
Ontario Arts Council - operating	158,304	158,304
Canada Council for the Arts - COVID-19 Emergency Support Fund	-	85,500
Department of Canadian Heritage - Arts Presentation Canada	55,000	55,000
	<u>\$ 969,657</u>	<u>\$ 808,304</u>

#### 11. DONATIONS AND FUNDRAISING

	2022	2021
Corporate donations and sponsorships	\$ 90,000	\$ 115,000
Foundations	133,818	113,788
Bequests	62,332	104,042
Individuals	77,707	93,386
	<u>\$ 363,857</u>	<u>\$ 426,216</u>

#### 12. ALLOCATION OF STAFF SALARIES

Staff salaries expense has been allocated to the following areas:

	2022	2021
Production and technical	\$ 196,367	\$ 204,211
Marketing	68,074	93,597
Fundraising	73,311	85,088
Office and administration	28,801	42,544
	<u>\$ 366,553</u>	<u>\$ 425,440</u>

## THE FACTORY THEATRE LAB

### Notes to Financial Statements

Year Ended June 30, 2022

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#### 13. IATSE LOCAL 58 RETIREMENT SAVINGS PLAN

On October 12, 2017, Factory entered into a collective agreement with International Alliance of Theatrical Stage Employees, Local #58 Toronto ("IATSE") for eligible stage employees. Part of the agreement required Factory to contribute 1.5% of the gross earnings of the eligible employees to IATSE's Registered Retirement Savings Plan (the "Plan").

During fiscal 2022, there were 76 (2021 - 14) eligible employees, for which Factory contributed \$590 (2021 - \$476) to the Plan. Contributions are expensed as incurred.

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#### 14. FINANCIAL RISKS

It is management's opinion that Factory is not exposed to significant credit, liquidity, currency, or other price risks arising from its financial instruments.

Factory is exposed to interest rate cash flow risk on its floating rate line of credit and interest rate price risk on its fixed rate mortgage payable.

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#### 15. GOVERNMENT ASSISTANCE

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

During fiscal 2022, Factory resumed certain production and performances as a result of public health measures being lifted. Factory continues to closely monitor and assess the impact on operations. It is the opinion of the management that Factory will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2023 as a result of ongoing COVID-19 implications.

As part of the response to COVID-19, the federal government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist employers whose activities have been affected by COVID-19. For the period of July 1, 2021 to June 30, 2022, Factory applied for \$86,208 (2021 - \$220,697), of which \$Nil (2021 - \$54,439) is included in accounts receivable on June 30, 2022.

In addition to the CEWS, Factory applied for the Canada Emergency Rent Subsidy ("CERS") to provide relief to small businesses experiencing financial hardship due to COVID-19. For the period of July 1, 2021 to June 30, 2020, Factory applied for \$15,390 (2021 - \$25,015), of which \$Nil (2021 - \$7,214) is included in accounts receivable on June 30, 2022. .

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#### 16. SUBSEQUENT EVENT

In September 2022, Factory received a \$250,000 gift from The Slaight Family Foundation. Of the total amount \$125,000 will be recognized in fiscal year 2023 and \$125,000 in fiscal year 2024 to meet the gift requirements.

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