

Financial Statements

St. Lawrence Centre for the Arts

December 31, 2006

AUDITORS' REPORT

To the Board of Directors of
St. Lawrence Centre for the Arts

We have audited the balance sheet of **St. Lawrence Centre for the Arts** as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre'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 Centre as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
February 23, 2007.

Chartered Accountants

St. Lawrence Centre for the Arts

BALANCE SHEET

As at December 31

	2006 \$	2005 \$
ASSETS		
Current		
Cash	67,054	14,881
Accounts receivable <i>[note 12]</i>	97,233	113,212
Due from City of Toronto		
Net operating deficiency <i>[note 6]</i>	224,440	455,709
Trade receivable	—	7,376
Inventories	5,464	5,493
Prepaid expenses	18,679	35,240
Total current assets	412,870	631,911
Investments <i>[note 3]</i>	975,223	1,154,888
Capital assets, net <i>[note 4]</i>	1,729,135	949,755
	3,117,228	2,736,554
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities		
Trade	247,335	239,178
City of Toronto <i>[note 6]</i>	224,735	128,008
Deferred revenue		
Advance ticket sales	89,905	167,968
Deposits	14,201	14,188
Current portion of capital lease obligation <i>[note 11]</i>	8,152	8,152
Total current liabilities	584,328	557,494
Obligations under capital lease <i>[note 11]</i>	14,413	22,296
Deferred capital contributions <i>[note 5]</i>	2,440,211	2,076,233
Total liabilities	3,038,952	2,656,023
Net assets		
Invested in capital assets <i>[note 7]</i>	11,893	15,649
Internally restricted for capital purchases <i>[note 8]</i>	66,383	64,882
Unrestricted	—	—
Total net assets	78,276	80,531
	3,117,228	2,736,554

See accompanying notes

Director

Director

St. Lawrence Centre for the Arts

STATEMENT OF OPERATIONS

Year ended December 31

	2006	2005
	\$	\$
REVENUE		
Grants - City of Toronto	1,493,986	1,472,800
Operating		
Rental	468,546	469,365
Labour services	1,358,755	1,069,456
Ancillary	328,022	323,332
Other	19,657	10,024
Amortization of deferred capital contributions	174,928	157,512
	3,843,894	3,502,489
EXPENSES		
Operating		
Salaries, wages and benefits <i>[note 9]</i>	2,800,650	2,384,186
Presentation and production	28,489	25,938
Ancillary	124,105	131,169
Building operations <i>[note 1]</i>	651,172	687,459
Administration	272,896	207,412
Amortization of capital assets	186,567	167,407
	4,063,879	3,603,571
Deficiency of revenue over expenses before the following	(219,985)	(101,082)
Recoverable from City of Toronto <i>[note 6]</i>	217,730	96,868
Deficiency of revenue over expenses for the year	(2,255)	(4,214)

See accompanying notes

St. Lawrence Centre for the Arts

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2006			
	Invested in capital assets \$	Internally restricted for capital purchases \$	Unrestricted \$	Total \$
	<i>[note 7]</i>	<i>[note 8]</i>		
Net assets, beginning of year	15,649	64,882	—	80,531
Deficiency of revenue over expenses for the year	—	—	(2,255)	(2,255)
Transfer to Piano Acquisition Reserve Fund <i>[note 8]</i>	—	1,501	(1,501)	—
Change in net assets invested in capital assets <i>[note 7]</i>	(3,756)	—	3,756	—
Net assets, end of year	11,893	66,383	—	78,276

	2005			
	Invested in capital assets \$	Internally restricted for capital purchases \$	Unrestricted \$	Total \$
	<i>[note 7]</i>	<i>[note 8]</i>		
Net assets, beginning of year	23,369	61,376	—	84,745
Deficiency of revenue over expenses for the year	—	—	(4,214)	(4,214)
Transfer to Piano Acquisition Reserve Fund <i>[note 8]</i>	—	3,506	(3,506)	—
Change in net assets invested in capital assets <i>[note 7]</i>	(7,720)	—	7,720	—
Net assets, end of year	15,649	64,882	—	80,531

See accompanying notes

St. Lawrence Centre for the Arts

STATEMENT OF CASH FLOWS

Year ended December 31

	2006 \$	2005 \$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(2,255)	(4,214)
Add (deduct) items not involving cash		
Write down of capital assets	4,495	—
Amortization of capital assets	186,567	167,407
Amortization of deferred capital contributions	(174,928)	(157,512)
	<u>13,879</u>	<u>5,681</u>
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	221,481	(125,174)
Cash provided by (used in) operating activities	<u>235,360</u>	<u>(119,493)</u>
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(970,442)	(220,943)
Contributions restricted for the purchase of capital assets	195,967	136,556
City of Toronto Funding – Renewal Project	300,044	—
Insurance claims on water damaged items	9,367	—
Increase in obligations under capital lease	—	32,623
Repayment of obligations under capital lease	(7,883)	(2,175)
Investment income on unspent capital contributions	33,528	28,785
Net decrease in investments	179,665	128,529
Increase in accounts payable related to the purchase of capital assets	76,567	—
Cash (used in) provided by investing and financing activities	<u>(183,187)</u>	<u>103,375</u>
Net increase (decrease) in cash during the year	52,173	(16,118)
Cash, beginning of year	14,881	30,999
Cash, end of year	<u>67,054</u>	<u>14,881</u>

