

**THE REGENT THEATRE FOUNDATION
FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2020**

DRAFT

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INDEPENDENT AUDITOR'S REPORT

To the Members
The Regent Theatre Foundation

Qualified Opinion

We have audited the financial statements of The Regent Theatre Foundation (the Foundation), which comprise the statement of financial position as at September 30, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at September 30, 2020, 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 Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether, as at and for the years ended September 30, 2020 and September 30, 2019, any adjustments might be necessary to donation and fundraising revenue, excess of expenses over revenues, assets and general fund balance.

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 Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Foundation'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 Foundation'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 Foundation 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.

BELLEVILLE, Canada
Date of Approval

Chartered Professional Accountants
Licensed Public Accountants

**THE REGENT THEATRE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020**

	2020 \$	2019 \$
ASSETS		
CURRENT		
Cash	182,624	64,785
Short-term investments - Note 3	20,494	-
Accounts receivable	18,053	6,350
Inventory	1,277	3,322
Prepaid expenses	24,883	3,243
	247,331	77,700
LONG-TERM		
Tangible capital assets - Note 5	534,924	555,378
Website	-	7,213
	534,924	562,591
	782,255	640,291
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	25,951	37,247
Government remittances payable	1,377	6,382
Deferred revenue - Note 6	188,535	147,886
Current portion of long-term debt	24,145	26,459
	240,008	217,974
LONG-TERM		
Loans payable - Note 7	10,000	-
Mortgage payable - Note 8	206,853	219,081
	216,853	219,081
	456,861	437,055
NET ASSETS		
General fund	325,394	203,236
	782,255	640,291

COMMITMENTS - Note 12

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

The accompanying notes form an integral part of these financial statements

**THE REGENT THEATRE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019
	\$	\$
GENERAL FUND - BEGINNING OF YEAR	203,236	164,408
EXCESS OF REVENUE OVER EXPENSES	122,158	38,828
GENERAL FUND - END OF YEAR	325,394	203,236

The accompanying notes form an integral part of these financial statements

**THE REGENT THEATRE FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020 \$	2019 \$
REVENUE		
Movies	68,435	107,734
Satellite presentations	10,965	20,887
Live shows and theatre rental	48,776	131,934
Ticket service charges	7,041	25,360
Memberships	35,589	41,355
Donations - Note 9	90,963	21,606
Sponsorships and advertising	93,989	87,083
Government grants	7,547	30,000
Special events and Nevada fundraising	16,301	17,462
Concession and wine bar	36,984	66,705
Ontario Arts Endowment Fund - Note 10	6,033	4,068
Miscellaneous	-	4,837
Rental	40,611	34,464
Building improvement fee	15,080	23,563
	478,314	617,058
EXPENSES		
Production costs:		
- Movies	54,101	95,846
- HD satellite	8,142	14,569
- Live shows	30,025	124,728
Publicity, promotion and box office	17,867	38,359
Special events and Nevada fundraising	5,288	10,731
Concession and wine bar	16,431	28,494
Premises	73,733	77,817
Administration	35,716	38,339
Impairment of website	9,814	-
Interest and bank charges	5,581	15,822
Interest on long-term debt	12,706	13,618
Amortization	25,677	28,569
Professional fees	9,497	11,036
Salaries and benefits (net of subsidies)	51,578	80,302
	356,156	578,230
EXCESS OF REVENUE OVER EXPENSES	122,158	38,828

The accompanying notes form an integral part of these financial statements

THE REGENT THEATRE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020 \$	2019 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses	122,158	38,828
Adjustment for items which do not affect cash -		
Amortization	25,677	28,569
Impairment of website	9,814	-
	<u>157,649</u>	<u>67,397</u>
Net change in non-cash working capital balances related to operations		
Accounts receivable	(11,703)	12,336
Inventory	2,045	965
Prepaid expenses	(21,640)	1,283
Accounts payable and accrued liabilities	(11,296)	(46,677)
Government remittances payable	(5,005)	(10,848)
Deferred revenue	40,649	45,240
	<u>(6,950)</u>	<u>2,299</u>
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	150,699	69,696
INVESTING ACTIVITIES		
Purchase of short-term investments	(20,494)	-
Purchase of tangible capital assets	(5,223)	(4,256)
Investment in website	(2,601)	(7,213)
CASH FLOWS USED IN INVESTING ACTIVITIES	(28,318)	(11,469)
FINANCING ACTIVITIES		
Repayment of mortgage payable	(11,587)	(22,148)
Issuance of loans payable	10,000	-
Repayment of loans payable	(2,955)	(9,999)
CASH FLOWS USED IN FINANCING ACTIVITIES	(4,542)	(32,147)
NET INCREASE IN CASH FOR YEAR	117,839	26,080
CASH - BEGINNING OF YEAR	64,785	38,705
CASH - END OF YEAR	182,624	64,785

