Financial Statements

The North York Performing Arts Centre Corporation

[operating as "The Toronto Centre for the Arts"]
December 31, 2009

AUDITORS' REPORT

To the Directors of
The North York Performing Arts Centre Corporation

We have audited the balance sheet of **The North York Performing Arts Centre Corporation** [operating as "The Toronto Centre for the Arts"] as at December 31, 2009 and the statements of operations and changes in deficit 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
March 12, 2010.

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

BALANCE SHEET

[In thousands of dollars]

As at December 31

	2009	2008
	$	$
ASSETS		
Current		
Cash	**2,514**	988
Cash held in trust *[note 4]*	**180**	239
Accounts receivable *[note 10]*	**34**	111
Prepaid expenses	**13**	28
Total current assets	**2,741**	1,366
Receivable from the City of Toronto *[note 3[a]]*	**3,077**	3,482
Art collection	**2,542**	2,542
Capital assets, net *[note 5]*	**28,604**	29,340
	36,964	36,730
LIABILITIES AND DEFICIT		
Current		
Accounts payables and accrued liabilities	**939**	344
Deferred revenue	**279**	272
Advance ticket sales *[note 4]*	**285**	354
Total current liabilities	**1,503**	970
Loan payable to the City of Toronto *[note 3[c]]*	**10,023**	10,023
Deferred capital contributions *[note 6]*	**28,485**	28,455
Total liabilities	**40,011**	39,448
Deficit	**(3,047)**	(2,718)
	36,964	36,730

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 DEFICIT

[In thousands of dollars]

Year ended December 31

	2009		2008
	Budget	**Actual**	**Actual**
	$	$	$
	[unaudited]		
REVENUE			
Revenue from operations *[notes 4 and 10]*	3,130	**6,337**	4,519
City of Toronto grant	1,060	**1,060**	1,128
Amortization of deferred capital contributions	—	**990**	958
Other recoveries	—	**75**	71
	4,190	**8,462**	6,676
EXPENSES			
Salaries, wages and benefits *[note 8]*	2,680	**4,622**	3,824
Capital maintenance	85	**178**	133
Utilities	455	**435**	333
Other operating	921	**1,801**	1,165
Professional fees and services	49	**75**	119
Amortization of capital assets	—	**1,319**	1,287
	4,190	**8,430**	6,861
Excess (deficiency) of revenue over expenses before the following	—	**32**	(185)
Transfer to the City of Toronto *[note 3[d]]*	—	**(361)**	(144)
Excess of expenses over revenue for the year	—	**(329)**	(329)
Deficit, beginning of year	—	**(2,718)**	(2,389)
Deficit, end of year	—	**(3,047)**	(2,718)

See accompanying notes

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

STATEMENT OF CASH FLOWS

[In thousands of dollars]

Year ended December 31

	2009	2008
	$	$
OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	**(329)**	(329)
Add (deduct) non-cash items		
Amortization of deferred capital contributions	**(990)**	(958)
Amortization of capital assets	**1,319**	1,287
	—	—
Net change in non-cash working capital balances related to operations *[note 9]*	**684**	(73)
Cash provided by (used in) operating activities	**684**	(73)
INVESTING ACTIVITIES		
Decrease in receivable from the City of Toronto *[note 9]*	**442**	155
Purchase of capital assets	**(583)**	(248)
Cash used in investing activities	**(141)**	(93)
FINANCING ACTIVITIES		
Capital Maintenance Reserve Fund - ticket surcharges *[note 6[b]]*	**983**	505
Cash provided by financing activities	**983**	505
Net increase in cash during the year	**1,526**	339
Cash, beginning of year	**988**	649
Cash, end of year	**2,514**	988

See accompanying notes

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

NOTES TO FINANCIAL STATEMENTS

[In thousands of dollars]

December 31, 2009

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]. 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.

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

2. SUMMARY OF 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 which includes grants. 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 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 capital contributions on the balance sheet.

Deferred revenue consists of deposits for rental revenue and deposits for costs to be incurred and recovered by the Centre for future performances. Once the performances occur, the deposits are recorded as revenue from operations.

Ancillary revenue is recognized on the date of the performance or point of sale.

Advance ticket sales

Advance ticket sales represent funds received from tickets sold prior to December 31 for performances presented by rental clients in the following year. Once the performance has occurred the advance ticket sales net of certain box office charges including ticket surcharges are payable to the rental clients and are included in accounts payable.

