Grant Thornton

Financial Statements

Theatre Aquarius Incorporated

June 30, 2013

Contents

Grant Thornton

Independent Auditor's Report

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To the Members of
Theatre Aquarius Incorporated

We have audited the accompanying financial statements of Theatre Aquarius Incorporated, which comprise the statement of financial position as at June 30, 2013, and the statements of operations and 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 organization's preparation and fair presentation 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 organization'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.

Independent Auditor's Report (continued)

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2013 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.

Comparative Information
Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Theatre Aquarius Incorporated adopted Canadian accounting standards for private enterprises on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at June 30, 2012 and July 1, 2011, and the statements of operations and changes in net assets and cash flows for the year ended June 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Grant Thornton LLP

Hamilton, Canada
October 9, 2013

Chartered Accountants
Licensed Public Accountants

Theatre Aquarius Incorporated
Statements of Operations and Changes in Net Assets

Year ended June 30	**2013**	2012 (unaudited)
Revenue		
Ticket sales	**$ 2,075,631**	$ 1,990,871
Government grants (Note 4)	**532,418**	552,207
Donations and fund raising	**386,070**	346,760
Other (Note 5)	**360,657**	411,836
Theatre school	**125,742**	138,554
Other box office	**47,814**	47,631
	3,528,332	3,487,859
Direct costs		
Artistic	**1,041,464**	972,707
Technical	**427,755**	380,711
Show promotion	**318,842**	340,881
Production	**154,389**	172,732
Theatre school	**121,531**	135,719
Other (Note 5)	**108,369**	132,407
	2,172,350	2,135,157
Expenses		
Salaries and benefits	**698,504**	743,095
Facility	**240,604**	234,179
Fund raising and development	**109,403**	64,767
Box office	**79,815**	73,313
Administrative	**65,248**	60,089
Consulting	**64,432**	63,924
Production	**60,086**	58,284
Professional fees	**13,715**	26,117
Marketing	**12,246**	20,340
	1,344,053	1,344,108
Excess of revenue over expenses before other items	**11,929**	8,594
Capital items		
Amortization of deferred contributions	**304,514**	280,694
Interest	**(995)**	(2,296)
Loss on disposal of property and equipment	**(7,038)**	-
Amortization	**(403,375)**	(403,998)
	(106,894)	(125,600)
Deficiency of revenue over expenses	**$ (94,965)**	$ (117,006)

Net assets, beginning of year	**$ 1,183,469**	$ 1,300,475
Deficiency of revenue over expenses	**(94,965)**	(117,006)
Net assets, end of year	**$ 1,088,504**	$ 1,183,469

See accompanying notes to the financial statements.

Theatre Aquarius Incorporated
Statement of Financial Position

June 30	2013	2012 (unaudited)	July 1, 2011 (unaudited)
Assets			
Current			
Cash and cash equivalents (Note 6)	**$ 1,308,888**	$ 1,360,644	$ 1,178,712
Accounts receivable	**78,384**	108,110	160,424
Inventory	**4,540**	5,025	7,682
Prepaid expenses	**24,570**	37,831	37,225
Government remittances receivable	**-**	-	1,388
	1,416,382	1,511,610	1,385,431
Property and equipment (Note 7)	**6,865,472**	6,865,960	7,189,193
	$ 8,281,854	$ 8,377,570	$ 8,574,624
Liabilities			
Current			
Accounts payable and accrued liabilities	**$ 84,014**	$ 103,705	$ 257,501
Deferred revenue	**1,364,705**	1,290,335	1,238,684
Government remittances payable	**38,866**	9,730	-
Current portion of long-term debt (Note 8)	**32,000**	31,000	30,000
Current portion of obligation under capital lease (Note 9)	**11,248**	13,563	20,695
	1,530,833	1,448,333	1,546,880
Long-term			
Long-term debt (Note 8)	**33,000**	65,000	96,000
Obligation under capital lease (Note 9)	**4,529**	8,672	22,234
Deferred contributions (Note 13)	**5,624,988**	5,672,096	5,609,035
	5,662,517	5,745,768	5,727,269
	7,193,350	7,194,101	7,274,149
Net assets			
Net assets (Note 14)	**1,088,504**	1,183,469	1,300,475
	$ 8,281,854	$ 8,377,570	$ 8,574,624

Commitments (Note 10)

On behalf of the board

____________________ Director ____________________ Director

See accompanying notes to the financial statements.

