

Financial Statements

**The North York Performing Arts
Centre Corporation**

[operating as "The Toronto Centre for the Arts"]

December 31, 2006

The North York Performing Arts Centre Corporation
 [operating as "The Toronto Centre for the Arts"]

BALANCE SHEET

As at December 31

	2006	2005
	\$	[000's] \$
ASSETS		
Current		
Cash	265	487
Receivable from the City of Toronto [note 3]	2,646	2,237
Accounts receivable	49	74
Prepaid expenses	8	--
Total current assets	2,968	2,798
Art collection	2,542	2,542
Capital assets, net [note 4]	31,318	32,139
	36,828	37,479
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable	537	695
Deferred revenue	729	487
Total current liabilities	1,266	1,182
Long-term liabilities [note 5]	10,023	10,023
Capital contributions [note 6]	27,603	28,098
Total liabilities	38,892	39,303
Fund deficit [note 8]	(2,064)	(1,824)
	36,828	37,479

See accompanying notes

On behalf of the Board:

Director

Director

The North York Performing Arts Centre Corporation
[operating as "The Toronto Centre for the Arts"]

**STATEMENT OF OPERATIONS AND CHANGES IN
FUND DEFICIT**

Period ended December 31

	2006		2005
	Budget	Actual	Actual
	\$	\$	[000's] \$
<i>[unaudited]</i>			
REVENUE			
Revenue from operations	2,713	2,393	2,525
City of Toronto grant	1,283	1,283	1,389
Amortization of capital contributions	0	970	1,067
Other <i>[note 10]</i>	0	68	1,849
	3,996,714	6,830	
EXPENSES			
Salaries and benefits <i>[note 9]</i>	2,394	2,387	2,366
Repairs and maintenance	182	71	175
Utilities	418	274	330
Other operating	961	846	924
Professional fees and services	41	28	43
Depreciation of capital assets	—	1,210	1,328
	3,996	4,816	5,166
Excess of revenue over expenses (expenses over revenue) before the following	0	(102)	1,664
Transfer to the City of Toronto <i>[note 7]</i>	0	(138)	(1,925)
Excess of expenses over revenue for the year	0	(240)	(261)
Fund deficit, beginning of year		(1,824)	(1,563)
Fund deficit, end of year		(2,064)	(1,824)

See accompanying notes

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STATEMENT OF CASH FLOWS

Period ended December 31

	2006	2005
	\$	[000's] \$
OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	(240)	(261)
Add (deduct) non-cash items		
Amortization of capital contributions	(970)	(1,067)
Depreciation of capital assets	1,210	1,328
	0	—
Net change in non-cash working capital balances related to operations	(306)	297
Cash provided by operating activities	(306)	297
FINANCING ACTIVITIES		
Capital maintenance reserve fund - interest earned	314	250
Capital maintenance reserve fund - ticket surcharges	161	195
Cash provided by (used in) financing activities	475	445
INVESTING ACTIVITIES		
Purchase of capital assets	(389)	(359)
Cash used in investing activities	(389)	(359)
Net increase in cash during the year	(222)	383
Cash, beginning of year	487	104
Cash, end of year	265	487

See accompanying notes

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NOTES TO FINANCIAL STATEMENTS

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1. PURPOSE

The North York Performing Arts Centre Corporation [the "Centre"] was incorporated on June 29, 1988 without share capital by Special Act [City of North York Act, 1988 (No. 2), Statutes of Ontario 1988, Pr45] under the laws of Ontario. The Centre is a local board of the City of Toronto [the "City"] and is a non-profit organization incorporated to maintain, operate and manage The Toronto Centre for the Arts as an artistic, cultural, social, educational and recreational facility for the benefit of the City and its inhabitants and in the public interest. The Centre includes the Main Stage Theatre, the George Weston Recital Hall and the Studio Theatre.

During 2004, the City of Toronto Council approved a new location for the Museum of Canadian Contemporary Art ["MOCCA"]. The approval of the change in location included a one-time transfer of \$385,000 from unspent ticket surcharges in capital contributions [*note 6[b]*], for leasehold improvements in the new gallery space. The operations and operating budget for this new location have been transferred to the City's culture operating budget. The ownership of the art collection still resides with the Centre.

During 2003, the Centre entered into a new agreement with the City, which established the "North York Performing Arts Centre Corporation Operating Stabilization Reserve Fund" for the purpose of putting income aside in profitable years in order to offset deficits in other years. These transfers are made based on the cash basis of accounting and therefore exclude amortization and depreciation. The North York Performing Arts Centre Corporation Operating Stabilization Reserve Fund is recorded in the accounts of the City [*note 7*].

The Centre is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Centre have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions for depreciable capital assets are

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deferred and amortized over the life of the related capital asset. Externally restricted contributions for capital assets that have not been expended are recorded as part of capital contributions on the balance sheet.

Rentals and similar revenue are recognized on the date of the performance or event.

Capital assets

Capital assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	40 years
Furnishings and equipment	12 years
Computer equipment	3 years

Art collection and gallery

Works purchased for exhibition in the MOCCA are recorded on the balance sheet at cost. Works donated are independently appraised and are recorded on the balance sheet at their appraised value.

Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

Employee benefits

Defined contribution plan accounting is applied to a multi-employer defined benefit pension plan. Contributions are expensed when due.

