

**REQUEST FOR PROPOSAL FOR AUDIT SERVICES
FOR VERTIGO THEATRE SOCIETY**

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A. Request for Proposals for Audit Services

Vertigo Theatre Society invites your firm to respond to this Request for Proposals (RFP). The purpose of the RFP is to select a firm to provide external audit and advisory services to Vertigo for the fiscal year July 1, 2023 to June 30, 2024 with the potential for renewal for subsequent years. As a recipient of this document your firm has been identified as a potential candidate to satisfy Vertigo Theatre's audit requirements, and this RFP is intended to assist us in better understanding your firm's relevant qualifications and capacity in this area.

It should be noted that Vertigo Theatre Society is not undertaking this RFP process due to dissatisfaction with the current auditor but as part of a commitment to good governance and due diligence.

Fiscal Year to be Audited: July 1, 2023 to June 30, 2024

Deadline to Respond: April 8, 2024 at 4:00 p.m. MDT

Delivery Method: by email to kristen.dion@vertigotheatre.com

Primary Contact: Kristen Dion
Executive Director
Vertigo Theatre
403-260-4763

B. Background

The Organization (Vertigo Theatre Society) was founded in 1976 as Pleiades Theatre and first incorporated as a charitable society in 1997. Vertigo Theatre is a premiere cultural institution in Calgary and has entertained audiences for over 46 years with high-quality programming. It is the only theatre in North America that produces a season based entirely in the intrigue and mystery genre. Located at the base of the Calgary Tower, the Vertigo Theatre Centre is home to our administration, ticket offices, two performance venues, and one rehearsal hall. We cater to a diverse audience including young adults, students, urban professionals, and seniors.

It is an independent non-profit organization, exempt from tax under paragraph 149(1)(l) of the *Income Tax Act* (Canada). It is a registered charity.

Vertigo Theatre Society is governed by a Board of Directors, appointed by the membership. The Directors of Vertigo Theatre Society are its members. Vertigo Theatre Society is accountable to its stakeholders and funders and must provide audited financial statements to Government funders.

Vertigo Theatre Society has three sources of revenue: earned revenue which includes tickets sales and concession/bar sales, government funding, and fundraising revenue.

Vertigo Theatre Society's primary function is to thrill, entertain and inspire our audiences and artists with high quality intrigue and mystery experiences.

For further information about Vertigo Theatre Society's activities and personnel, please visit Vertigo Theatre's website at: www.vertigotheatre.com

C. Project Schedule

Deadline for Proposals:	April 8, 2024 4:00 p.m. Mountain time
Interviews with selected respondents:	Week of April 15, 2024
Review by Audit & Finance Committee:	Week of April 22, 2024
Decision of the Board:	April 30, 2024
Notification of Decision:	April 30, 2024
Contract Date:	May 1, 2024

D. Scope of Services

The selected Respondent will be required to:

- Meet with the Finance Committee and Vertigo Theatre Management to plan the audit;
- Ensure Vertigo Theatre is advised of any changes in legislation and generally accepted auditing or accounting standards that may affect required accounting and/or reporting practices for non-profit organizations;
- Examine the records and financial statements of Vertigo Theatre in accordance with generally accepted auditing standards and express an opinion on the fair presentation of the financial statements in conformity with generally accepted accounting principles;
- Provide an audit findings report on the financial statements;
- Provide a management letter with appropriate recommendations, commenting on any material weaknesses in internal accounting control, reportable conditions, and identifying possible noncompliance with finance related legal provisions;
- Meet with Vertigo Theatre Society's Audit & Finance Committee to discuss draft financial statements and the audit findings report and management letter; and
- Deliver the final draft financial statements by September 16, 2024, in time for Vertigo Theatre Society's Board meeting scheduled to take place September 30, 2024

