

St. Lawrence Centre for the Arts

Financial Statements
December 31, 2010

June 23, 2011

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, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

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.

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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The prior year's financial statements were audited by another firm of chartered accountants who expressed an unqualified opinion in their report dated March 31, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

St. Lawrence Centre for the Arts

Balance Sheet

As at December 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash	106,489	258,149
Short-term investments (note 3)	5,016	-
Accounts receivable (note 11)	148,003	178,835
Due from City of Toronto		
Trade receivables	1,309	1,309
Net operating deficiency (note 6(b))	265,821	108,104
Inventories	6,908	7,493
Prepaid expenses	34,448	37,690
	<u>567,994</u>	<u>591,580</u>
Capital assets (note 4)	<u>3,685,202</u>	<u>4,018,453</u>
	<u>4,253,196</u>	<u>4,610,033</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	149,559	230,897
Due to City of Toronto		
Trade payables (note 6(a))	293,484	293,641
Loan (note 6(c))	160,528	224,239
Advance ticket sales	332,763	279,457
Customer deposits	15,465	103,271
Obligations under capital lease (note 10(a))	8,372	2,991
	<u>960,171</u>	<u>1,134,496</u>
Obligations under capital lease (note 10(a))	28,264	-
Deferred capital contributions (note 5)	<u>3,249,041</u>	<u>3,426,382</u>
	4,237,476	4,560,878
Net assets		
Internally restricted for capital purchases (note 7)	<u>15,720</u>	<u>49,155</u>
	<u>4,253,196</u>	<u>4,610,033</u>
Commitments (note 10)		

On Behalf of the Board

 _____ Director

_____ Director

St. Lawrence Centre for the Arts

Statement of Operations

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Funding from City of Toronto	1,420,200	1,497,873
Operating		
Labour services	1,137,629	1,214,583
Rental	497,584	524,418
Ancillary	346,952	364,410
Amortization of deferred capital contributions	396,663	410,629
Other	27,182	57,012
	<hr/> 3,826,210	<hr/> 4,068,925
Expenses		
Salaries, wages and benefits (note 8)	2,572,948	2,627,050
Presentation and production	39,866	41,505
Ancillary	95,486	128,330
Building operations	675,367	648,733
Administration	296,486	304,257
Interest on loan payable - City of Toronto (note 6(c))	-	10,000
Amortization of capital assets	439,267	454,478
	<hr/> 4,119,420	<hr/> 4,214,353
Deficiency of revenue over expenses before the following	(293,210)	(145,428)
Recoverable from the City of Toronto (note 6(b))	256,952	108,104
Deficiency of revenue over expenses for the year	<hr/> (36,258)	<hr/> (37,324)

St. Lawrence Centre for the Arts

Statement of Changes in Net Assets

For the year ended December 31, 2010

	2010		
	Internally restricted for capital purchases \$ (note 7)	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 7)	(36,258)	36,258	-
Vida Peene Fund (note 7)	2,823	-	2,823
Net assets - End of year	15,720	-	15,720
	2009		
	Internally restricted for capital purchases \$ (note 7)	Unrestricted \$	Total \$
Net assets - Beginning of year	86,479	-	86,479
Deficiency of revenue over expenses for the year	-	(37,324)	(37,324)
Interfund transfers (note 7)	(37,324)	37,324	-
Net assets - End of year	49,155	-	49,155

St. Lawrence Centre for the Arts

Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(36,258)	(37,324)
Add (deduct): Items not involving cash		
Amortization of capital assets	439,267	454,478
Amortization of deferred capital contributions	(396,663)	(410,629)
	<u>6,346</u>	<u>6,525</u>
Net change in non-cash working capital balances (note 9)	(239,053)	265,738
	<u>(232,707)</u>	<u>272,263</u>
Investing activities		
Purchase of capital assets	(106,016)	(338,445)
Net decrease (increase) in investments	(5,016)	51,686
	<u>(111,032)</u>	<u>(286,759)</u>
Financing activities		
Contributions restricted for the purchase of capital assets	219,322	177,643
Contribution from Vida Peene Fund	2,823	-
Increase in loan payable - City of Toronto	(63,711)	-
Repayment of obligations under capital lease	33,645	(6,525)
	<u>192,079</u>	<u>171,118</u>
Increase (decrease) in cash during the year	(151,660)	156,622
Cash - Beginning of year	258,149	101,527
Cash - End of year	106,489	258,149

St. Lawrence Centre for the Arts

Notes to Financial Statements

December 31, 2010

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:

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.