The accompanying notes form an integral part of these financial statements

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

1. NATURE OF BUSINESS

The Regent Theatre Foundation (RTF) is a not-for-profit organization which owns and operates The Regent Theatre in Picton, a heritage structure and community asset. The Regent Theatre Foundation provides programming and promotes the Theatre as a self-sustaining centre for arts, cultural and community events.

The Regent Theatre Foundation was incorporated February 12, 1982 under the laws of Ontario without share capital. RTF obtained status as a registered charity under Section 149(1) of the Canada Income Tax Act in October 1983, and is therefore, exempt from corporate income tax and is eligible to issue official income tax receipts for charitable activities.

2. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by RTF considered to be particularly significant:

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Accounting Estimates

The preparation of financial instruments 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, accounts payable, accrued liabilities and deferred revenue and the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

(c) Fund Accounting

RTF follows the restricted fund method of accounting for contributions. External restrictions are imposed from outside RTF. Internal restrictions are imposed by RTF in a formal manner, usually by resolution of the Board of Directors.

RTF reports through one general fund. This fund accounts for all of RTF's production, charitable activities and capital expenditures.

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. ACCOUNTING POLICIES (Cont'd)

(d) Financial Instruments

RTF initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

RTF subsequently measures all its financial assets and financial liabilities at amortized cost except for equities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in income.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, government remittances payable, loans payable and mortgage payable.

(e) Revenue Recognition

Unrestricted revenues are recognized as revenue in the year in which they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Revenue from live shows, presentations and related services is recognized in the year in which the event occurs. Restricted contributions relating to operations are recognized as revenue in the year in which the related expenditures are incurred. Restricted contributions relating to capital expenditures are recognized in accordance with Note 2(g) in the year in which the related expenditures are incurred. Revenues from memberships, sponsorships and certain funding contracts are recognized over the membership or sponsorship year to which they apply.

Donations and grants that are internally designated for the purpose of financing capital expenditures, major renovations and repayment of principal on the mortgage are recognized as revenue in the year in which they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Deferred revenue represents contributions received which relate to future years. They are deferred and recognized as revenue in the year in which the related expenditure or service is incurred.

(f) Inventory

Inventory consists of wine bar and concession merchandise purchased for resale and are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Net realizable value is defined as current replacement cost.

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. ACCOUNTING POLICIES (Cont'd)

(g) Tangible Capital Assets

Tangible capital assets are recorded at cost, net of direct government and other assistance. Contributed assets are recorded at fair value at the date of contribution. The following annual rates and methods allow for annual straight-line amortization expense of RTF's assets to reflect management's estimate of the useful life of each class of asset:

Building	40 years
Pianos	25 years
Movie projection and sound equipment	5 years
Furniture and equipment	5 years
Computer equipment and software	3 years

(h) Impairment of Long-Lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(i) Contributed Materials and Services

Due to the difficulty of determining volunteer hours contributed per year and their fair value, services are not recognized in the financial statements unless they are from a business where the expense would have been incurred regardless of the contribution. In addition, they must have been invoiced and subsequently donated back.

(j) Intangible Assets

Intangible assets are recorded at cost and amortized when a definite life can be determined. The website for RTF is recorded at cost and in the current year was written down completely after the project was abandoned.

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. ACCOUNTING POLICIES (Cont'd)

(k) Government Assistance

(i) Wage Subsidies

Government assistance in the form of wage subsidies due to COVID-19 has been included as a reduction of salaries and benefits as RTF incurs the related eligible wages. Government assistance is further described in Note 13, COVID-19.