E. Timing of the Audit Work

- Audit plan to be completed and presented to the Finance Committee by June 17, 2024.
- List of schedules to be prepared by Vertigo Theatre Society to be provided July 31, 2024
- On-site audit to be conducted the first week or the second week of August 2024.
- Prior to completion of the onsite audit, the auditor will meet with Vertigo Theatre Society's Executive Director to review adjusting journal entries, certify data entry, and review any adjustments or concerns that might affect the completion of the audit.
- Prior to submission of the completed audit findings report, the auditor may be required to review a draft of the proposed report and management letter with the Executive Director.
- Meeting with the Finance Committee by September 9, 2024 to present the draft audit opinion, audit findings and management letter.
- Final draft of the audited financial statements, audit findings report and management letter to be submitted to Vertigo Theatre Society by September 9, 2024 for review and approval by Vertigo Theatre Society board at their meeting of September 16, 2024.

F. Response Outline

At a minimum, Responses to this RFP should provide the following information and supporting documentation:

Technical Proposal

1. An affirmative statement that the Respondent is independent of Vertigo Theatre Society as defined by generally accepted auditing standards.
2. The size of the Respondent firm, the size of the firm's audit staff, the location of the office from which the work on this engagement is to be performed, the number and nature of the professional staff to be employed in this engagement on a full-time basis, and the number of the staff to be employed on a part-time basis.
3. The Respondent firm's experience and expertise in the provision of audit services in the not-for-profit sector, and specifically the not-for-profit auditing experience of each person to be involved in this engagement, including information on relevant continuing professional education for the past five (5) years and membership in professional organizations relevant to the performance of the audit.
4. For the Respondent's office that will be assigned responsibility for this engagement, a list of the three most significant engagements performed in the last five years that are similar to the engagement described in this RFP, indicating the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact for reference.
5. Identification of individuals who would manage the relationship with Vertigo Theatre Society.
6. Identification of professionals who would participate in the delivery of audit services for this engagement (with accompanying CVs and biographical information).
7. Audit approach and methodology to be followed to perform the services required in this RFP including:
 - Level of staff and number of hours to be assigned to each proposed segment of the engagement;
 - Sample sizes and the extent to which statistical sampling is to be used in the engagement;
 - Type and extent of analytical procedures to be used in the engagement;
 - Approach to be taken to gain and document an understanding of Vertigo Theatre Society's internal control structure; and
 - Approach to be taken in determining laws and regulations that will be subject to audit test work.
8. Identify and describe any anticipated potential audit problems, the Respondent's approach to resolving these problems and any special assistance that will be requested from Vertigo Theatre Society.

9. Indicate how the quality of staff over the term of the agreement with Vertigo Theatre Society will be assured.

Fee Structure

The proposed fee structure should contain all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses or administrative costs, insurance, in kind services, taxes and all other charges attributable to the work proposed to be undertaken. Vertigo Theatre Society will not be responsible for expenses incurred in preparing and submitting the proposal and such costs should not be included in the proposal.

The proposed fee structure should include at least the following detail:

- Rates by partner, specialist, manager and audit staff and the number of hours anticipated for each.
- Out-of-pocket and other expenses included in the total all-inclusive maximum price.
- Expected progress payment and final payment schedule, based on work completed.
- Any amount that the Respondent would be able to contribute with services in-kind.

G. Evaluation Procedure

Proposals submitted will be reviewed and evaluated by the Executive Director and the Treasurer. A short list of Respondents will be presented for consideration to Vertigo Theatre Society Finance Committee for recommendation to Vertigo Theatre Society Board.

The evaluators will review and evaluate proposals based on the following criteria:

- the relative merits of alternative audit approaches;
- the level of experience of assigned staff to perform the requested services;
- the sufficiency of staffing and commitment to meet the timelines set out in this RFP; and
- the competitiveness of the proposed fee structure.

H. RFP Rules

1. Vertigo Theatre Society reserves the right to reject any or all proposals submitted in response to this RFP.
2. Responses that are not complete or not submitted by the Deadline for Proposals may not be considered.