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Notes to Financial Statements

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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.

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 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.

St. Lawrence Centre for the Arts

Notes to Financial Statements

December 31, 2010

Financial instruments

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 the City as loans and receivables; and
- accounts payable, accrued liabilities and due to the City as other liabilities.

Derivative financial instruments

Derivative contracts entered into by the City for electricity, to which the Centre is a party, are not designated to be 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.

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 Investments

Short-term investments consist of guaranteed investment certificates.

4 Capital assets

Capital assets consist of the following:

	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 6(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

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	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Computer equipment	548,446	275,729	272,717
Furniture and fixtures	2,125,513	1,506,150	619,363
Building improvements (note 6(c))			
Exterior	892,635	110,042	782,593
Interior	3,103,345	759,565	2,343,780
	<u>6,669,939</u>	<u>2,651,486</u>	<u>4,018,453</u>

Computer equipment includes assets with a cost of \$72,590 (2009 - \$32,623) held under capital leases. Accumulated amortization relating to these assets amounted to \$34,621 (2009 - \$28,275).

During 2009, 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. There were no disposals in 2010.

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:

	2010	2009
	\$	\$
Balance - Beginning of year	3,426,382	3,659,368
Amortization of deferred capital contributions	(396,663)	(410,629)
Contributions restricted for the purchase of capital assets	219,322	177,643
	<u>3,249,041</u>	<u>3,426,382</u>

6 Related party transactions, City of Toronto

- a) In the normal course of operations, the Centre incurred costs of \$478,487 (2009 - \$414,791), 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.

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- 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:

	2010	2009
	\$	\$
Due to the City - Beginning of year	108,104	119,165
Receipt of 2009 deficit (2009 - receipt of 2008 deficit)	(99,235)	(119,165)
Deficiency of revenue over expenses recoverable from the City 2010	256,952	108,104
Due to the City - End of year	<u>265,821</u>	<u>108,104</u>

- 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 \$63,711 in 2010 (2009 - \$nil). The loan bears interest at 5% per annum and is due on June 30, 2012.

7 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 2010, the Centre received distributions of \$2,823 (2009 - \$nil). The distribution from the estate is to be used at the discretion of the Board of Management of the Centre.

In the current year \$36,258 (2009 - \$37,324) of these costs were transferred from the unrestricted fund to the net assets internally restricted for capital.

8 Employee benefits

The Centre's administrative employees participate in a defined contribution pension plan. This plan is separate from the IATSE pension plan and is administered by Manulife. The Centre's contributions to this plan were \$49,109 (2009 - \$50,477), which is expensed and included within salaries, wages and benefits on the statement of operations. Labour contracts for IATSE staff accounted for \$118,905 (2009 - \$105,549) 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.

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The Centre also makes contributions to a defined contribution pension plan administered for the stage employees. Contributions to this plan were \$62,836 (2009 - \$64,764). 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 \$36,696 (2009 - \$40,414). 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.

9 Statement of cash flows

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

	2010	2009
	\$	\$
Accounts receivable	30,832	(35,266)
Inventories	585	1,481
Prepaid expenses	3,242	34
Accounts payable and accrued liabilities - trade	(81,338)	52,691
Due from/to the City	(157,875)	179,730
Advance ticket sales	53,307	(26,993)
Customer deposits	(87,806)	94,061
	<hr/>	<hr/>
	(239,053)	265,738
	<hr/>	<hr/>

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	38,530
Less: Imputed interest	<hr/> 1,894
Present value of minimum lease payments	36,636
Less: Current portion	<hr/> 8,372
	<hr/> 28,264
	<hr/>

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Notes to Financial Statements

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b) Lease commitments

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

	\$
2011	33,521
2012	33,521
2013	33,521
2014	26,717
	<u>127,280</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, 2010, three accounts represent 78% of the total accounts receivable balance (2009 - two accounts represented 63.4%).

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 2010 expired by December 31, 2010.

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 \$7,254 (2009 - \$7,238), has not been included in the Centre's balance sheet nor have 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, 2010, the Centre has met its objective of having sufficient liquid resources to meet its current obligations.