Capital assets

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

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

Land on which the building and major capital facilities are located is owned by Ontario Power Generation.

Art collection and gallery

Works purchased for exhibition in the Museum of Canadian Contemporary Art are recorded on the balance sheet at cost. Works donated are independently appraised and are recorded on the balance sheet at their appraised value.

Employee future benefits

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

Derivatives

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

Financial instruments

The Centre has chosen to continue to apply the Canadian Institute of Chartered Accountants ["CICA"] 3861: *Financial Instruments – Disclosure and Presentation* in place of CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation.*

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 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.

Future accounting policy changes

The Public Sector Accounting Board ["PSAB"] issued an exposure draft in March 2010 which sets out financial reporting proposals that would apply to government not-for-profit organizations. Specifically, PSAB proposes to incorporate into the Public Sector Accounting ["PSA"] Handbook the 4400 series from the CICA Handbook without making substantive changes at this time; amend the Introduction of Accounting Standards that apply only to not-for-profit organizations currently in the PSA Handbook to set out the applicability of standards in the PSA Handbook to government not-for-profit organizations; and amend the Introduction to Public Sector Accounting Standards to direct government not-for-profit organizations to apply the standards for not-for-profit organizations in the PSA Handbook for fiscal periods beginning on or after January 1, 2012 with retroactive application with restatement of prior periods. PSAB expects the final standards will be incorporated into the PSA Handbook in late 2010. Government not-for-profit organizations currently use the standards developed by the Accounting Standards Board that are used by private sector not-for-profit organizations. If these proposals are adopted, government not-for-profit organizations will continue to apply the 4400 series of standards using the PSA Handbook.

3. RELATED PARTY TRANSACTIONS, CITY OF TORONTO

[a] During 2007, the Centre began to manage its cash flows independent of the City, except for the investment of the Capital Maintenance Reserve Fund *[note 6[b]]*. Prior to the Centre assuming this responsibility, the City managed the cash flows for the Centre by depositing most funds and paying for most expenses. The receivable from the City, which is non-interest bearing, represents the cumulative excess of cash received and disbursements made directly by the City on behalf of the Centre. The fair value of this receivable cannot be reasonably determined as there are no fixed terms of repayment.

[In thousands of dollars]

[b] In the normal course of operations, the Centre incurs costs for various expenses payable to the City such as hydro, legal and other administrative costs. Transactions between the City and the Centre are made at the agreed upon exchange amount.

[c] Capital financing for the construction of the North York Performing Arts Centre, currently operating as the Toronto Centre for the Arts, was provided by the former City of North York prior to 1994 in the amount of $10,023 [2008 - $10,023]. The loan payable is non-interest bearing. The fair value of this loan payable cannot be reasonably determined as there are no fixed terms of repayment. The City has indicated that it will not demand payment of this loan within the next year.

[d] The transfer of operating income to the City is calculated as follows:

	2009 $	2008 $
Excess (deficiency) of revenue over expenses before transfer to the City of Toronto	**32**	(185)
Add (deduct) non-cash items		
Amortization of capital assets	**1,319**	1,287
Amortization of deferred capital contributions	**(990)**	(958)
Transfer to the City of Toronto	**361**	144

4. LICENSE AGREEMENT

On December 21, 2007, the Centre entered into a license agreement with a licensee for the use of the Centre's Main Stage Theatre for certain performances from August 4, 2008 to January 11, 2009. On January 9, 2009, the agreement was extended for an indefinite period of time. In addition to the rental fee, the licensee is required to pay for certain costs specific to their use of the Main Stage Theatre.

On March 7, 2008 the Centre and the licensee entered into a Master License Agreement from the date of the agreement until December 31, 2010 providing the licensee first right to use the premises including the Main Stage Theatre. In addition to the rental fee, the licensee is required to pay for certain costs specific to their use of the Main Stage Theatre. On January 9, 2009, this agreement was extended to the later of December 31, 2011 or the last day of the license agreement noted above. The licensee guarantees the Centre a minimum rental fee of $500 for each of the fiscal years 2009 through to 2011. There is a letter of credit outstanding at December 31, 2009 in connection with this agreement of $750 [2008 - $500].

[In thousands of dollars]

The Centre has agreed to make certain rebate payments to the licensee based on the number of performance days and revenue.