3. Vertigo Theatre Society may choose not to respond to expressions of interest or any responses to this RFP or any proposal(s) relating to or arising from the RFP.
4. All questions received from potential respondents in writing prior to April 8, 2024 and any answers which Vertigo provides to them in writing, will be distributed on a periodic basis prior to the RFP Deadline for Proposals to all Respondents who provide an email address and request to receive them. Any oral communication shall be considered unofficial and not binding on Vertigo Theatre Society.
5. Vertigo Theatre Society reserves the right, where it may serve Vertigo Theatre Society's best interest, to request additional information or clarifications from Respondents, or to allow corrections of errors or omissions. At Vertigo Theatre Society's discretion, select Respondents may be requested to participate in an interview as part of the evaluation process.
6. A Respondent that submits its proposal is accepting the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between Vertigo Theatre Society and the selected Respondent.
7. A Respondent's submission of a response to this RFP does not represent any commitment on behalf of Vertigo Theatre Society, nor is it a commitment to award a contract. This RFP, any acceptance and any proposal selected will be non-binding and will be subject to further negotiations between the parties. Any oral undertaking will have no legal standing unless confirmed in the final written contact for audit services.
8. Vertigo Theatre Society reserves the right to terminate this RFP or dismiss any responses at any time.
9. Vertigo Theatre Society may select any, all or none of the responses, quotations or proposals submitted, in the sole discretion of Vertigo Theatre Society. Vertigo Theatre Society shall not be obliged or bound to accept or reject any response, quotation or proposal that is:
 - Compliant or not compliant with selection criteria;
 - The lowest priced, even for identical items; or
 - Received later than the indicated Deadline for Proposals.
10. Vertigo Theatre Society shall not be obligated to explain its final selection of respondent(s) or disclose anything about the responses, quotations or proposals received or selected.
11. Any request for date extensions must be obtained in writing. Vertigo Theatre Society will evaluate the request and, if an extension is granted, notify the requesting Respondent. Vertigo Theatre Society is not obligated to and may or may not notify other Respondents of such extension(s).
12. All expenditures incurred by Respondents in preparation and submission of responses, and all activities relating to the RFP and any proposal(s) relating to or arising from the RFP are solely the responsibility of the respective Respondents and will not be reimbursed by Vertigo Theatre Society in whole or in part.

13. By choosing to obtain this document, Respondents (as well as parties who obtain the document but decide not to respond) agree that all information provided by Vertigo Theatre Society in connection with this RFP is strictly confidential. Such information shall be maintained in confidence and not be disclosed to any third party or used for any purpose other than responding to the RFP or any subsequent requests from Vertigo Theatre Society, if applicable.
14. Information that may be provided by Vertigo Theatre Society may be based on estimates and is not warranted to be accurate.

VERTIGO THEATRE SOCIETY

Financial Statements

June 30, 2023

VERTIGO THEATRE SOCIETY
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For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Vertigo Theatre Society :

Opinion

We have audited the financial statements of Vertigo Theatre Society (the "Society"), which comprise the statement of financial position as at June 30, 2023, 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 the Society as at June 30, 2023, and its results of 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 the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 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.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Directors of Vertigo Theatre Society *(continued)*

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of 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 Society'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 Society'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 Society 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.

Chartered Professional Accountants

Calgary, Alberta
September 26, 2023

VERTIGO THEATRE SOCIETY
Statement of Financial Position
As at June 30, 2023

	2023	2022
Assets		
Current		
Cash	\$ 2,423,492	\$ 2,230,090
Restricted Cash (Note 3)	53,307	113,343
Accounts receivable	14,042	321,930
Inventory	7,550	7,550
Prepaid expenses	47,398	57,958
	<u>2,545,789</u>	<u>2,730,871</u>
Equity bond (Note 4)	52,405	43,763
Property and equipment- Capital fund (Note 5)	88,395	388,054
	<u>\$ 2,686,589</u>	<u>\$ 3,162,688</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 196,834	\$ 173,649
Employee deductions payable	5,969	35,794
Goods and services tax payable	37,600	24,961
Unearned revenue	1,063,861	883,269
Deferred contributions related to operations (Note 8)	522,126	849,463
	<u>1,826,390</u>	<u>1,967,136</u>
Loan payable (Note 9)	-	37,253
	<u>1,826,390</u>	<u>2,004,389</u>
Net Assets		
Invested in property and equipment- Capital fund	88,395	388,054
Internally restricted (Note 14)	260,369	245,369
Unrestricted	511,435	524,876
	<u>860,199</u>	<u>1,158,299</u>
	<u>\$ 2,686,589</u>	<u>\$ 3,162,688</u>

On behalf of the Board


 _____ Director


 _____ Director

The accompanying notes are an integral part of these financial statements.