See accompanying notes

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. OPERATIONS AND RELATIONSHIP WITH THE CITY OF TORONTO

The St. Lawrence Centre for the Arts [the "Centre"] is a local board of the City of Toronto [the "City"]. The Centre consists of two theatres used for non-profit theatre and music companies, with an emphasis on multicultural presentations. As part of the terms of the agreement between the Centre and the City, any operating excess or deficiency is to be transferred to or recovered from the City [note 6].

The major capital facilities of the Centre are owned by the City and therefore are not recorded in these financial statements. Expenditures for major improvements to the Centre are accounted for by the Centre as leasehold and building improvements [note 4] and are financed through the Centre's "Capital Improvement and Rehabilitation Reserve Fund" which was established to record ticket surcharges introduced in 1987 [note 5].

During 2006, City Council agreed to provide funding up to \$1.5 million, toward the Centre's Renewal Project for exterior building improvements, over the two year period, 2006 to 2007 [notes 4 and 5]. In addition, City Council, at its September 25, 26 and 27, 2006 meetings, agreed to provide a loan to the Centre in the amount of \$0.9 million for a four-year period starting January 1, 2007 and ending December 31, 2010, with the terms and conditions of the agreement to be settled upon execution.

The City provides maintenance services to the Centre. These services are performed in the normal course of business under normal trade terms. Expenses for these services are included within building operations on the statement of operations.

The Centre is a non-profit organization and, as such, is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

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 recognized. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of

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NOTES TO FINANCIAL STATEMENTS

December 31, 2006

the related capital asset. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contributions on the balance sheet. Rentals and similar revenues are recognized on the date of the performance or event.

Investments

Investments are carried at amortized cost or at amortized cost less amounts written off to reflect impairment in value that is other than temporary.

Inventories

Inventories are recorded at the lower of cost, recorded on a first-in, first-out basis, and net realizable value.

Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 to 5 years
Furniture and fixtures	5 to 10 years
Leasehold improvements	10 years
Building improvements	25 years

Assets leased on terms that transfer substantially all of the benefits and risks of ownership to the Centre are accounted for as capital leases, as though the asset had been purchased and a liability incurred. All other leases are accounted for as operating leases.

Employee benefits

Contributions to a multi-employer defined contribution pension plan are expensed when due.

Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and 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, the disclosure of contingent assets and liabilities at the

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date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

Investments consist of the following:

	2006		2005	
	Book value	Market value	Book value	Market value
	\$	\$	\$	\$
Cash	908,852	908,852	50,358	50,358
Government bonds	3,200	3,200	642,795	639,004
Corporate bonds	63,171	64,061	461,735	458,005
	975,223	976,113	1,154,888	1,147,367

The bonds have a coupon rate of 3.3% [2005 - range from 3.00% and 6.25%] and terms ranging from 35 to 36 months [2005 - 3 to 18 months]. On December 27, 2006, the Centre transferred cash of \$908,840 to the City to be invested by the City.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2006		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	215,910	174,318	41,592
Furniture and fixtures	1,827,420	1,276,122	551,298
Leasehold improvements	607,891	339,695	268,196
Building improvements (exterior)	870,976	2,927	868,049
	3,522,197	1,793,062	1,729,135

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December 31, 2006

	2005		Net
	Cost	Accumulated	book
	\$	\$	value
			\$
Computer equipment	204,127	157,957	46,170
Furniture and fixtures	1,717,453	1,176,210	541,243
Leasehold improvements	601,890	278,677	323,213
Building improvements in progress	39,129	—	39,129
	2,562,599	1,612,844	949,755

Computer equipment includes assets costing \$32,623 [2005 - \$32,623] held under capital leases. Accumulated amortization relating to these assets amounted to \$8,700 [2005 - \$2,175].

Building improvements represent consulting and design fees and construction fees in connection with the Renewal Project for the major improvements to the exterior of the building that were completed in fiscal 2006 [note 1].

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

	2006	2005
	\$	\$
Balance, beginning of year	949,755	896,219
Purchase of capital assets funded by capital contributions	970,442	188,320
Write down of capital assets	(4,495)	—
Purchase of capital assets funded by capital lease	—	32,623
Amortization of capital assets	(186,567)	(167,407)
Balance, end of year	1,729,135	949,755

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5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations, grants and amounts included in the cost of each ticket sold that is restricted for the purchase of capital assets. The following sets out the change in the deferred capital contributions balance during the year:

	2006 \$	2005 \$
Balance, beginning of year	2,076,233	2,068,404
Amortization of deferred capital contributions	(174,928)	(157,512)
Contributions restricted for the purchase of capital assets	195,967	136,556
City of Toronto Funding – Renewal Project <i>[note 1]</i>	300,044	—
Insurance claims on water damaged items	9,367	—
Investment income on unspent capital contributions	33,528	28,785
Balance, end of year	2,440,211	2,076,233