Theatre Aquarius Incorporated
Statement of Cash Flows

Year ended June 30	2013	2012 (unaudited)
Increase (decrease) in cash and cash equivalents		
Operating		
Deficiency of revenue over expenses	$ **(94,965)**	$ (117,006)
Items not affecting cash		
Amortization	**403,375**	403,998
Loss on disposal of property and equipment	**7,038**	-
Amortization of deferred contributions	**(304,514)**	(280,694)
	10,934	6,298
Change in non-cash working capital items		
Accounts receivable	**29,726**	52,314
Inventory	**485**	2,657
Prepaid expenses	**13,261**	(606)
Government remittances receivable	**29,136**	11,118
Accounts payable and accrued liabilities	**(19,689)**	(153,796)
Deferred revenue	**74,370**	51,651
	138,223	(30,364)
Financing		
Repayment of long-term debt	**(31,000)**	(30,000)
Repayment of obligation under capital lease	**(6,458)**	(20,694)
Proceeds from deferred contributions	**257,406**	343,755
	219,948	293,061
Investing		
Purchase of property and equipment	**(409,927)**	(80,765)
(Decrease) increase in cash and cash equivalents	**(51,756)**	181,932
Cash and cash equivalents		
Beginning of year	**1,360,644**	1,178,712
End of year	$ **1,308,888**	$ 1,360,644

Cash and cash equivalents consists of:		
Guaranteed investment certificate	$ **150,000**	$ -
Cash	**1,065,629**	1,267,385
Cash equivalents (Note 6)	**93,259**	93,259
	$ **1,308,888**	$ 1,360,644

See accompanying notes to the financial statements.

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

1. Nature of operations

Theatre Aquarius Incorporated (the organization) is primarily engaged in the production and presentation of live theatre. It is incorporated under the laws of the Province of Ontario as a corporation without share capital and is a registered charitable organization exempt from the provisions of the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Revenue recognition

The organization uses the deferral method of accounting for contributions.

Proceeds from sales of season and single tickets are initially deferred and are taken into revenue as productions are presented.

Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of property and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment.

Unrestricted contributions are recognized as revenue when received.

Grants and subsidies are recognized over the period to which they relate.

Donations-in-kind of property and equipment are recorded at estimated fair market values. Donations-in-kind for services are not recorded because the fair value is not readily determinable.

Pledges are recognized as revenue when the amount of the pledge can be measured and its collectibility is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents consist of short term investments with an initial maturity of three months or less.

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

2. Significant accounting policies (continued)

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price less applicable selling costs.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. The cost of inventories may not be recoverable if those inventories have been damaged, selling prices have declined or the estimated costs to be incurred to make the sale have increased.

The amount of any write-downs of inventories to net realizable value and all losses of inventories are recognized as an expense, and included in cost of sales, in the period the write-down or loss occurs.

Property and equipment

Property and equipment are recorded at cost, less accumulated amortization. Property and equipment are amortized to estimated residual values at the following annual rates over the estimated useful lives of the related assets:

Dofasco Centre for the Arts	20-40 years Straight-line
Production equipment	10% Straight-line
Office equipment	10% - 20% Straight-line
Other equipment	10% Straight-line

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

The organization tests capital assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flows basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise in discounted cash flows over the life of the asset.

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

2. Significant accounting policies (continued)

Financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial instruments measured at amortized cost also include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Long-term debt is classified as other liabilities and is measured at fair value using the effective interest rate method.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

Non-monetary transactions

The organization enters into numerous transactions whereby it exchanges tickets or advertising for services. Due to the difficulty in determining the fair value of such exchanges, these transactions are not recorded in the financial statements except to the extent that monetary assets or liabilities are involved.

Management 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Items subject to significant management estimates include estimated useful lives of capital assets.

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

3. First-time adoption of Canadian accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which the organization has applied Canadian accounting standards for not-for-profit organizations hereafter referred to as "ASNPO". The financial statements for the year ended June 30, 2013 were prepared in accordance with ASNPO. Comparative period information presented for the year ended June 30, 2012 was prepared in accordance with ASNPO and provisions set out in Section 1501, First-time Adoption by Not-for-Profit Organizations.

The date of transition to ASNPO is July 1, 2011. The organization's transition to ASNPO has had no significant impact on the opening net assets as at July 1, 2011 or the statement of operations for the year ended June 30, 2012 or the statement of cash flows for the year ended June 30, 2012.

Although the statement of financial position at July 1, 2011 has been provided, the reconciliations and disclosures required by Section 1501, First-time Adoption by Not-for-Profit Organizations for the net assets at the transition date, the comparative period net income, and the cash flow statement are not necessary and have not been presented in these financial statement notes.

