

**The Globe Theatre Society**  
**Financial Statements**  
*June 30, 2007*

To the Members of the Globe Theatre Society:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

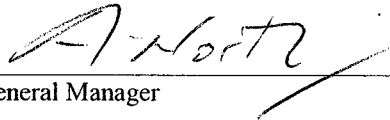
The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Society. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Society's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

August 14, 2007



Business and Systems Manager



General Manager

**To the Members of The Globe Theatre Society**

We have audited the statement of financial position of **The Globe Theatre Society** as at June 30, 2007 and the statements of revenue and expenditures, changes in fund balances, including supporting schedules, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Meyer Norris Penny LLP*

Regina, Saskatchewan

August 14, 2007

Chartered Accountants


**The Globe Theatre Society**  
**Statement of Financial Position**

*As at June 30, 2007*

|  | <i>Operating<br/>Fund</i> | <i>Capital Fund</i> | <i>2007<br/>Total</i> | <i>2006<br/>Total</i> |
|--|---------------------------|---------------------|-----------------------|-----------------------|
| <b>Assets</b>                            |                           |                     |                       |                       |
| <b>Current assets</b>                    |                           |                     |                       |                       |
| Cash                                     | 91,780                    | -                   | 91,780                | 130,570               |
| Marketable securities (Note 3)           | 550,000                   | -                   | 550,000               | 150,000               |
| Accounts receivable                      | 28,028                    | -                   | 28,028                | 12,195                |
| Inventory                                | 1,882                     | -                   | 1,882                 | 2,912                 |
| Interfund balance (Note 4)               | 100,000                   | (100,000)           | -                     | -                     |
| Prepaid expenses                         | 110,739                   | -                   | 110,739               | 128,203               |
|  | <b>882,429</b>            | <b>(100,000)</b>    | <b>782,429</b>        | <b>423,880</b>        |
| <b>Capital assets (Note 5)</b>           | <b>-</b>                  | <b>2,195,652</b>    | <b>2,195,652</b>      | <b>2,362,412</b>      |
|  | <b>882,429</b>            | <b>2,095,652</b>    | <b>2,978,081</b>      | <b>2,786,292</b>      |
| <b>Liabilities</b>                       |                           |                     |                       |                       |
| <b>Current liabilities</b>               |                           |                     |                       |                       |
| Accounts payable and accrued liabilities | 78,768                    | -                   | 78,768                | 41,885                |
| Deferred revenue (Note 6)                | 620,204                   | -                   | 620,204               | 541,343               |
|  | <b>698,972</b>            | <b>-</b>            | <b>698,972</b>        | <b>583,228</b>        |
| <b>Deferred revenue (Note 7)</b>         | <b>-</b>                  | <b>1,666,181</b>    | <b>1,666,181</b>      | <b>1,678,102</b>      |
|  | <b>698,972</b>            | <b>1,666,181</b>    | <b>2,365,153</b>      | <b>2,261,330</b>      |
| <b>Fund Balances</b>                     |                           |                     |                       |                       |
| <b>Working capital reserve</b>           | <b>140,718</b>            | <b>-</b>            | <b>140,718</b>        | <b>53,789</b>         |
| <b>Unrestricted surplus</b>              | <b>42,739</b>             | <b>-</b>            | <b>42,739</b>         | <b>42,709</b>         |
| <b>Invested in capital assets</b>        | <b>-</b>                  | <b>429,471</b>      | <b>429,471</b>        | <b>428,464</b>        |
|  | <b>183,457</b>            | <b>429,471</b>      | <b>612,928</b>        | <b>524,962</b>        |
|  | <b>882,429</b>            | <b>2,095,652</b>    | <b>2,978,081</b>      | <b>2,786,292</b>      |