The balance as at December 31 is comprised of the following:

	2006 \$	2005 \$
Deferred capital contributions received but not spent [Capital Improvement and Rehabilitation Reserve Fund] <i>[note 1]</i>	745,534	1,172,575
Deferred capital contributions used to finance capital assets <i>[note 7]</i>	1,694,677	903,658
	2,440,211	2,076,233

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NOTES TO FINANCIAL STATEMENTS

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6. DUE FROM CITY OF TORONTO

As part of the terms of the agreement between the Centre and the City, any operating excess or deficiency is to be transferred to or recovered from the City [note 1]. The changes during the year are as follows:

	2006 \$	2005 \$
Due from City of Toronto, beginning of year	455,709	820,448
Payment of 2004 and 2005 deficit	(347,865)	—
Current year's deficiency of revenue over expenses recoverable from City of Toronto	217,730	96,868
Offsetting of trade payables to City of Toronto (per City Council approval February 2005)	(101,134)	(461,607)
Due from City of Toronto, end of year	224,440	455,709

7. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2006 \$	2005 \$
Capital assets, net	1,729,135	949,755
Less amounts financed by deferred capital contributions [note 5]	(1,694,677)	(903,658)
Less amounts financed by obligations under capital lease [note 11[a]]	(22,565)	(30,448)
Balance, end of year	11,893	15,649

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The change in net assets invested in capital assets is calculated as follows:

	2006	2005
	\$	\$
Repayment of obligations under capital lease and increase in investment in capital assets	7,883	2,175
Amortization of capital assets	(186,567)	(167,407)
Amortization of deferred capital contributions	174,928	157,512
Decrease in investment in capital assets	(11,639)	(9,895)
Change in net assets invested in capital assets	(3,756)	(7,720)

8. NET ASSETS INTERNALLY RESTRICTED FOR CAPITAL PURCHASES

Piano Acquisition Reserve Fund

In 1998, the Centre approved the transfer of the proceeds on the sale of a piano into a reserve fund. The funds are invested and the interest earned thereon is transferred from unrestricted net assets. The funds are to accumulate until the balance is sufficient to purchase a new piano.

9. EMPLOYEE BENEFITS

The Centre's administrative employees participate in a defined contribution pension plan. This plan is separate from the OMERS pension plan and is administered by Manulife. The Centre's contributions to this plan were \$51,043 [2005 - \$44,678] which is expensed and included within salaries, wages and benefits on the statement of operations.

The Centre also makes contributions to a defined contribution pension plan administered for the stage employees. Contributions to this plan were \$64,999 [2005 - \$51,240]. In addition, the Centre contributes fixed amounts into a plan established by the union representing the stage employees for health, dental, and sick leave benefits. Contributions for these benefits amounted to \$53,855 [2005 - \$41,606]. A portion of these pension and benefit contributions are recovered through patrons renting the facilities at the Centre as these are direct costs of those patrons and not the Centre. Any amounts not recovered are included within salaries, wages and benefits on the statement of operations.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2006

10. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2006	2005
	\$	\$
Sources (uses) of cash		
Accounts receivable	15,979	(15,614)
Inventories	29	(344)
Prepaid expenses	16,561	8,953
Accounts payable and accrued liabilities	8,157	(36,151)
Due from/to City of Toronto	335,372	(87,411)
Deferred revenue		
Advance ticket sales	(78,063)	7,250
Deposits	13	(1,857)
Accounts payable related to purchase of capital assets	(76,567)	—
	221,481	(125,174)

11. COMMITMENTS

[a] Lease obligations

Future minimum annual lease payments under a capital lease of telephone equipment are as follows:

	Capital leases \$
2007	8,152
2008	8,152
2009	8,152
2010	4,076
Total minimum lease payments	28,532
Less imputed interest	(5,967)
Present value of minimum lease payments	22,565
Less current portion	8,152
	14,413

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

[b] Lease commitments

Future minimum annual lease payments for equipment under operating leases are as follows:

	\$
2007	36,352
2008	35,704
2009	32,464
2010	16,232
	<u>120,752</u>

12. FINANCIAL INSTRUMENTS

Credit risk

Accounts receivable are exposed to credit risk since there is a risk of counterparty default. The Centre provides for an allowance for doubtful accounts to absorb potential credit losses. As at December 31, 2006, 1 account represents 59.7% of the total accounts receivable balance [2005 - two accounts represented 61.9%].

Market and interest rate risk

The Centre is subject to market and interest rate risk with respect to its investments.

Fair value of financial instruments

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

13. TRUST FUNDS

Victor C. Polley Scholarship Fund

In 1981, the Centre was appointed as trustee for the Victor C. Polley Scholarship Fund [the "Fund"], which was created for the purpose of awarding a scholarship annually to a deserving student of arts management or arts administration. The Fund, which has a balance of \$6,956 [2005 - \$6,821], has not been included in the Centre's balance sheet nor have its operations been included in the Centre's statement of operations.