REVUE FILM SOCIETY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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JMM

J. Michael Mulholland
Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To the Members of
Revue Film Society

I have audited the accompanying financial statements of **Revue Film Society**, which comprise the statement of financial position as at June 30, 2017, and the statements of changes in net assets, operations 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
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

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INDEPENDENT AUDITOR'S REPORT, continued

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Revue Film Society derives a material amount of revenue from fundraising activities. I was not able to obtain sufficient appropriate audit evidence in either the current or prior year about the completeness of the reported amounts for accounts receivable, fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, I was unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

Except as noted in the above paragraph, in my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2017 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.

J. Michael Mulholland

CHARTERED PROFESSIONAL ACCOUNTANT
LICENSED PUBLIC ACCOUNTANT

Richmond Hill, Canada
September 29, 2017

REVUE FILM SOCIETY

Statement of Financial Position

June 30, 2017

	2017	2016
ASSETS		
Current		
Cash and short-term investments (note 3)	**$ 53,228**	$ 46,596
Accounts receivable	**2,369**	7,809
Inventory	**2,326**	2,732
Deposits	**7,570**	7,570
	65,493	64,707
Restricted cash (note 5)	**10,120**	10,069
Equipment and leasehold improvements (note 4)	**158,769**	170,934
	$ 234,382	$ 245,710
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 52,927**	$ 46,439
HST payable	**25,865**	40,275
Current portion of unearned revenue (notes 2(g) & (h))	**37,358**	24,209
	116,150	110,923
Unearned revenue (notes 2(g) & (h))	**98,906**	116,483
	215,056	227,406
NET ASSETS		
Unrestricted funds	**14,326**	13,304
Contingency reserve fund (note 6)	**5,000**	5,000
	19,326	18,304
	$ 234,382	$ 245,710

Overdraft protection (note 5)

Theatre premises commitment (note 7)

APPROVED ON BEHALF OF THE BOARD

_____________________________ **Director** _____________________________ **Director**

REVUE FILM SOCIETY

Statement of Changes in Net Assets

Year ended June 30, 2017

	Unrestricted funds	Contingency reserve fund	Total 2017	Total 2016
Balance - beginning of year	$ 13,304	$ 5,000	**$ 18,304**	$ 33,732
Excess (deficiency) of revenues over expenditures	1,022	-	**1,022**	(15,428)
Balance - end of year	**$ 14,326**	**$ 5,000**	**$ 19,326**	$ 18,304

REVUE FILM SOCIETY
Statement of Operations
Year ended June 30, 2017

	2017	2016
Revenues		
Ticket sales and memberships	**$ 390,575**	$ 363,035
Concession and merchandise sales	**163,375**	140,737
Theatre rental and special events	**84,353**	96,191
Advertising	**25,797**	8,675
Deferred revenue recognized from 2013 and 2015 Trillium grants (note 2(g))	**21,559**	26,074
Fundraising	**7,169**	11,807
Interest and other	**53**	71
	692,881	646,590
Cost of revenue		
Salaries and benefits	**191,518**	203,560
Distributors fees and related costs	**157,255**	146,524
Theatre rent	**94,969**	86,683
Cost of concession sales	**54,266**	50,482
Theatre management fees	**45,472**	43,502
Realty taxes	**31,822**	30,219
Advertising, promotion and website	**24,506**	18,027
Utilities	**16,855**	14,970
Maintenance and repairs	**11,185**	12,070
	627,848	606,037
Gross profit	**65,033**	40,553
Expenditures		
Amortization	**26,050**	26,639
Office and general	**11,118**	8,953
Interest and bank charges	**10,292**	6,634
Professional fees	**6,153**	3,762
Insurance	**5,988**	5,626
Bookkeeping and administration	**2,200**	2,975
Telecommunications	**1,929**	1,166
Auto and travel	**281**	226
	64,011	55,981
Excess (deficiency) of revenues over expenditures	**$ 1,022**	$ (15,428)

REVUE FILM SOCIETY

Statement of Cash Flows
Year ended June 30, 2017

	2017	2016
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures	**$ 1,022**	$ (15,428)
Adjustments for		
Amortization	**26,050**	26,639
Recognition of unearned revenue	**(21,559)**	(26,074)
	5,513	(14,863)
Changes in non-cash working capital		
Accounts receivable	**5,440**	4,228
Inventory	**406**	(233)
Deposits	**-**	3,709
Accounts payable and accrued liabilities	**6,488**	(16,478)
HST payable	**(14,410)**	29,703
	3,437	6,066
Cash flows from investing activity		
Purchase of equipment and leasehold improvements	**(13,885)**	(22,160)
Cash flows from financing activity		
Unearned revenue (notes 2(g) & (h))	**17,131**	2,119
Net increase (decrease) in cash and cash equivalents	**6,683**	(13,975)
Cash and cash equivalents - beginning of year	**56,665**	70,640
Cash and cash equivalents - end of year	**$ 63,348**	$ 56,665
Cash and cash equivalents consist of:		
Cash and short-term investments	**$ 53,228**	$ 46,596
Restricted cash	**10,120**	10,069
	$ 63,348	$ 56,665

1. NATURE OF OPERATIONS

Revue Film Society (the "organization") is a not-for-profit organization incorporated without share capital by Letters Patent on July 18, 2006 in Canada. The organization operates the Revue Cinema located at 400 Roncesvalles Avenue in Toronto, Ontario. The cinema opened in October 2007.

