St. Lawrence Centre for the Arts

Financial Statements
December 31, 2011

April 26, 2012

Independent Auditor's Report

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

We have audited the accompanying financial statements of St. Lawrence Centre for the Arts, which comprise the balance sheet as at December 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, Chartered Accountants
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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Lawrence Centre for the Arts as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

St. Lawrence Centre for the Arts

Balance Sheet

As at December 31, 2011

	2011 $	2010 $
Assets		
Current assets		
Cash	492,450	106,489
Short-term investments	5,035	5,016
Accounts receivable (note 10)	180,960	148,003
Due from City of Toronto		
Trade receivables	4,051	1,309
Net operating deficiency (note 5(b))	230,147	265,821
Inventories	19,929	20,559
Prepaid expenses	23,889	20,797
	956,461	567,994
Capital assets (note 3)	3,346,191	3,685,202
	4,302,652	4,253,196
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	179,444	149,559
Due to City of Toronto		
Trade payables (note 5(a))	676,473	293,484
Loan (note 5(c))	-	160,528
Advance ticket sales	355,525	332,763
Customer deposits	17,726	15,465
Obligations under capital lease (note 9(a))	8,372	8,372
	1,237,540	960,171
Obligations under capital lease (note 9(a))	20,270	28,264
Deferred capital contributions (note 4)	3,061,591	3,249,041
	4,319,401	4,237,476
Net Assets		
Internally restricted for capital purchases (note 6)	15,720	15,720
Unrestricted	(32,469)	-
	(16,749)	15,720
	4,302,652	4,253,196

Commitments (note 9)

On Behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

St. Lawrence Centre for the Arts

Statement of Operations

For the year ended December 31, 2011

	2011 $	2010 $
Revenue		
Funding from City of Toronto	1,346,221	1,420,200
Operating		
Labour services	1,119,163	1,137,629
Rental	447,290	497,584
Ancillary	347,279	346,952
Amortization of deferred capital contributions	373,281	396,663
Other	166,061	27,182
	3,799,295	3,826,210
Expenses		
Salaries, wages and benefits (note 7)	2,554,274	2,572,948
Presentation and production	32,780	39,866
Ancillary	89,145	95,486
Building operations	683,092	675,367
Administration	264,329	296,486
Amortization of capital assets	413,563	439,267
	4,037,183	4,119,420
Deficiency of revenue over expenses before the following	(237,888)	(293,210)
Recoverable from the City of Toronto (note 5(b))	205,419	256,952
Deficiency of revenue over expenses for the year	(32,469)	(36,258)

The accompanying notes are an integral part of these financial statements.

St. Lawrence Centre for the Arts

Statement of Changes in Net Assets

For the year ended December 31, 2011

			2011
	Internally restricted for capital purchases $ (note 6)	**Unrestricted $**	**Total $**
Net assets - Beginning of year	15,720	-	15,720
Deficiency of revenue over expenses for the year	-	(32,469)	(32,469)
Net assets - End of year	15,720	(32,469)	(16,749)

			2010
	Internally restricted for capital purchases $ (note 6)	**Unrestricted $**	**Total $**
Net assets - Beginning of year	49,155	-	49,155
Deficiency of revenue over expenses for the year	-	(36,258)	(36,258)
Interfund transfers (note 6)	(36,258)	36,258	-
Vida Peene Fund (note 6)	2,823	-	2,823
Net assets - End of year	15,720	-	15,720

The accompanying notes are an integral part of these financial statements.

St. Lawrence Centre for the Arts

Statement of Cash Flows

For the year ended December 31, 2011

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(32,469)	(36,258)
Add (deduct): Items not involving cash		
Amortization of capital assets	413,563	439,267
Amortization of deferred capital contributions	(373,281)	(396,663)
Loan forgiveness	(120,528)	-
	(112,715)	6,346
Net change in non-cash working capital balances (note 8)	435,410	(239,053)
	322,695	(232,707)
Investing activities		
Purchase of capital assets	(74,552)	(106,016)
Net increase in investments	(19)	(5,016)
	(74,571)	(111,032)
Financing activities		
Contributions restricted for the purchase of capital assets	185,831	219,322
Contribution from Vida Peene Fund	-	2,823
Repayment of loan payable - City of Toronto	(40,000)	(63,711)
Repayment of obligations under capital lease	(7,994)	33,645
	137,837	192,079
Increase (decrease) in cash during the year	385,961	(151,660)
Cash - Beginning of year	106,489	258,149
Cash - End of year	492,450	106,489

The accompanying notes are an integral part of these financial statements.

