St. Lawrence Centre for the Arts

Financial Statements
December 31, 2013

April 24, 2014

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 statement of financial position as at December 31, 2013 and the statements of operations, changes in net liabilities 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 public sector accounting standards, 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.

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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, 2013 and the results of its operations, its remeasurement gains and losses, changes in its net liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Lawrence Centre for the Arts

Statement of Financial Position

As at December 31, 2013

	2013 $	2012 $
Assets		
Current assets		
Cash	527,383	441,270
Short-term investments	60,218	5,035
Accounts receivable (note 10)	23,148	67,363
Due from City of Toronto - net operating deficiency (note 5(b))	115,635	261,916
Inventories	15,174	15,581
Prepaid expenses	19,155	18,525
	760,713	809,690
Capital assets (note 3)	2,890,230	3,089,283
	3,650,943	3,898,973
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	201,130	151,447
Due to City of Toronto - trade payables (note 5(a))	543,714	613,218
Advance ticket sales	139,807	205,807
Customer deposits	17,167	5,936
Obligations under capital lease (note 9(a))	8,372	8,372
	910,190	984,780
Obligations under capital lease (note 9(a))	4,284	12,277
Deferred capital contributions (note 4)	2,788,961	2,937,112
	3,703,435	3,934,169
Net Liabilities		
Internally restricted for capital purchases (note 6)	-	-
Unrestricted	(52,492)	(35,196)
	(52,492)	(35,196)
	3,650,943	3,898,973
Commitments and contingencies (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, 2013

	2013		2012
	Budget $	**Actual $**	**Actual $**
Revenue			
Funding from City of Toronto	1,451,100	1,451,100	1,229,400
Operating			
Labour services	1,104,173	1,123,828	1,143,096
Rental	422,695	332,050	475,263
Ancillary	333,603	235,980	300,989
Amortization of deferred capital contributions	404,592	281,249	282,828
Other	38,407	63,918	44,507
	3,754,570	3,488,125	3,476,083
Expenses			
Salaries, wages and benefits (note 7)	2,351,614	2,299,206	2,419,379
Building operations	631,418	718,488	678,097
Amortization of capital assets	404,592	269,687	309,269
Administration	225,360	243,648	228,006
Ancillary	97,872	58,491	61,134
Presentation and production	43,714	31,536	39,697
	3,754,570	3,621,056	3,735,582
Deficiency of revenue over expenses before the following	-	(132,931)	(259,499)
Transfer from City of Toronto (note 5(b))	-	115,635	241,052
Deficiency of revenue over expenses for the year	-	(17,296)	(18,447)

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

St. Lawrence Centre for the Arts

Statement of Changes in Net Liabilities

For the year ended December 31, 2013

	2013		
	Internally restricted for capital purchases $ (note 6)	**Unrestricted $**	**Total $**
Net liabilities - Beginning of year	-	(35,196)	(35,196)
Deficiency of revenue over expenses for the year	-	(17,296)	(17,296)
Net liabilities - End of year	-	(52,492)	(52,492)

	2012		
	Internally restricted for capital purchases $ (note 6)	**Unrestricted $**	**Total $**
Net liabilities - Beginning of year	15,720	(32,469)	(16,749)
Transfer between funds (note 6)	(15,720)	15,720	-
Deficiency of revenue over expenses for the year	-	(18,447)	(18,447)
Net liabilities - End of year	-	(35,196)	(35,196)

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, 2013

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(17,296)	(18,447)
Add (deduct): Items not involving cash		
Amortization of capital assets	269,687	309,269
Amortization of deferred capital contributions	(281,249)	(282,828)
	(28,858)	7,994
Net change in non-cash working capital balances (note 8)	115,683	(157,169)
	86,825	(149,175)
Capital activities		
Purchase of capital assets	(70,634)	(52,361)
Investing activities		
Purchase of investments	(55,183)	(5,035)
Sale of investments	-	5,035
	(55,183)	-
Financing activities		
Contributions received restricted for the purchase of capital assets	133,098	158,349
Repayment of obligations under capital lease	(7,993)	(7,993)
	125,105	150,356
Increase (decrease) in cash during the year	86,113	(51,180)
Cash - Beginning of year	441,270	492,450
Cash - End of year	527,383	441,270

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.

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 4) 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 not-for-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 of the Centre have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that only apply to government not-for-profit organizations. The significant accounting policies are summarized below:

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions, including funding from the City, 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 statement of financial position.

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

Cash

Cash represents cash on hand and at the bank.

Short-term investments and investment income

Short-term investments consist of a guaranteed investment certificate. The guaranteed investment certificate has an interest rate of 0.8% and a maturity date of July 21, 2014. Transactions are recorded on a trade date basis and are measured at amortized cost. Transaction costs are included in the carrying amount of the asset.

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.

A writedown of capital assets is recorded when the asset no longer has any long-term service potential. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. A writedown is subsequently not reversed. No writedown has been recorded in the current year.

Employee future benefits

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

Contributed materials and services

Contributed materials are recognized as received only when the fair value of the material can be determined and the goods and services would otherwise have been purchased. The Centre currently does not have contributed services.

Financial instruments

The Centre's financial instruments included in the statement of financial position comprise cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and amounts due from/to the City of Toronto. The financial instruments are measured at amortized cost.

For certain of the Centre's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities and amounts due from/to City of Toronto, the carrying value approximates their fair values due to their short-term maturities.

All financial instruments are assessed annually for impairment. When a financial asset is impaired, impairment losses are recorded in the statement of operations. A writedown is not subsequently reversed for a subsequent increase in value.

