

Financial Statements

**St. Lawrence Centre for the Arts**

December 31, 2007

## 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, 2007 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, 2007 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,  
April 4, 2008.

Chartered Accountants  
Licensed Public Accountants

**St. Lawrence Centre for the Arts**

**BALANCE SHEET**

As at December 31

	2007	2006
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	713,749	67,054
Accounts receivable [note 13]	138,513	96,343
Due from City of Toronto		
Trade receivables [note 6[a]]	210,422	—
Net operating deficiency [note 6[b]]	—	224,440
Inventories	7,194	5,464
Prepays	23,475	18,679
<b>Total current assets</b>	<b>1,093,353</b>	<b>411,980</b>
Investments [note 3]	70,217	976,113
Capital assets, net [note 4]	4,050,589	1,729,135
	<b>5,214,159</b>	<b>3,117,228</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Trade	562,736	247,335
City of Toronto - Trade [note 6[a]]	271,011	224,735
City of Toronto - Operating surplus [note 6[b]]	65,612	—
Deferred revenue		
Advance ticket sales	129,050	89,905
Deposits	55,298	14,201
Current portion of obligations under capital lease [note 12[a]]	8,152	8,152
<b>Total current liabilities</b>	<b>1,091,859</b>	<b>584,328</b>
Advances - City of Toronto [note 7]	87,140	—
Obligations under capital lease [note 12[a]]	7,889	14,413
Deferred capital contributions [note 5]	3,938,205	2,440,211
<b>Total liabilities</b>	<b>5,125,093</b>	<b>3,038,952</b>
<b>Net assets</b>		
Invested in capital assets [note 8]	9,203	11,893
Internally restricted [note 9]	79,863	66,383
Unrestricted	—	—
<b>Total net assets</b>	<b>89,066</b>	<b>78,276</b>
	<b>5,214,159</b>	<b>3,117,228</b>

See accompanying notes

On behalf of the Board:

Director

Director

**St. Lawrence Centre for the Arts**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31

	2007			
	Invested in capital assets \$ [note 8]	Internally restricted for capital purchases \$ [note 9]	Unrestricted \$	Total \$
Net assets, beginning of year	11,893	66,383	—	78,276
Surplus of revenue over expenses for the year	—	—	10,790	10,790
Transfer to Piano Acquisition Fund [note 9]	—	3,834	(3,834)	—
Transfer to Vida Peene Fund [note 9]	—	9,646	(9,646)	—
Change in net assets invested in capital assets [note 8]	(2,690)	—	2,690	—
<b>Net assets, end of year</b>	<b>9,203</b>	<b>79,863</b>	<b>—</b>	<b>89,066</b>

	2006			
	Invested in capital assets \$ [note 8]	Internally restricted for capital purchases \$ [note 9]	Unrestricted \$	Total \$
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 Fund [note 9]	—	1,501	(1,501)	—
Change in net assets invested in capital assets [note 8]	(3,756)	—	3,756	—
<b>Net assets, end of year</b>	<b>11,893</b>	<b>66,383</b>	<b>—</b>	<b>78,276</b>

See accompanying notes

St. Lawrence Centre for the Arts

STATEMENT OF CASH FLOWS

Year ended December 31

	2007	2006
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Surplus (deficiency) of revenue over expenses for the year	10,790	(2,255)
Add (deduct) items not involving cash		
Loss on disposal of capital assets	3,557	4,495
Unamortized capital contributions on loss on capital asset disposals	(3,557)	—
Amortization of capital assets	261,050	186,567
Amortization of deferred capital contributions	(251,836)	(174,928)
	<u>20,004</u>	<u>13,879</u>
Net change in non-cash working capital balances related to operations <i>[note 11]</i>	317,131	221,481
<b>Cash provided by operating activities</b>	<u>337,135</u>	<u>235,360</u>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of capital assets	(2,586,061)	(970,442)
Contributions restricted for the purchase of capital assets	220,168	195,967
City of Toronto Funding - Renewal Project	1,199,957	300,044
Increase in advances from City of Toronto renewal project	87,140	—
City of Toronto grant for the Canadian Stage Company capital ticket surcharges fees	300,000	—
Insurance claims on water damaged items	—	9,367
Repayment of obligations under capital lease	(6,524)	(7,883)
Investment income on unspent capital contributions	33,262	33,528
Net decrease in investments	905,896	179,665
Increase in accounts payable related to the purchase of capital assets	155,722	76,567
<b>Cash provided by (used in) investing and financing activities</b>	<u>309,560</u>	<u>(183,187)</u>
<b>Net increase in cash during the year</b>	<u>646,695</u>	<u>52,173</u>
Cash, beginning of year	67,054	14,881
<b>Cash, end of year</b>	<u>713,749</u>	<u>67,054</u>