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) and was incorporated on May 27, 1968 without share capital. The Centre is a non-profit organization incorporated to maintain and operate as an artistic, cultural, social, educational and recreational facility for the benefit of the City and its inhabitants and the public interest.

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. 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 5).

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 building improvements (note 3) and are financed primarily through the Centre's Capital Improvement Reserve Fund (CIF), which was established to record ticket surcharges introduced in 1987 (note 4).

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, which includes funding from the City. 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 amortizable 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 deferred capital contributions on the balance sheet.

Rentals, labour services and ancillary revenues are recognized on the date of the performance or event or at point of sale.

Deferred revenue consists of deposits for rental revenue for future performances. Once the performances occur, the deposits are recorded as revenue from operations.

Other revenue is recognized when earned, which may be 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 are payable to the rental clients and are included in trade accounts payable.

Investments and investment income

Investments are recorded at fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Short-term investments consist of guaranteed investment certificates. Guaranteed investment certificates have interest rates of 0.75% and maturity dates from June 28, 2011 to June 28, 2012.

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

Inventories

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

Capital assets

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 years
Furniture and fixtures	5 to 10 years
Building improvements	10 to 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.

Impairment of long-lived assets

The Centre tests for impairment of its long-lived assets whenever events and circumstances indicate its carrying amount may not be recoverable. No impairment has been recorded in the current year.

Employee future benefits

Contributions to multi-employee defined contribution pension plans 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.

Financial instruments

The Centre's financial instruments included in the balance sheet are comprised of cash (classified as held-for-trading), short-term investments (classified as held-to-maturity), accounts receivable and due from the City (both of which are classified as loans and receivables), and accounts payable and accrued liabilities and due to the City (classified as other liabilities).

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

The Centre has chosen to continue to apply The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in place of Section 3862, Financial Instruments - Disclosures, and Section 3863 - Financial Instruments - Presentation.

Future accounting changes

Effective for fiscal years beginning on January 1, 2012, government controlled not-for-profit organizations are required to choose between Canadian Public Sector Accounting Standards (PSAS) or PSAS for not-for-profit organizations. Early adoption of these standards is permitted. The Centre currently plans to adopt PSAS for not-for-profit organizations for its fiscal year beginning January 1, 2012. The impact of transition has not been determined at this time.

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.

3 Capital assets

Capital assets consist of the following:

			2011
	Cost $	Accumulated amortization $	Net $
Computer equipment	615,421	544,321	71,100
Furniture and fixtures	2,216,857	1,732,768	484,089
Building improvements (note 5(c))			
Exterior	892,635	181,452	711,183
Interior	3,125,593	1,045,774	2,079,819
	6,850,506	3,504,315	3,346,191

			2010
	Cost $	Accumulated amortization $	Net $
Computer equipment	606,717	415,559	191,158
Furniture and fixtures	2,163,157	1,627,082	536,075
Building improvements (note 5(c))			
Exterior	892,635	145,747	746,888
Interior	3,113,445	902,364	2,211,081
	6,775,954	3,090,752	3,685,202

Computer equipment includes assets with a cost of $72,590 (2010 - $72,590) held under capital leases. Accumulated amortization relating to these assets amounted to $42,614 (2010 - $34,621).

4 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:

	2011 $	2010 $
Balance - Beginning of year	3,249,041	3,426,382
Amortization of deferred capital contributions	(373,281)	(396,663)
Contributions restricted for the purchase of capital assets	185,831	219,322
Balance - End of year	3,061,591	3,249,041

5 Related party transactions, City of Toronto

a) In the normal course of operations, the Centre incurred costs of $474,721 (2010 - $478,487), which are included in the statement of operations, for various expenses payable to the City such as hydro, maintenance and other administrative costs.

