

Financial Statements

St. Lawrence Centre for the Arts

December 31, 2009

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, 2009 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, 2009 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,
March 31, 2010.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

St. Lawrence Centre for the Arts

BALANCE SHEET

As at December 31

	2009	2008
	\$	\$
ASSETS		
Current		
Cash	258,149	101,527
Short-term investments <i>[note 3]</i>	—	51,686
Accounts receivable <i>[note 11]</i>	178,835	143,569
Due from City of Toronto		
Trade receivables	1,309	1,309
Net operating deficiency <i>[note 6[b]]</i>	108,104	119,165
Inventories	7,493	8,974
Prepaid expenses	37,690	37,724
Total current assets	591,580	463,954
Capital assets, net <i>[note 4]</i>	4,018,453	4,134,486
	4,610,033	4,598,440
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	230,897	178,206
Due to City of Toronto		
Trade payables <i>[note 6[a]]</i>	293,641	124,972
Loan <i>[note 6[c]]</i>	224,239	—
Advance ticket sales	279,457	306,450
Customer deposits	103,271	9,210
Current portion of obligations under capital lease <i>[note 10[a]]</i>	2,991	8,152
Total current liabilities	1,134,496	626,990
Loan payable - City of Toronto <i>[note 6[c]]</i>	—	224,239
Obligations under capital lease <i>[note 10[a]]</i>	—	1,364
Deferred capital contributions <i>[note 5]</i>	3,426,382	3,659,368
Total liabilities	4,560,878	4,511,961
Commitments <i>[note 10]</i>		
Net assets		
Internally restricted for capital purchases <i>[note 7]</i>	49,155	86,479
Total net assets	49,155	86,479
	4,610,033	4,598,440

See accompanying notes

On behalf of the Board:

Director

Director

St. Lawrence Centre for the Arts

STATEMENT OF OPERATIONS

Year ended December 31

	2009	2008
	\$	\$
REVENUE		
Grants - City of Toronto	1,497,873	1,526,600
Operating		
Rental	524,418	495,441
Labour services	1,214,583	1,152,323
Ancillary	364,410	383,442
Other	57,012	72,871
Amortization of deferred capital contributions	410,629	344,251
	4,068,925	3,974,928
EXPENSES		
Salaries, wages and benefits <i>[note 8]</i>	2,627,050	2,687,823
Presentation and production	41,505	29,684
Ancillary	128,330	127,136
Building operations	648,733	565,417
Administration	304,257	312,877
Interest on loan payable - City of Toronto <i>[note 6[c]]</i>	10,000	12,521
Amortization of capital assets	454,478	361,222
	4,214,353	4,096,680
Deficiency of revenue over expenses before the following	(145,428)	(121,752)
Recoverable from City of Toronto <i>[note 6[b]]</i>	108,104	119,165
Deficiency of revenue over expenses for the year	(37,324)	(2,587)

See accompanying notes

St. Lawrence Centre for the Arts

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2009		
	Internally restricted for capital purchases	Unrestricted	Total
	\$	\$	\$
	<i>[note 7]</i>		
Net assets, beginning of year	86,479	—	86,479
Deficiency of revenue over expenses for the year	—	(37,324)	(37,324)
Interfund transfers	(37,324)	37,324	—
Net assets, end of year	49,155	—	49,155
	2008		
	Internally restricted for capital purchases	Unrestricted	Total
	\$	\$	\$
	<i>[note 7]</i>		
Net assets, beginning of year	89,066	—	89,066
Deficiency of revenue over expenses for the year	—	(2,587)	(2,587)
Transfer to Piano Acquisition Fund	1,431	(1,431)	—
Transfer to Vida Peene Fund <i>[note 7]</i>	6,428	(6,428)	—
Interfund transfers	(10,446)	10,446	—
Net assets, end of year	86,479	—	86,479

See accompanying notes

St. Lawrence Centre for the Arts

STATEMENT OF CASH FLOWS

Year ended December 31

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(37,324)	(2,587)
Add (deduct) items not involving cash		
Loss on disposal of capital assets	—	676
Unamortized capital contributions on capital asset disposals	—	(676)
Amortization of capital assets	454,478	361,222
Amortization of deferred capital contributions	(410,629)	(344,251)
	6,525	14,384
Net change in non-cash working capital balances related to operations <i>[note 9]</i>	265,738	(411,948)
Cash provided by (used in) operating activities	272,263	(397,564)
INVESTING ACTIVITIES		
Purchase of capital assets	(338,445)	(445,795)
Net decrease in investments	51,686	18,531
Cash used in investing activities	(286,759)	(427,264)
FINANCING ACTIVITIES		
Contributions restricted for the purchase of capital assets	177,643	80,723
Increase in loan payable - City of Toronto	—	154,848
Repayment of loan payable - City of Toronto	—	(17,749)
Repayment of obligations under capital lease	(6,525)	(6,525)
Investment income on unspent capital contributions	—	1,309
Cash provided by financing activities	171,118	212,606
Net increase (decrease) in cash during the year	156,622	(612,222)
Cash, beginning of year	101,527	713,749
Cash, end of year	258,149	101,527

See accompanying notes

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 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 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 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:

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 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.