See accompanying notes

## St. Lawrence Centre for the Arts

# NOTES TO FINANCIAL STATEMENTS

December 31, 2007

## 1. OPERATIONS AND RELATIONSHIP WITH THE CITY OF TORONTO

St. Lawrence Centre for the Arts [the "Centre"] is an agency of the City of Toronto [the "City"]. The Centre consists of two theatres which are used by a number of resident companies and casual renters for a wide-variety of theatrical, musical, dance and corporate events from both the not-for-profit and private sectors. The Centre also programs public affairs events under the banner of the in-house operated "St. Lawrence Centre Forum". 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 primarily through the Centre's "Capital Improvement and Rehabilitation Reserve Fund" which was established to record ticket surcharges introduced in 1987 [note 5].

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 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.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### Investments and investment income

Investments are valued based on the latest bid prices. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income includes interest, realized and unrealized gains or losses on investments.

### 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.

## St. Lawrence Centre for the Arts

# NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

### Derivative financial instruments

Derivative contracts entered into by the City in connection with the purchase of electricity, to which the Centre is a party, are not designated to be in a hedging relationship and are recorded at their fair value as an asset or a liability based on quoted market prices or dealer quotes with changes in fair value, if any, recorded in building operations on the statement of operations.

### New and future accounting policy changes

Effective January 1, 2007, the Centre adopted the recommendations of CICA 3855: *Financial Instruments - Recognition and Measurement* and CICA 3861: *Financial Instruments - Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments including the accounting treatment for changes in fair value. As permitted by CICA 3855, the Centre's other financial assets and liabilities continue to be presented at amortized cost, which approximates fair value. The adoption of these recommendations did not have a significant impact on the financial statements in the prior or current year.

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has issued a new accounting standard CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The above two changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

In addition, the CICA has issued a new accounting standard CICA 3031: *Inventories*, which provides enhanced guidance on the allocation of costs to inventory and will require the reversal of previous impairment charges where these are no longer required. This change in accounting



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### NOTES TO FINANCIAL STATEMENTS

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policy will be adopted effective January 1, 2008. Management does not anticipate this new standard to have a significant impact on the financial statements.

#### 3. INVESTMENTS

Investments consist of the following:

	2007	2006
	\$	\$
Cash	178	908,852
Government bond	70,039	3,200
Corporate bonds	—	64,061
	<u>70,217</u>	<u>976,113</u>

The bond has a coupon rate of 4.1% [2006 - 3.3%] and term of 7 years [2006 - 35 to 36 months]. In 2006, the balance of investments included cash funds of \$908,840 held by the City in the Centre's Capital Improvement Fund ["CIF"]. The Centre fully utilized these funds in 2007 to finance the Renewal Project [note 7].

#### 4. CAPITAL ASSETS

Capital assets consist of the following:

	2007		
	Cost	Accumulated	Net
	\$	amortization	book
	\$	\$	value
	\$	\$	\$
Computer equipment	215,639	176,885	38,754
Furniture and fixtures	1,991,267	1,364,415	626,852
Building improvements (exterior) [note 7]	892,635	38,632	854,003
Building improvements (interior) [note 7]	2,961,884	430,904	2,530,980
	<u>6,061,425</u>	<u>2,010,836</u>	<u>4,050,589</u>

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NOTES TO FINANCIAL STATEMENTS

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	2006		Net book value \$
	Cost \$	Accumulated amortization \$	
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) <i>[note 7]</i>	870,976	2,927	868,049
	<u>3,522,197</u>	<u>1,793,062</u>	<u>1,729,135</u>

Computer equipment includes assets with a cost of \$32,623 [2006 - \$32,623] held under capital leases. Accumulated amortization relating to these assets amounted to \$15,225 [2006 - \$8,700].