Transactions between the City and the Centre are made at agreed upon exchange amounts.

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:

	2011 $	2010 $
Due from the City - Beginning of year	265,821	108,104
Receipt of 2010 deficit (2010 - receipt of 2009 deficit)	(241,093)	(99,235)
Deficiency of revenue over expenses recoverable from the City 2011	205,419	256,952
Due from the City - End of year	230,147	265,821

c) In 2006 and 2007, the Centre substantially completed a major renovation of the interior and exterior of its building. In 2008, the Centre completed west signage as the final stage of the renovation.

In 2006 and 2007, renovations were financed by a grant from the City, CIF contributions restricted for capital purposes and an advance from the City. In 2008, a loan agreement was finalized for the remaining funding from the City. The loan related to the project was $241,988 with a principal repayment of $40,000 in 2011 (2010 - $63,711). The outstanding balance of $120,528 was forgiven by the City in 2011.

6 Net assets internally restricted for capital purchases

Net assets internally restricted for capital purchases represent amounts set aside by the Centre to fund future capital asset purchases and to cover the net amortization of deferred capital contributions and the related capital assets.

The Centre is among eight organizations that receive distribution from the estate of Vida Peene. During 2011, the Centre received distributions of $981 (2010 - $2,823). The distribution from the estate is to be used at the discretion of the Board of Management of the Centre. In 2011, the distribution received was used toward operations of the Centre.

In the current year, $nil (2010 - $36,258) was transferred from the unrestricted fund to the net assets internally restricted for capital purchases.

7 Employee benefits

The Centre's administrative employees participate in a defined contribution pension plan. This plan is separate from the International Alliance of Theatrical Stage Employees (IATSE) pension plan and is administered by Standard Life. The Centre's contributions to this plan were $47,913 (2010 - $49,109), which is expensed and included within salaries, wages and benefits on the statement of operations. Labour contracts for IATSE staff accounted for $102,616 (2010 - $118,905) and contributed to recoverable expenses not being met in the current year. During the year, there were show cancellations during which IATSE employees continued to be paid.

The Centre also makes contributions to a defined contribution pension plan administered for the stage employees. Contributions to this plan were $63,559 (2010 - $62,836). 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 $36,877 (2010 - $36,696). 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.

8 Statement of cash flows

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

	2011 $	2010 $
Accounts receivable	(32,957)	30,832
Inventories	630	2,262
Prepaid expenses	(3,092)	1,565
Accounts payable and accrued liabilities - trade	29,885	(81,338)
Due from/to the City	415,921	(157,875)
Advance ticket sales	22,762	53,307
Customer deposits	2,261	(87,806)
	435,410	(239,053)

9 Commitments

a) Capital lease obligations

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

	$
Total minimum lease payments for 2011	30,379
Less: Imputed interest	1,737
Present value of minimum lease payments	28,642
Less: Current portion	8,372
	20,270

b) Lease commitments

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

	$
2012	29,678
2013	29,454
2014	29,380
2015	29,380
2016	29,380
2017	7,345
	154,617

10 Financial risk management

The main risks to which the Centre's financial instruments are exposed are as follows:

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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, 2011, three accounts represent 82% of the total accounts receivable balance (2010 - three accounts represented 78%).

Liquidity risk

Liquidity risk is the inability of an entity to meet its current obligations from proceeds of current assets.

The Centre believes it has moderate exposure to liquidity risk given the value of the accounts payable and accrued liabilities, due to City of Toronto, advance ticket sales, customer deposits and obligations under capital lease.

11 Trust fund

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 $7,261 (2010 - $7,254), has not been included in the Centre's balance sheet nor have its operations been included in the Centre's statement of operations.

12 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, 2011, the Centre has met its objective of having sufficient liquid resources to meet its current obligations.

13 Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2011 financial statements.