Approved by the Board of Directors

 Director

 Director

The accompanying notes are an integral part of these financial statements

**The Globe Theatre Society**  
**Statement of Revenue and Expenditures**

*For the year ended June 30, 2007*

|  | <i>Operating<br/>Fund</i> | <i>Capital Fund</i> | <i>2007<br/>Total</i> | <i>2006<br/>Total</i> |
|--|---------------------------|---------------------|-----------------------|-----------------------|
| <b>Revenue (Schedule of Revenue)</b>                                 |                           |                     |                       |                       |
| Production   | 971,734                   | -                   | 971,734               | 1,024,296             |
| Grants   | 670,500                   | 167,330             | 837,830               | 865,536               |
| Fundraising  | 293,435                   | -                   | 293,435               | 390,518               |
| Ancillary  | 92,645                    | -                   | 92,645                | 84,825                |
| Bar and concession   | 52,492                    | -                   | 52,492                | 60,783                |
| Contributed revenue (Note 8)   | -                         | -                   | -                     | 148,722               |
|  | <b>2,080,806</b>          | <b>167,330</b>      | <b>2,248,136</b>      | <b>2,574,680</b>      |
| <b>Expenditures</b>  |                           |                     |                       |                       |
| Bar and concession   | 50,890                    | -                   | 50,890                | 64,061                |
| Front of house and box office  | 78,630                    | -                   | 78,630                | 65,011                |
| Mainstage production   | 631,650                   | -                   | 631,650               | 698,426               |
| Marketing and promotion  | 213,038                   | -                   | 213,038               | 234,130               |
| Other  | 809                       | -                   | 809                   | 6,804                 |
| Production overhead  | 275,461                   | -                   | 275,461               | 315,653               |
| Sandbox  | 52,321                    | -                   | 52,321                | 16,854                |
| Special events – fundraising   | 8,892                     | -                   | 8,892                 | 7,651                 |
| Special events – operating   | -                         | -                   | -                     | 31,531                |
| Theatre school   | 72,256                    | -                   | 72,256                | 31,748                |
| Theatre operations   | 180,525                   | -                   | 180,525               | 169,886               |
|  | <b>1,564,472</b>          | <b>-</b>            | <b>1,564,472</b>      | <b>1,641,555</b>      |
| Administration   | 330,206                   | -                   | 330,206               | 409,442               |
| Fundraising and development  | 76,522                    | -                   | 76,522                | 42,231                |
| Amortization   | -                         | 188,970             | 188,970               | 190,558               |
|  | <b>406,728</b>            | <b>188,970</b>      | <b>595,698</b>        | <b>642,231</b>        |
|  | <b>1,971,200</b>          | <b>188,970</b>      | <b>2,160,170</b>      | <b>2,283,786</b>      |
| <b>Excess (deficiency) of revenue over expenditures for the year</b> | <b>109,606</b>            | <b>(21,640)</b>     | <b>87,966</b>         | <b>290,894</b>        |

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

**The Globe Theatre Society**  
**Statement of Changes in Fund Balances**

*For the year ended June 30, 2007*

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|  | <i>2006</i> | <i>Interfund<br/>transfers<br/>(Note 9)</i> | <i>Excess<br/>(deficiency) of<br/>revenue over<br/>expenditures</i> | <i>2007</i> |
|--|-------------|---|---|-------------|
| <b>Capital fund – invested in capital assets</b> | 428,464     | 22,647                                      | (21,640)  | 429,471     |
| <b>Operating fund - working capital reserve</b>  | 53,789      | 86,929                                      | -   | 140,718     |
| <b>Operating fund – unrestricted surplus</b>     | 42,709      | (109,576)                                   | 109,606   | 42,739      |
|  | 524,962     | -   | 87,966  | 612,928     |

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

**The Globe Theatre Society**

**Statement of Cash Flows**

*For the year ended June 30, 2007*

|  | <i>Operating<br/>Fund</i> | <i>Capital Fund</i> | <i>2007<br/>Total</i> | <i>2006<br/>Total</i> |
|--|---------------------------|---------------------|-----------------------|-----------------------|
| <b>Cash provided by (used for)</b>                               |                           |                     |                       |                       |
| <b>Operating activities</b>                                      |                           |                     |                       |                       |
| Excess (deficiency) of revenue over expenditures<br>for the year | 109,606                   | (21,640)            | 87,966                | 290,894               |
| Item not affecting cash<br>Amortization                          | -                         | 188,970             | 188,970               | 190,558               |
|  | 109,606                   | 167,330             | 276,936               | 481,452               |
| Changes in working capital other than cash<br>(Note 10)          | 269,136                   | (162,653)           | 106,483               | 791,742               |
|  | 378,742                   | 4,677               | 383,419               | 1,273,194             |
| <b>Investing activity</b>  |                           |                     |                       |                       |
| Net additions to capital assets                                  | -                         | (22,209)            | (22,209)              | (1,020,081)           |
|  | -                         | (22,209)            | (22,209)              | (1,020,081)           |
| <b>Increase (decrease) in cash during the year</b>               | 378,742                   | (17,532)            | 361,210               | (253,113)             |
| <b>Cash – beginning of year</b>                                  | 280,570                   | -                   | 280,570               | 27,457                |
| <b>Transfer</b>  | (17,532)                  | 17,532              | -                     | -                     |
| <b>Cash – end of year</b>  | 641,780                   | -                   | 641,780               | 280,570               |
| <b>Cash is comprised of:</b>                                     |                           |                     |                       |                       |
| Cash   | 91,780                    | -                   | 91,780                | 130,570               |
| Marketable securities  | 550,000                   | -                   | 550,000               | 150,000               |
|  | 641,780                   | -                   | 641,780               | 280,570               |