VERTIGO THEATRE SOCIETY
Statement of Operations
For the Year Ended June 30, 2023

	2023	2022
Revenue		
Earned revenue		
Ticket sales - Vertigo Theatre Series	\$ 1,821,199	\$ 1,056,939
Refreshment sales	205,104	100,969
Venue rentals	139,755	91,893
Other sales	61,694	15,607
Ticket sales - special presentations	-	3,176
	<u>2,227,752</u>	<u>1,268,584</u>
Fundraising		
Sponsorship	145,995	146,645
Donations	136,974	208,780
Gifts in kind (Note 7)	72,902	-
Casino (Note 8)	65,043	7
Raffle (Note 8)	42,738	27,680
	<u>463,652</u>	<u>383,112</u>
Grants		
Alberta Foundation for the Arts	259,533	259,533
Alberta government grants	253,371	401,366
Canada Council	252,827	288,000
Canadian Arts Development Authority	149,600	124,600
Government subsidies - COVID 19	-	208,674
Other grants	-	8,421
	<u>915,331</u>	<u>1,290,594</u>
Interest		
Interest earned from investments	14,947	3,066
Interest earned from endowments (Note 10)	2,715	2,197
	<u>17,662</u>	<u>5,263</u>
Other revenue		
GST recovered	43,057	38,675
	<u>43,057</u>	<u>38,675</u>
	<u>3,667,454</u>	<u>2,986,228</u>
Expenses		
Production costs (Note 7)	1,307,576	970,150
Administration and payroll benefits	640,338	540,234
Marketing, communication and ticket office (Note 7)	566,075	358,063
Facility overhead	410,919	259,232
Production overhead	312,133	300,467
Audience services	210,450	134,109
Artistic overhead	120,959	87,514
GST expenses	51,601	40,120
Development	34,356	36,979
	<u>3,654,407</u>	<u>2,726,868</u>
Excess of revenue over expenses - General fund	13,047	259,360
Amortization of property and equipment - Capital fund	311,147	308,222
Deficiency of revenue over expenses	\$ (298,100)	\$ (48,862)

The accompanying notes are an integral part of these financial statements.

VERTIGO THEATRE SOCIETY
Statement of Changes in Net Assets
For the Year Ended June 30, 2023

	<u>Capital fund</u> Invested in property and equipment	<u>General fund</u> Internally restricted (Note 14)	<u>General fund</u> Unrestricted	2023	2022
Net assets - beginning of year	\$ 388,054	\$ 245,369	\$ 524,876	\$ 1,158,299	\$ 1,207,161
Excess (deficiency) of revenue over expenses	(311,147)	-	13,047	(298,100)	(48,862)
Purchase of equipment	14,488	-	(14,488)	-	-
Disposal of equipment	(3,000)	-	3,000	-	-
Interfund transfer	-	15,000	(15,000)	-	-
Net assets - end of year	\$ 88,395	\$ 260,369	\$ 511,435	\$ 860,199	\$ 1,158,299

The accompanying notes are an integral part of these financial statements.

VERTIGO THEATRE SOCIETY
Statement of Cash Flows
For the Year Ended June 30, 2023

	2023	2022
Operating activities		
Cash receipts from customers	\$ 3,738,033	\$ 3,336,293
Cash paid to suppliers and employees	(3,564,946)	(2,758,392)
Interest received	17,662	5,263
	<u>190,749</u>	<u>583,164</u>
Investing activities		
Purchase of equipment	(14,488)	(68,270)
Proceeds on disposal of property and equipment	3,000	-
Redemption of term deposits	38,094	-
Purchase of term deposit	(38,904)	(38,094)
Increase in equity bond	(8,642)	(2,949)
Reduction to restricted cash	60,846	(59,219)
	<u>39,906</u>	<u>(168,532)</u>
Financing activity		
Repayment of long term debt	(37,253)	-
Net change in cash during the year	193,402	414,632
Cash - beginning of year	<u>2,230,090</u>	<u>1,815,458</u>
Cash - end of year	\$ 2,423,492	\$ 2,230,090

The accompanying notes are an integral part of these financial statements.