(ii) Forgivable Loans

Government assistance in the form of grants and forgivable loans is accounted for using the cost reduction approach, whereby the cost of the capital item or operating expense is reduced by the assistance received; if assistance received is not for a specific expenditure, the assistance is recorded as revenue. Government assistance is recognized in the period where all conditions of the grants or forgivable loans are met.

(l) Cash

Cash consists of cash on deposit.

3. SHORT-TERM INVESTMENTS

Short-term investments consist of a Guaranteed Investment Certificate bearing interest at 1.6% with a maturity date of February 16, 2021. This security is measured in accordance with the policy stated in Note 2(d) to these financial statements.

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

4. BANK CREDIT FACILITY

RTF has available an authorized unsecured operating line of credit of \$15,000 (2019 - \$15,000) at an interest rate of prime plus 2.00%. As at September 30, 2020, the credit facility was not utilized.

5. TANGIBLE CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	177,557		177,557	
Building				
Theatre	637,241	364,615	637,241	346,921
Theatre renovation (net) ^(A)	72,232	7,573	72,232	7,573
Box office renovations	7,565	1,371	7,565	1,182
Pianos	23,869	23,649	23,869	22,694
Movie projection and sound equipment (net) ^(B)	64,364	54,067	60,780	49,190
Furniture and equipment (net) ^(C)	89,258	86,571	88,361	84,868
Computer equipment and software	18,095	17,411	17,355	17,154
	1,090,181	555,257	1,084,960	529,582
Cost less accumulated amortization	\$ 534,924		\$ 555,378	

(A) Costs include work performed since 2011. Total costs to date of \$654,659, have been partially offset by grants and funding recognized in the 2011 fiscal year (\$508,000), 2014 fiscal year (\$43,970), 2015 fiscal year (\$1,446), 2018 fiscal year (\$28,211), and 2019 fiscal year (\$800).

(B) Total costs include equipment valued at \$148,241, partially offset by a Trillium Foundation grant received in the 2012 fiscal year of \$67,300 and a PEC grant received in the 2020 fiscal year of \$16,577.

(C) Costs include furniture and equipment valued at \$109,364, partially offset by Trillium Foundation and John M. & Bernice Parrott Foundation Inc. grants received in prior years totalling \$20,106.

THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

6. DEFERRED REVENUE

Deferred revenue represents unspent resources which relate to future years operations, and which will be recognized as revenue in the year in which the related expenditure or service is incurred.

	2020 \$	2019 \$
Deferred revenues consist of:		
Unrestricted		
Memberships	9,026	12,275
Sponsorships	44,162	66,092
Future events	15,039	34,654
Membership Bucks, gift certificates and other miscellaneous	13,841	11,665
	82,068	124,686
Externally restricted		
Parrott Foundation	17,600	19,200
Huff Family Fund	4,000	4,000
Prince Edward County Grant	24,867	-
FACTOR Grant	60,000	-
	106,467	23,200
	188,535	147,886

7. LOANS PAYABLE

	2020 \$	2019 \$
Non-interest bearing term loan, repayable in monthly payments of \$500. Loan was repaid in full during the fiscal year.	-	2,955
Non-interest bearing, unsecured loan, with no repayment requirements until December 2022. Loan has an authorized limit of \$40,000 under the Canada Emergency Business Account program. During the year, \$10,000 was withdrawn. Up to \$10,000 is forgivable if certain conditions are met, including repayment of \$30,000 on or before December 31, 2022. Amounts owing after December 31, 2022 are converted into a 3-year term loan, repayable in monthly instalments, bearing interest at 5% per annum.	10,000	-
	10,000	2,955
Less: current portion	-	2,955
	10,000	-

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

8. MORTGAGE PAYABLE

	2020	2019
	\$	\$
First Mortgage - Royal Bank of Canada, 5.39% fixed interest rate per annum, repayable by monthly blended payments of principal and interest of \$3,000, based on a 60 month term and a 121 month amortization maturing in October, 2023. Secured by lands and improvements located at 224 Main Street, Picton.	230,998	242,585
Less: current portion under normal repayment terms	24,145	23,504
	206,853	219,081

The scheduled repayments under normal repayment terms over the next four years are as follows:

	\$
2021	24,145
2022	25,479
2023	26,887
2024	154,487
	230,998

As at September 30, 2020, RTF was in compliance with the Debt Service Coverage ratio of 1.25:1 under their loan agreement with the Royal Bank of Canada.