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

**1. Purpose of the organization**

The mission of The Globe Theatre Society (“Globe Theatre”) is to create and produce professional theatre and make it accessible with a view to entertain, to educate and to challenge. Globe Theatre is incorporated under the *Non-profit Corporations Act of Saskatchewan* and is a registered charity under the Income Tax Act and is exempt from income tax under section 149 (1) (1) of the Income Tax Act.

**2. Significant accounting policies**

Globe Theatre’s financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations using the deferral method of accounting for contributions.

***Fund accounting***

Revenues and expenditures relating to program delivery and administrative activities are recorded in the Operating Fund. The Board has internally restricted funds for the working capital reserve for unbudgeted expenses and special projects.

The Capital Fund records the assets, liabilities, revenues and expenditures related to funding and acquisition of Globe Theatre’s capital assets and facilities which are used to provide performance venues and equipment, and administration facilities.

***Revenue recognition***

Revenue received for a particular use is deferred and recognized as revenue in the appropriate fund in the year in which the related expenditures are incurred. Receipts that are not restricted are recognized as revenue in the appropriate fund when received.

***Inventory***

Inventory is valued at the lower of cost and net realizable value.

***Capital assets***

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at date of contribution. Normal maintenance and repair expenditures are expensed in the Operating Fund as incurred.

Amortization is provided on a straight-line basis over an asset’s estimated useful life as follows:

|                          |          |
|--------------------------|----------|
| Theatre equipment        | 5 years  |
| Office and bar equipment | 5 years  |
| Automobile               | 3 years  |
| Leasehold improvements   | 20 years |

***Deferred revenue***

Deferred revenue in the Operating Fund includes subscription sales, ticket fees designated for use in the working capital reserve and grants received for the subsequent season.

Deferred revenue in the Capital Fund includes donations and revenue received for capital purchases for which the asset has not been amortized yet.

Deferred revenue is recognized into revenue at the same rate as the related asset is amortized.

***Contributed services***

Volunteers contribute approximately 2,000 hours per year to assist Globe Theatre Society in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

*Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where necessary. Amortization is based on the estimated useful lives of capital assets. Deferred revenue related to the purchase of capital items is recognized as revenue on the same basis as the related assets are being amortized. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

*Recent Accounting Pronouncements*

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. Although the requirements of Section 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to Section 4400 Not-For-Profit Organizations will require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. However, the Society does not expect the adoption of these new standards to have a material impact on its financial statements.

**3. Marketable securities**

Marketable securities are stated at cost, which approximates market value. Investments have maturity dates of less than one year.

**4. Interfund balances**

Balances owing between various funds are non-interest bearing and have no fixed terms of repayment.

**5. Capital assets**

Capital assets consist of the following:

|                          | <i>2007</i>      |                                     | <i>2006</i>      |                  |
|--------------------------|------------------|-------------------------------------|------------------|------------------|
|                          | <i>Cost</i>      | <i>Accumulated<br/>Amortization</i> | <i>Net</i>       | <i>Net</i>       |
| Theatre equipment        | 105,002          | 68,893                              | 36,109           | 46,754           |
| Office and bar equipment | 213,112          | 134,213                             | 78,899           | 99,520           |
| Automobile               | 10,700           | 10,700                              | -                | 3,567            |
| Leasehold improvements   | 2,828,205        | 747,561                             | 2,080,644        | 2,212,571        |
|                          | <b>3,157,019</b> | <b>961,367</b>                      | <b>2,195,652</b> | <b>2,362,412</b> |

