The North York Performing Arts Centre Corporation

(operating as the Toronto Centre for the Arts)

Financial Statements
December 31, 2013

June 6, 2014

Independent Auditor's Report

To the Board of Directors of
The North York Performing Arts Centre Corporation
(operating as the Toronto Centre for the Arts)

We have audited the accompanying financial statements of the The North York Performing Arts Centre Corporation (operating as the Toronto Centre for the Arts), which comprise the statement of financial position as at December 31, 2013 and the statements of operations and 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.

PricewaterhouseCoopers LLP
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: +1 416 218 1500, F: +1 416 218 1499

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The North York Performing Arts Centre Corporation (operating as the Toronto 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

The North York Performing Arts Centre Corporation

(operating as the Toronto Centre for the Arts)
Statement of Financial Position
As at December 31, 2013

(in thousands of dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash	273	131
Accounts receivable (note 9)	141	106
Prepaid expenses	12	13
	426	250
Receivable from City of Toronto (note 3(a))	4,324	4,569
Art collection	2,542	2,542
Capital assets (note 4)	24,584	25,867
	31,876	33,228
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	224	236
Deferred revenue	212	253
Advance ticket sales	287	208
	723	697
Loan payable to City of Toronto (note 3(c))	10,023	10,023
Deferred capital contributions (note 5)	25,502	26,550
	36,248	37,270
Unrestricted net liabilities	(4,372)	(4,042)
Accumulated net liabilities	31,876	33,228

Contingencies (note 10)

On Behalf of the Board

_______________ Director _______________ Director

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

The North York Performing Arts Centre Corporation

(operating as the Toronto Centre for the Arts)

Statement of Operations and Changes in Net Liabilities

For the year ended December 31, 2013

(in thousands of dollars)

	2013		2012
	Budgeted $	**Actual** $	**Actual** $
Revenue			
Revenue from operations	1,824	2,220	3,263
City of Toronto grant	1,619	1,619	824
Other revenue	-	117	15
Amortization of deferred capital contributions	-	1,101	1,090
	3,443	5,057	5,192
Expenses			
Salaries, wages and benefits (note 7)	2,547	2,936	3,509
Utilities	308	343	349
Other operating	497	648	719
Capital maintenance	51	135	94
Professional fees and services	40	38	96
Amortization of capital assets	-	1,431	1,422
	3,443	5,531	6,189
Deficiency of revenue over expenses	-	(474)	(997)
Transfer from City of Toronto (note 3(d))	-	144	415
Transfer from the Stabilization Reserve Fund (note 6)	-	-	250
Deficiency of revenue over expenses	-	(330)	(332)
Unrestricted net liabilities - Beginning of year	-	(4,042)	(3,710)
Unrestricted net liabilities - End of year	-	(4,372)	(4,042)

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

The North York Performing Arts Centre Corporation

(operating as the Toronto Centre for the Arts)

Statement of Cash Flows

For the year ended December 31, 2013

(in thousands of dollars)

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(330)	(332)
Add (deduct): Non-cash items		
Net gain on sale of capital equipment	-	(12)
Amortization of deferred capital contributions	(1,101)	(1,090)
Amortization of capital assets	1,431	1,422
Net change in non-cash working capital balances (note 8)	(8)	(211)
	(8)	(223)
Capital activities		
Sale of capital assets	-	16
Purchase of capital assets	(148)	(390)
	(148)	(374)
Financing activities		
Decrease (increase) in receivable from City of Toronto (note 8)	316	(76)
Capital Maintenance Reserve Fund - draw for strategic planning	(87)	-
Capital Maintenance Reserve Fund - ticket surcharge (note 5)	69	158
	298	82
Increase (decrease) in cash during the year	142	(515)
Cash - Beginning of year	131	646
Cash - End of year	273	131

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

(in thousands of dollars)

1 Operations and relationship with the City of Toronto

The North York Performing Arts Centre Corporation (operating as the Toronto Centre for the Arts) (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 not-for-profit organization incorporated to maintain, operate and manage the Centre 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 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 as summarized below:

Revenue recognition

The Centre follows the deferral method of accounting for contributions, which includes grants. Unrestricted 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 capital contributions on the statement of financial position.

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.

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, including ticket surcharges, are payable to the rental clients and are included in accounts payable.

(in thousands of dollars)

Cash

Cash represents cash on hand and at the bank.

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.

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 and changes in net liabilities. A writedown is subsequently not reversed. No writedown has been recorded in the current year.

Art collection and gallery

Works purchased for exhibition in the Museum of Canadian Contemporary Art are recorded on the statement of financial position at cost. Works donated are independently appraised and are recorded on the statement of financial position at their initial appraised value.

Employee future benefits

Defined contribution plan accounting is applied to a multi-employer defined benefit 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 are comprised of cash, accounts receivable, receivable from City of Toronto, accounts payable and accrued liabilities and loan payable. The financial instruments are measured at amortized cost.

For certain of the Centre's financial instruments, including cash and accounts payable and accrued liabilities, their carrying values approximate their fair values due to their short-term maturities.