The organization is exempt from income tax in Canada as a not-for-profit entity under Subsection 149(1)(I) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization applies the Canadian accounting standards for not-for-profit organizations.

(a) Accrual basis of accounting

Revenue and expenditures are recorded on the accrual basis of accounting under which they are recorded in the financial statements in the period they are earned or incurred respectively, whether or not such transactions have been settled by the receipt or payment of money. Virtually all revenue is received in cash or immediate credit or debit card settlement.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

(c) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives. The annual amortization rates and methods are as follows:

Leasehold improvements	10 years	Straight-line
Projection and sound equipment	20%	Declining balance
Equipment	20%	Declining balance

The organization capitalizes projection, sound and other equipment purchases costing $3,000 or more. Amortization is is provided at one half the normal rate in the year of acquisition of an asset. The estimated useful life of equipment is reviewed by management annually and adjusted if necessary.

(d) Donated material and services

Donated capital and investments are recorded in the financial statements at fair value on the date of the donation. Donated materials and services are not recorded because the fair market value is not readily determinable. With the exception of volunteer time, such material and services are not significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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 reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. The main estimates in the financial statements are the estimated useful lives of the projection and sound equipment and the leasehold improvements and therefore the annual amount of amortization on these assets and the deferred revenue recognized as revenue annually.

(f) Financial instruments

The organization's financial instruments consist of cash, accounts receivable and accounts payable. The fair value of these financial instruments approximates their carrying values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. Unless otherwise noted, it is management's opinion that the organization is not exposed to any significant interest, exchange or credit risk associated with these financial instruments.

(g) Revenue recognition - Trillium grant

In 2013, the organization purchased and installed projection and sound equipment for which it received a Trillium Grant from the Province of Ontario in the amount of $91,500. This grant is being recognized as income on an annual basis using the same accounting policy and rate as that used to calculate amortization on the equipment which it finances. The income recognized from the grant this year was $8,455 (2016 - $10,834).

In 2015, the organization carried out leasehold improvements on the theatre which it is renting for which it received a Trillium Grant from the Province of Ontario in the amount of $125,300. This grant is being recognized as income on an annual basis using the same accounting policy and rate as that used to calculate amortization on the leasehold improvements it finances. The income recognized from the grant this year was $13,104 (2016 - $15,240).

(h) Unearned revenue

The current portion of unearned revenue consists of deposits received for theatre rentals which will take place in the following fiscal year plus the amount of Trillium and other government grants which will be recognized as revenue in the following fiscal year.

The long-term portion of unearned revenue consists of the portion of the Trillium grants received in 2013 and 2015 which will be recognized as revenue after the following fiscal year.

3. CASH AND SHORT-TERM INVESTMENTS

Cash included in the statement of cash flows is comprised of the following amounts:

	2017	2016
	$ -	$ -
Operating account	36,720	42,804
Interest bearing investor account and cash float	16,508	3,792
	$ 53,228	$ 46,596

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

			2017	2016
	Cost	**Accumulated amortization**	**Net**	Net
Leasehold improvements	**$ 154,354**	**$ 44,002**	**$ 110,352**	$ 123,830
Projection and sound equipment	**103,494**	**59,842**	**43,652**	44,845
Equipment	**7,809**	**3,044**	**4,765**	2,259
	$ 265,657	**$ 106,888**	**$ 158,769**	$ 170,934

5. OVERDRAFT PROTECTION AND RESTRICTED CASH

The organization has $10,000 in overdraft protection from its bank for its operating bank account. Any overdraft in the account bears interest at the annual rate of bank prime plus 1% and is secured by a $10,120 GIC bearing interest at 0.55% annually. The GIC is due on November 27, 2017 and can be cashed without penalty. However, cashing it would cancel the overdraft protection. The GIC appears under the caption restricted cash on the balance sheet. There was no overdraft in the operating account at the year-end date.

6. CONTINGENCY RESERVE FUND

In common with many not-for-profit organizations, the Board of Directors has established a contingency reserve fund. This internally-restricted fund is to be used to satisfy claims, if any, by film distributors, which have been personally guaranteed by a member of the organization. These funds may not be used for other purposes without the approval of the Board of Directors.

7. THEATRE PREMISES COMMITMENTS

The organization is party to a premises lease for the use of its heritage movie theatre. It commenced in April, 2014 and ends in June 2019. The current monthly lease payments are $7,914 and increase to $8,500 on July 1, 2018. The future obligation under the lease plus related realty taxes, are estimated as follows:

2018	$ 126,790
2019	133,822
	$ 260,612

8. MANAGEMENT OF NET ASSETS

The objective of organization in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate as stated in note 1 to the financial statements. It achieves its objective by day to day management of its cash flows and by regularly monitoring revenues and expenditures. When necessary, the organization takes action to raise additional revenues when actual revenues do not meet its expectations and to reduce or delay payment of expenditures when additional revenues can not be readily earned.