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 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, and realized and unrealized gains and losses on investments.

Inventories

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

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 to 5 years
Furniture and fixtures	5 to 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 multi-employer 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 has chosen to continue to apply The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*.

The Centre has designated its financial instruments as follows:

- Cash as held-for-trading
- Short-term investments as held to maturity
- Accounts receivable and due from City of Toronto as loans and receivables
- Accounts payable, accrued liabilities and due to City of Toronto as other liabilities

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 for electricity, to which the Centre is a party, 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, if any, recorded in building operations on the statement of operations.

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. INVESTMENTS

Short-term investments as at December 31, 2008 consisted of a GIC which matured in January 2009 and bore interest at a rate of 3.45% per annum. There were no short-term investments as at December 31, 2009.

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

4. CAPITAL ASSETS

Capital assets consist of the following:

	2009		
	Cost	Accumulated	Net
	\$	amortization	book
	\$	\$	value
	\$	\$	\$
Computer equipment	548,446	275,729	272,717
Furniture and fixtures	2,125,513	1,506,150	619,363
Building improvements (exterior) <i>[note 6]</i>	892,635	110,042	782,593
Building improvements (interior) <i>[note 6]</i>	3,103,345	759,565	2,343,780
	6,669,939	2,651,486	4,018,453
	2008		
	Cost	Accumulated	Net
	\$	amortization	book
	\$	\$	value
	\$	\$	\$
Computer equipment	446,498	208,864	237,634
Furniture and fixtures	2,060,764	1,410,894	649,870
Building improvements (exterior) <i>[note 6]</i>	892,635	74,337	818,298
Building improvements (interior) <i>[note 6]</i>	3,026,390	597,706	2,428,684
	6,426,287	2,291,801	4,134,486

Computer equipment includes assets with a cost of \$32,623 [2008 - \$32,623] held under capital leases. Accumulated amortization relating to these assets amounted to \$28,275 [2008 - \$21,750].

During the year, the Centre disposed of capital assets with an original cost of \$94,793 and accumulated amortization of \$94,793 for no proceeds. The cost and related accumulated amortization have been removed from the financial statements.

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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:

	2009	2008
	\$	\$
Balance, beginning of year	3,659,368	3,922,263
Amortization of deferred capital contributions	(410,629)	(344,251)
Contributions restricted for the purchase of capital assets	177,643	80,723
Unamortized capital contributions on capital asset disposals	—	(676)
Investment income on unspent capital contributions	—	1,309
Balance, end of year	3,426,382	3,659,368

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NOTES TO FINANCIAL STATEMENTS

December 31, 2009

6. RELATED PARTY TRANSACTIONS, CITY OF TORONTO

- [a] In the normal course of operations, the Centre incurred costs of \$414,791 [2008 - \$368,426] which are included in the statement of operations, 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 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:

	2009 \$	2008 \$
Due from (to) City of Toronto, beginning of year	119,165	(65,612)
Receipt of 2008 deficit [2008 - payment of 2007 surplus]	(119,165)	65,612
Deficiency of revenue over expenses recoverable from the City	108,104	119,165
Due from City of Toronto, end of year	108,104	119,165

- [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 \$17,749 in 2008. The loan bears interest at 5% per annum and is due on December 31, 2010.

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

7. NET ASSETS INTERNALLY RESTRICTED FOR CAPITAL PURCHASES

Net assets internally restricted for capital purchases represents 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 which receive distributions from the estate of Vida Peene. During 2009, the Centre did not receive any distributions [2008 - \$6,428]. The distribution from the estate is to be used at the discretion of the Board of Directors of the Centre.

8. 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 \$50,477 [2008 - \$54,224] 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 \$64,764 [2008 - \$53,554]. 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 \$40,414 [2008 - \$46,571]. 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, 2009

9. STATEMENT OF CASH FLOWS

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

	2009	2008
	\$	\$
Accounts receivable	(35,266)	85,299
Inventories	1,481	(1,780)
Prepaid expenses	34	(14,249)
Accounts payable and accrued liabilities - trade	52,691	(384,530)
Due from/to City of Toronto	179,730	(121,703)
Advance ticket sales	(26,993)	71,103
Customer deposits	94,061	(46,088)
	265,738	(411,948)

10. 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 2010	4,076
Less imputed interest	(1,085)
Present value of minimum lease payments	2,991
Less current portion	2,991
	—

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

[b] Lease commitments

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

	\$
2010	33,000
2011	27,000
2012	27,000
2013	27,000
2014	20,000
	<u>134,000</u>

11. FINANCIAL INSTRUMENTS

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

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, 2009, two accounts represent 63.4% of the total accounts receivable balance [2008 - two accounts represented 60.4%].

The Centre is exposed to changes in electricity prices associated with the 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.

St. Lawrence Centre for the Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

12. 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 \$7,238 [2008 - \$7,214], has not been included in the Centre's balance sheet nor has its operations been included in the Centre's statement of operations.

13. 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.

14. COMPARATIVE FINANCIAL STATEMENTS

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