6. Deferred revenue – Operating Fund

Deferred revenue consists of the following:

|  | 2007           | 2006           |
|--|----------------|----------------|
| Subscriptions received for the subsequent season   | 473,557        | 443,552        |
| Sponsorship  | 79,500         | 58,500         |
| Working capital reserve charge on prepaid production ticket sales (\$1.00 per ticket sold) | 20,810         | 21,026         |
| Other  | 46,337         | 18,265         |
|  | <b>620,204</b> | <b>541,343</b> |

7. Deferred revenue – Capital Fund

In 1998, Globe Theatre launched a capital campaign to raise \$1,000,000 by the year 2001 for major renovations to the facility. This project was completed in 1999 with pledges being received until 2001. In 2005, Globe Theatre launched another capital renovation project, budgeted at \$1,635,700, to renovate the second, third and fourth floors of the facility, and to create a space for the addition of a theatre school. Globe Theatre has received commitments in the amount of \$1,554,624 to date from municipal, provincial and federal levels of government. Globe Theatre has also received \$80,500 of contributions from foundations and corporations within the community. Contributions to the capital campaign and investment income related to funds raised are treated as restricted contributions available for use only in the Capital Fund. These amounts are included in deferred revenue and are being recognized as revenue on the same basis as the related assets are being amortized.

|   | 2007             | 2006             |
|---|------------------|------------------|
| Deferred revenue – beginning of year        | 1,678,102        | 748,837          |
| Capital campaign contributions              | 155,409          | 1,199,215        |
| Deferred revenue recognized during the year | (167,330)        | (269,950)        |
| Deferred revenue – end of year              | <b>1,666,181</b> | <b>1,678,102</b> |

8. Contributed services and materials

The following amounts for contributed materials and services from the Arts Stabilization Fund Saskatchewan Inc. are recorded in these financial statements:

|   | <i>Operating<br/>Fund</i> | <i>Capital Fund</i> | <i>2007<br/>Total</i> | <i>2006<br/>Total</i> |
|---|---------------------------|---------------------|-----------------------|-----------------------|
| Revenue – contributed revenue           | -                         | -                   | -                     | 148,722               |
| Expenditures – marketing and promotions | -                         | -                   | -                     | 35,388                |
| Expenditures - administration           | -                         | -                   | -                     | 113,334               |
|   | -                         | -                   | -                     | <b>148,722</b>        |

**The Globe Theatre Society**

**Notes to Financial Statements**

*For the year ended June 30, 2007*

**9. Interfund transfers**

The Board approved the following transfers during the year:

|  | <i>Capital Fund<br/>– invested in<br/>capital assets</i> | <i>Operating Fund<br/>– working<br/>capital reserve</i> | <i>Operating fund<br/>– unrestricted<br/>surplus</i> | <i>Total</i> |
|--|--|---|--|--------------|
| Working Capital Reserve surcharges collected from regular ticket sales | -  | 36,929  | (36,929)   | -            |
| Arts Stabilization Fund – working capital reserve funding              | -  | 50,000  | (50,000)   | -            |
| Interfund transfer   | 5,115  | -   | (5,115)  | -            |
| Cash transfer  | 17,532   |   | (17,532)   | -            |
|  | <b>22,647</b>  | <b>86,929</b>   | <b>(109,576)</b>                                     | <b>-</b>     |

**10. Changes in working capital other than cash**

|  | <i>Operating Fund</i> | <i>Capital Fund</i> | <i>2007<br/>Total</i> | <i>2006<br/>Total</i> |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| Accounts receivable                      | (15,833)              | -                   | (15,833)              | 28,188                |
| Interfund balance                        | 150,732               | (150,732)           | -                     | -                     |
| Inventory                                | 1,030                 | -                   | 1,030                 | (883)                 |
| Prepaid expenses                         | 17,464                | -                   | 17,464                | (23,092)              |
| Accounts payable and accrued liabilities | 36,883                | -                   | 36,883                | (308,656)             |
| Deferred revenue                         | 78,860                | (11,921)            | 66,939                | 1,096,185             |
|  | <b>269,136</b>        | <b>(162,653)</b>    | <b>106,483</b>        | <b>791,742</b>        |

**11. Operating lease commitments**

Future minimum lease payments under operating leases for equipment and building for the next five years are as follows:

|      |        |
|------|--------|
| 2008 | 37,603 |
| 2009 | 40,003 |
| 2010 | 42,403 |
| 2011 | 44,803 |
| 2012 | 47,203 |

**12. Contractual obligations**

As is common among theatres, Globe Theatre enters into agreements with various individuals and organizations to secure production rights for Globe Theatre's use in future periods. These rights and other production costs are recorded when the production occurs.