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

	2007 \$	2006 \$
<b>Balance, beginning of year</b>	<b>1,729,135</b>	949,755
Purchase of capital assets funded by capital contributions	<b>2,586,061</b>	970,442
Net book value of capital assets disposed	<b>(3,557)</b>	(4,495)
Amortization of capital assets	<b>(261,050)</b>	(186,567)
<b>Balance, end of year</b>	<b><u>4,050,589</u></b>	<u>1,729,135</u>

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

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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:

	2007 \$	2006 \$
<b>Balance, beginning of year</b>	2,440,211	2,076,233
Amortization of deferred capital contributions	(251,836)	(174,928)
Contributions restricted for the purchase of capital assets	220,168	195,967
City of Toronto grant for Canadian Stage Company capital ticket surcharge fees	300,000	—
City of Toronto Funding of current year Renewal Project costs [note 7]	1,058,537	300,044
City of Toronto Funding of prior year Renewal Project costs [note 7]	141,420	—
Unamortized contributions of capital asset disposals	(3,557)	—
Insurance claims on water damaged items	—	9,367
Investment income on unspent deferred capital contributions	33,262	33,528
<b>Balance, end of year</b>	<b>3,938,205</b>	<b>2,440,211</b>

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

	2007 \$	2006 \$
Deferred capital contributions received but not spent [Capital Improvement and Rehabilitation Reserve Fund] [note 1]	—	745,534
Deferred capital contributions used to finance capital assets [note 8]	3,938,205	1,694,677
	<b>3,938,205</b>	<b>2,440,211</b>

## St. Lawrence Centre for the Arts

### NOTES TO FINANCIAL STATEMENTS

December 31, 2007

#### 6. RELATED PARTY TRANSACTIONS

- [a] In the normal course of operations, the Centre incurs costs for various expenses payable to the City such as hydro, maintenance and other administrative costs. In addition, the City will utilize the Centre for various business purposes throughout the year and this is recorded as revenue of the Centre.

Transactions between the City and the Centre are made on normal trade terms consistent with unrelated entities.

- [b] 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:

	2007 \$	2006 \$
<b>Due from City of Toronto, beginning of year</b>	<b>224,440</b>	455,709
Payment of 2006 deficit [2006 - 2004 and 2005 deficit]	<b>(225,613)</b>	(347,865)
Over payment of prior year deficit - included in operations	1,173	—
Current year's (surplus) of revenue over expenses payable to the City/deficiency of revenue over expenses recoverable from the City	<b>(65,612)</b>	217,730
Offsetting of trade payables to City of Toronto [per City Council approval February 2005]	—	(101,134)
<b>Due from (to) City of Toronto, end of year</b>	<b>(65,612)</b>	224,440

#### 7. RENEWAL PROJECT

In 2007, the Centre substantially completed a major renovation of the interior of their building [2006 – exterior]. The Centre was closed for operations between the months of June and October 2007 while the interior renovations were being made.

Renovations have been financed by a grant from the City, funds in the CIF and an advance from the City on CIF funds. The original grant from the City of \$1.5 million was approved by City Council in 2006. In 2007, \$1,199,957 [2006 - \$300,044] was received in connection with this grant. In December 2007, a further grant of \$300,000 was approved by City Council. This grant is related to capital improvement fund ticket surcharges due from the Canadian Stage Company that the City has agreed to fund.

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

In addition to the above grant funding, City Council approved the availability of a maximum advance of \$900,000 that is non-interest bearing and repayable by December 31, 2010. When City Council approved the grant of \$300,000 noted above, the proceeds were applied against the advances from the City. As at December 31, 2007, the Centre has drawn on \$87,410 of the advances. The carrying value of the advances approximates its fair value.