All proceeds from the sale of tickets at the Centre pertaining to these agreements are to be held in trust until the completion of the applicable performance, at which time, the ticket proceeds for that performance are paid to the licensee. As at December 31, 2009, $180 [2008 - $239] of advance ticket sales was held in trust.

5. CAPITAL ASSETS

Capital assets consist of the following:

		2009	
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Building	**45,612**	**18,310**	**27,302**
Furnishings and equipment	**3,657**	**2,404**	**1,253**
Computer equipment	**262**	**213**	**49**
	49,531	**20,927**	**28,604**

		2008	
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Building	45,443	17,173	28,270
Furnishings and equipment	3,284	2,268	1,016
Computer equipment	221	167	54
	48,948	19,608	29,340

[In thousands of dollars]

6. DEFERRED CAPITAL CONTRIBUTIONS

[a] Capital contributions consist of the following:

	2009 $	2008 $
Capital contributions from the City	**30,660**	30,660
Other	**9,496**	8,913
	40,156	39,573
Less accumulated amortization of capital contributions	**19,684**	18,694
	20,472	20,879
Capital Maintenance Reserve Fund representing unspent capital ticket surcharges *[note 6[b]]*	**8,013**	7,576
	28,485	28,455

[b] The Capital Maintenance Reserve Fund, which consists of unspent capital ticket surcharges, are invested by the City. The capital surcharge on the sale of tickets for performances is considered to be externally restricted with the funds and interest earned on the fund 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:

	2009 $	2008 $
Balance, beginning of year	**7,576**	7,062
Interest earned	**37**	257
Ticket surcharges	**983**	505
Purchase of capital assets funded by capital	**(583)**	(248)
Balance, end of year	**8,013**	7,576

7. STABILIZATION RESERVE

During 2003, the Centre entered into an agreement with the City which established in the accounts of the City, The North York Performing Arts Centre Corporation Operating Stabilization Reserve Fund [the "Stabilization Reserve Fund"] for the purpose of putting aside income earned in profitable years in order to offset deficits in other years. This agreement provided that transfers were to be made to the Stabilization Reserve Fund based on the cash basis of accounting and therefore exclude amortization. Beginning with the year ended December 31, 2006, the transfer of the current year operating income is no longer automatically added to the Stabilization Reserve Fund. The transfer is only added to this fund if approved by City Council. For the fiscal years ended December 31, 2008 and 2009, the City has not added to this fund the transfer of current year operating income as disclosed in note 3[d]. Effective January 1, 2008, the fund was converted to a reserve and no longer earns investment income. As at December 31, 2009, the balance in the Stabilization Reserve is $1,275 [2008 - $1,275].

8. 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 Centre does not recognize any share of the OMERS pension surplus or deficit. Employers' current service contributions to the OMERS pension plan in 2009, which were expensed, are $54 [2008 - $59] and are included in salaries, wages and benefits.

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 these plans for 2009 amounted to $127 [2008 - $96] and are included in salaries, wages and benefits.

[In thousands of dollars]

9. STATEMENT OF CASH FLOWS

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

	2009 $	2008 $
Cash held in trust	**59**	(239)
Accounts receivable		
Trade receivable	**77**	(53)
City of Toronto	**—**	12
Prepaid expenses	**15**	(19)
Accounts payable and accrued liabilities		
Trade payables	**595**	57
City of Toronto	**—**	(81)
Deferred revenue	**7**	48
Advance ticket sales	**(69)**	202
	684	(73)

Non-cash investing and financing activities excluded from the statement of cash flows include interest earned on the Capital Maintenance Reserve Fund of $37 [2008 - $257] *[note 6[b]]* which is included in the receivable from the City of Toronto.

10. FINANCIAL INSTRUMENTS

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

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 their participation in an agreement entered into by the City, that fixes a portion of the wholesale price over the term of the contract. All contracts entered into in 2009 expired by December 31, 2009. In 2008 one contract was in a loss position at December 31, 2008; however, the Centre's portion of this loss was nominal.

The Centre is subject to credit risk with respect to accounts receivable of $34. As at December 31, 2009, two accounts represent 80% of the total accounts receivable balance [2008 - three accounts represented 93%]. Revenue derived from one customer totalled 71% of revenue from operations [2008 - one customer totalled 51%].

11. CAPITAL MANAGEMENT

In managing capital, the Centre focuses on liquid resources available for operations. The Centre's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2009, the Centre has met its objective of having sufficient liquid resources to meet its current obligations.

12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.