9. RAISE THE CURTAIN FUNDRAISING CAMPAIGN

During the year, RTF launched a fundraising campaign called "Raise the Curtain". This initiative was to raise funds for significant safety and accessibility upgrades to the building including a new fire curtain, HVAC units, roof repairs, and accessibility updates to the bar/concession area, seating and exits. The goal of the fundraiser is to raise \$250,000 to cover these expenditures. As at September 30, 2020, \$56,933 of donations have been included donations revenue in the Statement of Operations.

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

10. ONTARIO ARTS ENDOWMENT FUND PROGRAM

The Ontario Ministry of Tourism, Culture and Recreation has established an Arts Endowment Fund, administered by the Ontario Arts Council Foundation. For specified fundraising events and donation revenue, the Ministry sets aside funds to be invested on behalf of RTF. RTF has no claim to the principal amount contributed to this fund but will receive income in perpetuity from these investments. In 2020, income received from the Arts Endowment Fund amounted to \$6,033 (2019 - \$4,068).

11. FINANCIAL RISKS AND CONCENTRATION OF RISK

RTF has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include market (other price) risk, interest rate risk, liquidity risk and credit risk. Market (other price) risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Market (Other Price) Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk. It is management's opinion that it is not exposed to currency and equity risk as it does not hold amounts denominated in foreign currency or equities.

(b) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

RTF would be exposed to interest rate risk on its operating lines of credit, as described in Note 4 to these financial statements, if it were to utilize these credit facilities. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows.

RTF is also exposed to interest rate risk on its loan payable in the amount of \$10,000 as detailed in Note 7 to these financial statements and on its mortgage loan with a carrying value of \$230,998 (2019 - \$242,585) as detailed in Note 8 to these financial statements. Changes in market rate of interest will affect the fair market value of the debt. The risk is mitigated as RTF intends to hold the mortgage to maturity.

RTF does not use derivative financial instruments to alter the effects of this risk.

**THE REGENT THEATRE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

11. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that RTF will not be able to meet all cash outflow obligations as they come due.

RTF's exposure to liquidity risk is dependent on the receipt of funds from its operations. This risk is mitigated by the availability of an operating line of credit with a total limit of \$15,000 as described in Note 4 to these financial statements. Management is of the opinion that RTF will be able to meet all of its cash flow obligations as they come due and are not subject to significant liquidity risk.

(d) Credit Risk

Credit risk is the risk of financial loss to RTF if a debtor fails to make payments of interest and principal when due.

RTF is exposed to credit risk in the event of non-performance by debtors in connection with its accounts receivable. RTF does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

12. COMMITMENTS

During the prior year, RTF entered into two contracts for future events that have guaranteed payments. These events have been postponed due to COVID-19. Under the terms of these contracts, the total of the guaranteed amounts is \$6,550.

13. COVID-19

Since the beginning of calendar year 2020, a virus known as Coronavirus ("COVID-19") has caused a world-wide pandemic, including being present in Canada. The pandemic has had a considerable impact both globally and locally, which has the potential to create financial stress on RTF.

Both federal and provincial governments have introduced legislative measures to combat the financial impact of the pandemic as well as combating the spread of the virus, including forced closures and/or operating restrictions on several businesses.

RTF is eligible for government assistance as a result of COVID-19, in the form of the Temporary Wage Subsidy (TWS) and the Canada Emergency Wage Subsidy (CEWS). RTF's TWS entitlement of \$1,848 and CEWS entitlement of \$23,688 is included as a reduction of salaries and benefits on the Statement of Operations. Of the CEWS entitlement, \$2,311 is receivable at year end.

At the date these financial statements were issued, management does not anticipate these events impacting RTF's ability to continue as a going concern.

At the time that these financial statements were finalized, the amount of the financial impact on RTF could not be determined.