There were no remeasurement gains or losses recorded during 2012 and 2013 and therefore a statement of remeasurement gains and losses has not been presented.

Use of estimates

The preparation of financial statements in accordance with PSAS 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:

			2013
	Cost $	Accumulated amortization $	Net $
Computer equipment	662,834	613,254	49,580
Furniture and fixtures	2,292,439	1,910,927	381,512
Building improvements			
Exterior	892,635	271,892	620,743
Interior	3,125,593	1,287,198	1,838,395
	6,973,501	4,083,271	2,890,230

	2012		
	Cost $	**Accumulated amortization $**	**Net $**
Computer equipment	634,827	589,134	45,693
Furniture and fixtures	2,249,812	1,826,667	423,145
Building improvements			
Exterior	892,635	227,330	665,305
Interior	3,125,593	1,170,453	1,955,140
	6,902,867	3,813,584	3,089,283

Computer equipment includes assets with a cost of $72,590 (2012 - $72,590) held under capital leases. Accumulated amortization relating to these assets amounted to $58,600 (2012 - $50,607).

4 Deferred capital contributions

Deferred capital contributions represent unamortized amounts of capital contributions. The Centre follows the deferral method of accounting for restricted contributions received. These contributions comprise a donation from the City and amounts included in the cost of each ticket sold that are restricted for the purchase of capital assets. The most significant source of this balance is the donation from the City. The changes in deferred capital contributions during the year are as follows:

	2013 $	**2012 $**
Balance - Beginning of year	2,937,112	3,061,591
Amortization of deferred capital contributions	(281,249)	(282,828)
Contributions received restricted for the purchase of capital assets	133,098	158,349
Balance - End of year	2,788,961	2,937,112

5 Related party transactions, City of Toronto

a) In the normal course of operations, the Centre incurred costs of $278,688 (2012 - $463,897), 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. The amount owing to the City as at December 31, 2013 is $543,714 (2012 - $613,218).

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. The amount of the transfer of the operating excess (deficiency) of revenue over expenses to (from) the City is based on excess (deficiency) of revenue after adjustments for non-cash items and other amounts agreed on with the City.

The transfer of operating excess (deficiency) of revenue is calculated as follows:

	2013 $	2012 $
Deficiency of revenue over expenses before transfer	(132,931)	(259,499)
Add (deduct) non-cash items		
Amortization of capital assets	269,687	309,269
Amortization of deferred capital contributions	(281,249)	(282,828)
Other agreed on amounts	28,858	(7,994)
Transfer from City of Toronto - End of year	(115,635)	(241,052)
Other cumulative agreed on amounts	-	(20,864)
Due from City - End of year	(115,635)	(261,916)

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 distributions from the Estate of Vida Peene. During 2013, the Centre received distributions of $4,246 (2012 - $1,101). The distributions from the estate are to be used at the discretion of the Board of Management of the Centre. In 2013, the distributions received were used toward operations of the Centre.

In the current year, $nil (2012 - $nil) was transferred from the unrestricted fund to net assets internally restricted for capital purchases and $nil (2012 - $15,720) was transferred from net assets internally restricted for capital purchases to the unrestricted fund.

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 the Standard Life pension plan were $40,647 (2012 - $40,989), which is expensed and included within salaries, wages and benefits on the statement of operations.

As per the IATSE Collective Bargaining Agreement, the Centre also makes contributions to a defined contribution pension plan administered by the stage employees. Contributions to the IATSE pension plan were $62,678 (2012 - $65,399). In addition, the Centre contributes fixed amounts into a plan established by the union representing the stage employees for health, dental, sick leave and other fund benefits. Contributions for these benefits amounted to $49,634 (2012 - $49,745). A portion of these pension and benefit contributions is recovered through clients renting the facilities at the Centre as these are direct costs of those clients and not the Centre. These recoverable expenses are recorded on a gross basis in labour services revenue and salaries, wages and benefits expenses on the statement of operations. During the year, there were a number of days when the theatres were not rented. As per the collective bargaining agreement, IATSE employees continued to be paid. Therefore, these amounts recorded in expenses are not recovered in the current year.

8 Statement of cash flows

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

	2013 $	2012 $
Accounts receivable	44,215	113,597
Inventories	407	4,348
Prepaid expenses	(630)	5,364
Accounts payable and accrued liabilities	49,683	(27,997)
Due from/to City of Toronto	76,777	(90,973)
Advance ticket sales	(66,000)	(149,718)
Customer deposits	11,231	(11,790)
	115,683	(157,169)

9 Commitments and contingencies

a) Capital lease obligations

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

	$
Total minimum lease payments for 2014	13,635
Less: Imputed interest	979
Present value of minimum lease payments	12,656
Less: Current portion	8,372
	4,284

b) Lease commitments

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

	$
2014	26,000
2015	26,000
2016	26,000
2017	6,500
	84,500

c) Contingencies

From time to time, the Centre is named in lawsuits relating to its activities. These claims are at various stages and therefore it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to the Centre. Accordingly, no material provisions have been made for loss in these financial statements, but in management's view these claims should not have a material adverse effect on the financial position of the Centre.

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, 2013, three accounts represent 60% of the total accounts receivable balance (2012 - three accounts represented 86%). These accounts are regular licensees of the Centre.

The Centre believes it has moderate exposure to credit risk.

Liquidity risk

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

The Centre believes it has moderate exposure to liquidity risk given the value of accounts payable and accrued liabilities, due to the City, 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 $7,310 (2012 - $7,269), has not been included in the Centre's statement of financial position nor have its operations been included in the Centre's statement of operations.