VERTIGO THEATRE SOCIETY
Notes to Financial Statements
Year Ended June 30, 2023

1. Purpose of the organization

Vertigo Theatre Society's (the "Society") mission is to thrill, entertain, and inspire our audiences and artists with high quality INTRIGUE and MYSTERY experiences. The Society is dedicated to the revitalization of the Mystery Theatre genre and to inspiring and mentoring the next generation of arts leaders. The Society's vision is to be the preeminent company that develops and produces outstanding INTRIGUE and MYSTERY theatre. The Society is a registered charity, incorporated under the Societies Act of Alberta and is exempt, under section 149 of the Income tax Act, from the payment of income taxes.

2. Summary of significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CPA Canada Handbook and, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Fund accounting

The Society follows the restricted fund method of accounting for contributions.

The General fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources and restricted funds related to operations.

The Capital fund accounts for the assets, liabilities, receipts and disbursements related to the Society's property and equipment.

Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit at banks and guaranteed investment certificates with an original maturity date of purchase of three months or less. The Society currently holds no cash equivalents.

Property and equipment

Property and equipment is stated at cost less accumulated amortization. The Society amortizes the property and equipment on a straight-line method over the estimated useful life of the asset at the following rates:

Leasehold improvements	20 years
Equipment	8 years
Computer equipment	5 years
Automotive	3 years

The Society regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are available for use.

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VERTIGO THEATRE SOCIETY
Notes to Financial Statements
Year Ended June 30, 2023

2. Summary of significant accounting policies (*continued*)

Revenue recognition

Vertigo Theatre Society follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Contributions restricted for the purchase or maintenance of capital assets are recognized as revenue of the Capital Fund in the year received or receivable.

Ticket sales are recognized as revenue in the period in which the related production occurs. Subscriptions and ticket sales received in advance are reported as unearned revenue.

Venue rentals revenue is recognized in the month during which the facilities are rented by a third party.

Refreshment sales and other earned revenue are recognized when the related services are provided.

Sponsorship revenue is recognized when the sponsored event is held.

Interest revenue is recognized when it is earned.

Contributed services

Volunteers contribute significant hours to assist the Society in carrying out its operations. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Gifts in kind

Gifts in kind are recorded at their fair market value at the time of the donation when a fair value can be reasonably estimated, the gifts are used in the normal course of operations and would have otherwise been purchased by the Society.

Leases

The Society accounts for a renewal, extension or change in the provisions of an existing lease as either a new lease or, when certain conditions are met, by applying the COVID-19 related rent concessions practical expedient. The choice to apply the practical expedient is made on a lease by lease basis. Under the practical expedient, the Society continues to account for the lease consistent with the terms of the original lease contract, but records a lease payable for lease payments that have been deferred and a lease allowance revenue for lease payments that have been waived.

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VERTIGO THEATRE SOCIETY
Notes to Financial Statements
Year Ended June 30, 2023

2. Summary of significant accounting policies (continued)

Goods and services tax

Goods and services tax ("GST") collected on taxable activities is payable at 60%. The 40% of GST collected on taxable activities is recorded as GST revenue. GST paid on taxable activities is recorded as GST expenses.

GST paid on charitable activities is recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. The Society's financial instruments consist of cash and cash equivalents, term deposits, accounts receivable and accounts payable and accrued liabilities and are tested for impairment at each reporting date.

Measurement uncertainty

The preparation of financial statements in accordance 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 disclosure of contingencies at the date of the financial statements, reported amounts of revenue and expenses, and the reported amounts of deferred contributions and utilized revenue during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known.