(in thousands of dollars)

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

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

Use of estimates

The preparation of financial statements in conformity with PSAS 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.

3 Related party transactions - City of Toronto

a) The Centre manages its cash flows independently of the City, except for the investment of the Capital Maintenance Reserve Fund (note 5). The receivable from the City is non-interest bearing. The fair value of this receivable cannot be reasonably determined as there are no fixed terms of repayment.

b) In the normal course of operations, the Centre incurred costs of $395 (2012 - $378) for various expenses payable to the City such as hydro and other administrative costs. Transactions between the City and the Centre are made at the agreed upon exchange amounts.

c) Capital financing for the construction of the Centre was provided by the former City of North York prior to 1994 in the amount of $10,023 (2012 - $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 it will not demand payment of this loan within the next year.

d) 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) to (from) the City is based on excess (deficiency) of revenue after adjustments for non-cash items.

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

	2013 $	2012 $
Deficiency of revenue over expenses before transfer from City of Toronto	(474)	(997)
Transfer from the Stabilization Reserve Fund (note 6)	-	250
Add (deduct) non-cash items		
Amortization of capital assets	1,431	1,422
Amortization of deferred capital contributions	(1,101)	(1,090)
Transfer from City of Toronto	(144)	(415)

(in thousands of dollars)

4 Capital assets

Capital assets consist of the following:

			2013
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Building	45,651	22,875	22,776
Furnishings and equipment	5,064	3,283	1,781
Computer equipment	397	370	27
	51,112	26,528	24,584

			2012
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Building	45,649	21,734	23,915
Furnishings and equipment	4,934	3,029	1,905
Computer equipment	381	334	47
	50,964	25,097	25,867

5 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
	Capital Maintenance Reserve Fund **$**	**Other capital contributions** **$**	**Total** **$**
Balance - Beginning of year	7,815	18,735	26,550
Ticket surcharge	69	-	69
Interest earned	71	-	71
Purchase of capital assets funded	(148)	148	-
Payment for strategic planning	(87)	-	(87)
Amortization of deferred capital contributions	-	(1,101)	(1,101)
Balance - End of year	7,720	17,782	25,502

(in thousands of dollars)

	2012		
	Capital Maintenance Reserve Fund $	**Other capital contributions $**	**Total $**
Balance - Beginning of year	7,983	19,436	27,419
Ticket surcharge	158	-	158
Interest earned	63	-	63
Purchase of capital assets funded	(389)	389	-
Amortization of deferred capital contributions	-	(1,090)	(1,090)
Balance - End of year	7,815	18,735	26,550

The Capital Maintenance Reserve Fund, which consists of unspent capital ticket surcharges, is 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 funds only to be used for capital improvements of the Centre.

At the year-end, capital contributions consist of the following:

	2013		
	Capital Maintenance Reserve Fund $	**Other capital contributions $**	**Total $**
Gross capital contributions received from the City	-	30,660	30,660
Other	-	11,100	11,100
Capital Maintenance Reserve Fund	7,720	-	7,720
	7,720	41,760	49,480
Less: Accumulated amortization	-	(23,978)	(23,978)
	7,720	17,782	25,502

(in thousands of dollars)

			2012
	Capital Maintenance Reserve Fund $	Other capital contributions $	Total $
Gross capital contributions received from the City	-	30,660	30,660
Other	-	10,952	10,952
Capital Maintenance Reserve Fund	7,815	-	7,815
	7,815	41,612	49,427
Less: Accumulated amortization	-	(22,877)	(22,877)
	7,815	18,735	26,550

6 Stabilization Reserve Fund

During 2003, the Centre entered into an agreement with the City that 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 excludes 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. This fund resides in the City's financial statements and is not included in the Centre's financial statements. As at December 31, 2013, the balance in the Stabilization Reserve Fund is $766 (2012 - $766).

7 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. This 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 surplus or deficit is 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 2013, which were expensed, are $121 (2012 - $84) 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 2013 amounted to $42 (2012 - $69) and are included in salaries, wages and benefits.

(in thousands of dollars)

8 Statement of cash flows

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

	2013 $	2012 $
Funds held in trust	-	37
Accounts receivable	(35)	40
Prepaid expenses	1	10
Accounts payable and accrued liabilities	(12)	(271)
Deferred revenue	(41)	(58)
Advance ticket sales	79	31
	(8)	(211)

Non-cash investing and financing activities excluded from the statement of cash flows include interest earned on the Capital Maintenance Reserve Fund of $71 (2012 - $63) (note 5), which is included in the receivable from the City.

9 Financial risk management

The main risks to which the Centre's financial statements 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.

The Centre is subject to credit risk with respect to accounts receivable of $141 (2012 - $106). As at December 31, 2013, three accounts represented 83% of the total accounts receivable balance (2012 - two accounts represented 86%). Revenue derived from one customer totalled 5% of revenue from operations (2012 - one customer totalled 39%).

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 the accounts payable and accrued liabilities, deferred revenue and advance ticket sales.

(in thousands of dollars)

10 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 effect on the financial position of the Centre.