Financial instruments

The carrying values of the Centre's financial instruments approximate their fair values unless otherwise noted.

3. RECEIVABLE FROM THE CITY OF TORONTO

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The City manages the majority of the cash flows for the Centre by depositing some funds and paying for some expenses. The receivable from the City represents the excess of revenue received and disbursements made directly by the City on behalf of the Centre.

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4. CAPITAL ASSETS

Capital assets consist of the following:

	2006	2005
	\$	[000's] \$
Building	45,376	45,348
Furnishings and equipment	2,902	2,543
Computer equipment	110	107
	48,387	47,998
Less accumulated depreciation	17,069	15,859
	31,318	32,139

The change in net book value of capital assets is due to the following:

	2006	2005
	\$	[000's] \$
Balance, beginning of year	32,139	33,108
Purchase of capital assets funded by capital contributions <i>[note 6[b]]</i>	389	346
Internally funded	-	13
	32,528	33,467
Less depreciation of capital assets	1,210	1,328
Balance, end of year	31,318	32,139

Net assets invested in capital assets and art consist of the following:

	2006	2005
	\$	[000's] \$
Art collection	2,542	2,542
Capital assets, net	31,318	32,139
Less long-term liabilities	(9,115)	(9,342)
Less capital contributions, excluding unspent capital ticket surcharges <i>[note 6[a]]</i>	(22,203)	(22,784)
	2,542	2,555

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5. LONG-TERM LIABILITIES

Long-term liabilities consist of non-interest bearing capital financing provided by the City of \$10,023,000 [2004 - \$10,023,000]. The fair value of this long-term liability cannot be determined because there are no fixed terms of repayment. The City will not demand payment of this liability within the next year.

6. CAPITAL CONTRIBUTIONS

[a] Capital contributions consist of the following:

	2006		2005
	\$	[000's]	\$
Capital contributions from the City	30,660		30,660
Other	8,352		7,963
	39,012		38,623
Less accumulated amortization of capital contributions	16,809		15,839
	22,203		22,784
Unspent capital ticket surcharges <i>[note 6[b]]</i>	5,400		5,314
	27,603		28,098

[b] The unspent capital ticket surcharges are recognized by the City in the Centre's capital maintenance reserve fund. The capital surcharge on the sale of tickets for performances is considered to be externally restricted with the funds only to be used for capital improvements of the Centre.

The changes in the capital maintenance reserve fund during the year are due to the following:

	2006		2005
	\$	[000's]	\$
Balance, beginning of year	5,314		5,215
Interest earned	314		250
Ticket surcharges	161		195
Transfer to City of Toronto - MOCCA <i>[note 1]</i>	(0)		--
Purchase of capital assets funded by capital contributions <i>[note 4]</i>	(389)		(346)
Recognized as other revenue - business study	—		--

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Balance, end of year	5,400	5,314
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7. STABILIZATION RESERVE FUND

The changes in the Stabilization Reserve Fund balance, which is recorded in the City's accounts [note 1], are as follows:

	2006	2005
	\$	[000's] \$
Balance, beginning of year	2,620	673
Current year transfer from operations	138	1,925
Prior year transfer taken to City operations	(76)	-
Investment income	85	22
Balance, end of year	2,767	2,620

The current year transfer into the Stabilization Reserve Fund is subject to Council approval. If the transfer is not approved by Council, this amount is payable to City operations.

8. FUND DEFICIT

The continuity of the components of the fund deficit is as follows:

	2006		
	Deficiency	Invested in capital assets and art	Total
	\$	\$	\$
		[000's]	
		[note 4]	
Balance, beginning of year	(4,379)	2,555	(1,824)
Excess of expenses over revenue for the year	(240)	—	(240)
Change in debt used for financing capital assets	(227)	227	—
Depreciation of capital assets	1,210	(1,210)	—
Capital asset additions internally funded	—	—	—
Amortization of capital contributions	(970)	970	—
Balance, end of year	(4,606)	2,542	(2,064)

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	2005		
	Deficiency	Invested in capital assets and art	Total
	\$	\$	\$
		[000's] [note 4]	
Balance, beginning of year	(4,105)	2,542	(1,563)
Excess of expenses over revenue for the year	(261)	—	(261)
Change in debt used for financing capital assets	(261)	261	—
Depreciation of capital assets	1,328	(1,328)	—
Capital asset additions internally funded	(13)	13	—
Amortization of capital contributions	(1,067)	1,067	—
Balance, end of year	(4,379)	2,555	(1,824)

9. EMPLOYEE BENEFITS

The Centre makes contributions to the Ontario Municipal Employees' Retirement Fund ["OMERS"], which is a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the City does not recognize any share of the OMERS pension surplus or deficit. Employers' current service contributions to the OMERS pension plan in 2006, which were expensed, are \$54,433 [2005 - \$45,504].

In addition to the OMERS plan, the Centre has arrangements with bargaining units to make contributions to registered retirement savings plans on behalf of its employees that are not participating in OMERS. Contributions expensed in connection with plans for 2006 amounted to \$42,826 [2005 - \$46,351].

10. OTHER REVENUE

During 2006, the Centre received one [2005 – two] distribution on its claim against Livent Inc. The amount recovered amounted to \$68,000 [2005 - \$1,849,000] and is disclosed as other revenue in the statement of operations.

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11. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.