Estimates included in the preparation of these financial statements include accrued liabilities, estimated useful life of property and equipment, and deferred contributions related to property and equipment. Actual results could differ from those estimates.

3. Restricted cash

Included in restricted cash are cash and a term deposit that are kept in separate bank accounts for Casino proceeds and raffle funds subject to Alberta Gaming and Liquor Commission (AGLC) restrictions as disclosed in Note 8. The term deposit has been purchased through casino proceeds and is therefore externally restricted through AGLC.

	<u>2023</u>	<u>2022</u>
Cash on deposit	\$ 14,403	\$ 75,249
Cashable Guaranteed Investment Certificate bearing interest at 4.25% per annum, maturing May 27, 2024	38,904	-
Cashable Guaranteed Investment Certificate bearing interest at 1.00% per annum, matured April 11, 2023	-	38,094
	<u>\$ 53,307</u>	<u>\$ 113,343</u>

VERTIGO THEATRE SOCIETY
Notes to Financial Statements
Year Ended June 30, 2023

4. Equity bond

The equity bond is a deposit held in trust at the Canadian Actors' Equity Association that the Society will fulfill its obligations and contracts with members of the Canadian Actors' Equity Association insurance.

5. Property and equipment

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Leasehold improvements	\$ 5,540,233	\$ 5,540,233	\$ -	\$ 280,629
Equipment	916,969	865,743	51,226	53,001
Computer equipment	331,022	293,853	37,169	54,424
	\$ 6,788,224	\$ 6,699,829	\$ 88,395	\$ 388,054

6. Operating line of credit

The Society has an operating line of credit to a maximum of \$250,000 (2022: \$250,000) with interest payable at bank prime plus 0.75% (2022: prime plus 0.75%) per annum. This line is secured by a general security agreement. The outstanding balance of the operating line of credit at the end of the year was \$Nil (2022: \$Nil).

7. Gifts in kind

Gifts in kind relating to goods and services received for the year were:

	2023	2022
PostMedia	\$ 39,100	\$ -
Pattison Outdoor	27,938	-
Graham Kingsley	5,864	-
	\$ 72,902	\$ -

These amounts have also been recognized as part of production and marketing expenses.

VERTIGO THEATRE SOCIETY
Notes to Financial Statements
Year Ended June 30, 2023

8. Deferred contributions related to operations

Contributions to the operating fund are received from grants and sponsorships to be used for the next season. Recognition of these amounts as revenue is deferred to periods when the related expenses are made. Changes in deferred contribution balances for operations are as follows:

	Opening balance	Additions	Utilizations	Ending balance
Calgary Arts Development Authority \$	124,600	\$ 159,568	\$ 149,600	\$ 134,568
Canada Council for the Arts	100,000	240,000	252,827	87,173
Alberta Foundations for the Arts	259,533	247,078	259,533	247,078
Alberta Gaming, Liquor and Cannabis - Casino	89,962	23,734	65,043	48,653
Alberta Gaming, Liquor and Cannabis - Raffle	21,997	25,395	42,738	4,654
Government of Alberta	253,371	-	253,371	-
	<u>\$ 849,463</u>	<u>\$ 695,775</u>	<u>\$ 1,023,112</u>	<u>\$ 522,126</u>

9. Loan payable

	2023	2022
CEBA loan payable, unsecured, interest and repayment terms as noted below	\$ -	\$ 40,000
Unamortized portion of fair value adjustment	-	(2,747)
	<u>\$ -</u>	<u>\$ 37,253</u>

The Society received a \$60,000 Canada Emergency Business Account ("CEBA") loan to finance qualifying non-deferrable expenses during the COVID-19 pandemic. The loan is non-interest bearing with no scheduled payments until December 31, 2022, the maturity had subsequently been extended to January 18, 2024. If \$40,000 of the loan is repaid by that date, the remaining \$20,000 will be forgiven. Any outstanding balance after January 18, 2024 will be converted to a 5% interest bearing loan to be repaid in monthly installments over a three year period ending December 31, 2026.