The balance of the cost of the renovations has been funded by the Centre's CIF funds.

**8. NET ASSETS INVESTED IN CAPITAL ASSETS**

Net assets invested in capital assets are calculated as follows:

	2007 \$	2006 \$
Capital assets, net	4,050,589	1,729,135
Less amounts financed by deferred capital contributions <i>[note 5]</i>	(3,938,205)	(1,694,677)
Less advances from the City <i>[note 7]</i>	(87,140)	—
Less amounts financed by obligations under capital lease <i>[note 12[a]]</i>	(16,041)	(22,565)
<b>Balance, end of year</b>	<b>9,203</b>	<b>11,893</b>

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

	2007 \$	2006 \$
Repayment of obligations under capital lease and increase in invested in capital assets	6,524	7,883
Amortization of capital assets	(261,050)	(186,567)
Amortization of deferred capital contributions	251,836	174,928
Decrease in invested in capital assets	(9,214)	(11,639)
<b>Change in net assets invested in capital assets</b>	<b>(2,690)</b>	<b>(3,756)</b>

**St. Lawrence Centre for the Arts**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**9. NET ASSETS INTERNALLY RESTRICTED**

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. The balance of this fund as at December 31, 2007 is \$70,217 [2006 - \$66,383].

The Centre is among eight organizations which receives distributions from the estate of Vida Peene. During 2007, the Centre received distributions of \$9,646 [2006 - nil]. The distribution from the estate is to be used at the discretion of the Board of Directors of the Centre. The Board has internally restricted the distributions with the intent to accumulate sufficient funds to purchase new software for the Centre's box office. The balance of this fund as at December 31, 2007 is \$9,646 [2006 - nil].

**10. 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 \$52,641 [2006 - \$51,043] 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 \$67,155 [2006 - \$64,999]. 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 \$57,197 [2006 - \$53,855]. 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.

**St. Lawrence Centre for the Arts**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**11. STATEMENT OF CASH FLOWS**

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

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Sources (uses) of cash</b>		
Accounts receivable	(42,170)	15,979
Inventories	(1,730)	29
Prepaid expenses	(4,796)	16,561
Accounts payable and accrued liabilities - trade	315,401	8,157
Due from/to City of Toronto	125,906	335,372
Deferred revenue		
Advance ticket sales	39,145	(78,063)
Deposits	41,097	13
Accounts payable related to purchase of capital assets	(155,722)	(76,567)
	<u>317,131</u>	<u>221,481</u>

**12. COMMITMENTS**

**[a] Lease obligations**

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

	<b>Capital leases</b>
	\$
2008	8,152
2009	8,152
2010	4,076
Total minimum lease payments	<u>20,380</u>
Less imputed interest	(4,339)
Present value of minimum lease payments	<u>16,041</u>
Less current portion	<u>8,152</u>
	<u>7,889</u>

**St. Lawrence Centre for the Arts**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**[b] Lease commitments**

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

	<u>\$</u>
2008	35,704
2009	32,464
2010	16,232
	<u>84,400</u>

**13. FINANCIAL INSTRUMENTS**

Accounts receivable are exposed to credit risk since there is a risk of counterparty default. The Centre provides an allowance for doubtful accounts to absorb potential credit losses. As at December 31, 2007, two accounts represent 57.2% of the total accounts receivable balance [2006 - one account represented 59.7%].

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

The Centre is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Centre has addressed the commodity price risk exposure associated with changes in the wholesale price of electricity by entering into energy related purchase and sales contracts, through an agreement with the City, that fixes a portion the wholesale price over the term of the contract. All contracts entered into in 2007 expired on December 31, 2007.

**14. 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 \$7,090 [2006 - \$6,956], has not been included in the Centre's balance sheet nor have its operations been included in the Centre's statement of operations.



**St. Lawrence Centre for the Arts**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **15. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 financial statements.