4. Government grants

	2013	2012 (unaudited)
Ontario Arts Council	$ **296,884**	$ 316,673
Canada Council for the Arts	**162,000**	162,000
City of Hamilton	**73,534**	73,534
	$ **532,418**	$ 552,207

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

5. Other income and other direct costs

Other income consists of:

	2013	2012 (unaudited)
Facility rental	$ **142,665**	$ 158,614
Concessions	**82,796**	88,311
Other	**135,196**	164,911
	$ **360,657**	$ 411,836

Other direct costs consist of:

	2013	2012 (unaudited)
Facility rental	$ **55,631**	$ 73,247
Concessions	**52,363**	58,398
Other	**375**	762
	$ **108,369**	$ 132,407

6. Cash and cash equivalents

Cash includes $93,000 (2012 - $93,000) on deposit with the Canadian Actors' Equity Association as security to ensure satisfaction of future performance contracts. As a result, these funds are not available for current use.

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

7. Property and equipment

	Cost	Accumulated Amortization	**June 30, 2013** Net Book Value	June 30, 2012 (unaudited) Net Book Value (unaudited)	July 1, 2011 (unaudited) Net Book Value (unaudited)
Dofasco Centre for the Arts	$ 11,331,052	$ 5,560,495	**$ 5,770,557**	$ 5,723,137	$ 6,023,792
Land	742,232	-	**742,232**	742,232	742,232
Production equipment	864,327	614,799	**249,528**	283,031	295,971
Office equipment	445,760	357,282	**88,478**	98,014	101,464
Other equipment	171,262	156,585	**14,677**	19,546	25,734
	$ 13,554,633	$ 6,689,161	**$ 6,865,472**	$ 6,865,960	$ 7,189,193

Included in property and equipment are assets under capital lease with a cost of $79,550 (2012 - $80,000) and accumulated amortization of $51,255 (2012 - $41,000).

8. Long-term debt

	June 30, 2013	June 30, 2012 (unaudited)	July 1, 2011 (unaudited)
Severance payments, owing to an employee terminated in 2007, payable in bi-weekly instalments of $1,194 plus benefits until June 2015, recorded at present value using a market interest rate of 3.25%	**$ 65,000**	$ 96,000	$ 126,000
Less current portion	**32,000**	31,000	30,000
Due beyond one year	**$ 33,000**	$ 65,000	$ 96,000

The organization has anticipated principal repayments on long-term debt as follows:

2014	$ 32,000
2015	33,000
	$ 65,000

Interest on the above debt amounted to $3,000 (2012 - $1,000) for the year.

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

9. Obligation under capital lease

The organization has the following future minimum capital lease payments:

2014	$ 11,982
2015	3,192
2016	1,742
Total future minimum lease payments	16,916
Less amount representing interest approximately 3.5%	1,139
Present value of minimum net lease payments	15,777
Less current portion	11,248
	$ 4,529

Interest charges to the accounts of the organization on the above during the year amounts to $1,000 (2012 - $1,000).

10. Commitments

The organization has annual commitments with respect to service agreements:

2014	$ 37,000

11. Credit facilities

The organization's credit facilities include an operating line of credit in the amount of $300,000 bearing interest at prime plus 1.5% per annum secured by a general security agreement, assignment of fire insurance and a collateral mortgage on the building. The amount outstanding on this credit facility as at June 30, 2013 is $nil.

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

12. Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposures and concentrations at June 30, 2013

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt.

Interest rate risk

The organization's exposure to interest rate fluctuations is with respect to its credit facilities which bear interest at rates that fluctuate with the prime rate of lending and long-term debt, the present value of which varies with market interest rates.

13. Deferred contributions

Deferred capital contributions represent the unamortized amounts of restricted grants and donations used for the purchase of property and equipment. Changes during the year are as follows:

	June 2013	June 2012 (unaudited)	July 1, 2011 (unaudited)
Balance - beginning of year	**$ 5,672,096**	$ 5,609,035	$ 5,115,964
Add: contributions received and receivable	**257,406**	343,755	770,313
Less: amortization of deferred capital contributions	**(304,514)**	(280,694)	(277,242)
	$ 5,624,988	$ 5,672,096	$ 5,609,035

Theatre Aquarius Incorporated
Notes to the Financial Statements

June 30, 2013

14. Net assets

Components of net assets are as follows:

	June 2013	June 2012 (unaudited)	July 1, 2011 (unaudited)
Property and equipment	**$ 6,865,472**	$ 6,865,960	$ 7,189,193
Obligation under capital lease	**(15,777)**	(22,235)	(42,929)
Deferred contributions	**(5,624,988)**	(5,672,096)	(5,609,035)
	1,224,707	1,171,629	1,537,229
Surplus (deficiency) of unrestricted net assets	**(136,203)**	11,840	(236,754)
	$ 1,088,504	$ 1,183,469	$ 1,300,475