The forgivable portion of \$20,000 had been recorded as government subsidies in 2021. The remaining \$40,000 has been recorded at its fair value at the date the loan was received and adjusted for the fair value for the free interest. In previous years, the fair value adjustment was amortized on a straight-line basis over the initial loan period ended January 18, 2024. No further fair value adjustments are required as the Society repaid all outstanding loan balances during the fiscal year.

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10. Interest earned from endowments

The Joe Brager Endowment Fund was established in 2001 with The Calgary Foundation in the amount of \$15,000. This fund is controlled by The Calgary Foundation and has not been reported in the financial statements of the Society. The interest on the endowment is available to Vertigo Theatre Society to provide for honoraria to be given to apprentice directors for their services to the Society.

The Vertigo Theatre Endowment Fund ("VTEF") was established in 2009 with The Calgary Foundation. The VTEF is controlled by The Calgary Foundation and has not been reported in the financial statements of the Society. At year end, the balance in the VTEF was \$35,704 (2022: \$34,491). The Calgary Foundation determines the amount and timing of disbursements from the VTEF to the Society. Such disbursements may be used by the Society for any charitable purpose.

11. Additional information to comply with disclosure requirements of the charitable fund-raising act of Alberta and regulations

Gross contributions received in the current year were \$262,099 (2022: \$323,885).

All monies received from fundraising were used for production, administrative and marketing, the maintenance of leasehold improvements, and purchases and maintenance of equipment of the Society. No specific item was purchased which accounted for over 10% of the contributions received.

All expenses incurred for the purposes of soliciting contributions were \$758 (2022: \$7,128).

\$Nil (2022: \$nil) was paid as remuneration to fundraising businesses, including any expenses or fees paid to fundraising businesses or as reimbursements to fundraising businesses. \$Nil (2022: \$nil) was paid to employees for fundraising activities.

12. Commitments

During 2023 the Society's previous lease ended and as at June 30, 2023 a new agreement has not been finalized. A draft agreement is in place and is expected to become effective September 1, 2023. Consistent with the previous agreement, the Society is also subject to a percentage rent equalling 10% of annual gross earned revenue in excess of \$1,000,000. The future minimum lease payments are estimated as follows:

2024	\$	148,333
2025		150,000
2026		150,000
2027		150,000
2028		150,000
		<hr/>
	\$	<u>748,333</u>

13. Comped Tickets

The Society gives out comped tickets (free) to staff, actors, volunteers, educators, sponsors and for customer service. The total for comped tickets from the Society handed out in 2023 is \$329,486 (2022: \$193,190). The comped tickets are not recognized in the financial statements.

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14. Internally restricted net assets

Internally restricted net assets comprise three reserve funds as follows. The additions of reserve funds were approved by the Board. The reserve funds can not be used without the Board's approval.

	Opening balance	Additions	Utilizations	Ending balance
Capital (a)	\$ -	\$ -	\$ -	\$ -
Operation (b)	215,369	15,000	-	230,369
Artistic research and development	30,000	-	-	30,000
	\$ 245,369	\$ 15,000	\$ -	\$ 260,369

(a) The capital reserve funds are restricted for use towards the future capital needs of the Society. During the year, the Society utilized \$nil (2022: \$68,270) to purchase assets.

(b) Pursuant to Alberta Foundation for the Arts operating grant guidelines, the Board may allocate 4.7% of the Society's annual operating expenses averaged over 3 years to the internally restricted operation reserve fund. The Board of Directors has approved to contribute \$15,000 (2022: \$nil) to the reserve fund for the year ended June 30, 2023.

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15. Financial instruments

The Society 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 Society's risk exposure and concentration as of June 30, 2023.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society's financial assets that are exposed to credit risk consist primarily of accounts receivable. The Society is not subject to significant concentration of credit risk with respect to its funders, sponsors and customers.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities, unearned revenue, deferred contributions and commitments.

(c) 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 Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate for bank indebtedness.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial instruments.

16. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. This reclassification has no effect on prior year deficiency of revenue over expenses from operations.