Globe Theatre has a letter of credit supporting a security bond in favour of the Canadian Actors' Equity Association as the beneficiary. This is a requirement for theatres for the purpose of ensuring Association members will be properly compensated in the event of financial difficulties.

**13. Financial instruments**

Globe Theatre's recognized financial instruments consist of cash, marketable securities, accounts receivable, and accounts payable and accrued liabilities. The fair values of all the aforementioned financial instruments approximate their carrying value due to the short-term nature of these instruments.

**14. Comparative Figures**

Certain of the prior year's figures have been reclassified in order to conform to the current year's presentation.

# The Globe Theatre Society

## Schedule of Revenue

For the year ended June 30, 2007

|                                     | <i>Operating<br/>Fund</i> | <i>Capital<br/>Fund</i> | <i>2007<br/>Total</i> | <i>2006<br/>Total</i> |
|-------------------------------------|---------------------------|-------------------------|-----------------------|-----------------------|
| <b>Production</b>                   |                           |                         |                       |                       |
| Gift certificates                   | 6,695                     | -                       | 6,695                 | 5,451                 |
| Group sales                         | 24,784                    | -                       | 24,784                | -                     |
| Mainstage - subscriptions           | 502,245                   | -                       | 502,245               | 386,459               |
| Mainstage - single tickets          | 294,499                   | -                       | 294,499               | 554,490               |
| Sandbox single tickets              | 47,258                    | -                       | 47,258                | 25,206                |
| Special events - operating          | -                         | -                       | -                     | 9,820                 |
| School matinees                     | 55,824                    | -                       | 55,824                | 42,870                |
| Theatre school                      | 40,429                    | -                       | 40,429                | -                     |
|                                     | <b>971,734</b>            | <b>-</b>                | <b>971,734</b>        | <b>1,024,296</b>      |
| <b>Grants</b>                       |                           |                         |                       |                       |
| Arts Stabilization Fund             | 50,000                    | -                       | 50,000                | -                     |
| Canada Council                      | 270,500                   | -                       | 270,500               | 270,500               |
| City of Regina                      | 100,000                   | -                       | 100,000               | 93,500                |
| Saskatchewan Arts Board             | 250,000                   | -                       | 250,000               | 250,000               |
| Renovation grants                   | -                         | 167,330                 | 167,330               | 251,536               |
|                                     | <b>670,500</b>            | <b>167,330</b>          | <b>837,830</b>        | <b>865,536</b>        |
| <b>Fundraising</b>                  |                           |                         |                       |                       |
| Corporate sponsorships              | 183,000                   | -                       | 183,000               | 222,250               |
| Donations and memberships           | 87,265                    | -                       | 87,265                | 119,879               |
| Special events                      | 23,170                    | -                       | 23,170                | 48,389                |
|                                     | <b>293,435</b>            | <b>-</b>                | <b>293,435</b>        | <b>390,518</b>        |
| <b>Ancillary</b>                    |                           |                         |                       |                       |
| Interest, commission, and exchange  | 23,872                    | -                       | 23,872                | 10,565                |
| Program advertising                 | 22,285                    | -                       | 22,285                | 22,561                |
| Technical services                  | 6,144                     | -                       | 6,144                 | 5,282                 |
| Ticket surcharge                    | 36,929                    | -                       | 36,929                | 45,593                |
| Other                               | 3,415                     | -                       | 3,415                 | 824                   |
|                                     | <b>92,645</b>             | <b>-</b>                | <b>92,645</b>         | <b>84,825</b>         |
| <b>Bar and concession</b>           | <b>52,492</b>             | <b>-</b>                | <b>52,492</b>         | <b>60,783</b>         |
| <b>Contributed revenue (Note 8)</b> | <b>-</b>                  | <b>-</b>                | <b>-</b>              | <b>148,722</b>        |
|                                     | <b>2,080,806</b>          | <b>167,330</b>          | <b>2,248,136</b>      | <b>2,574,680</b>      |