The North York Performing Arts Centre Corporation
(operating as The Toronto Centre for the Arts)

Financial Statements
December 31, 2011

pwc

May 30, 2012

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 North York Performing Arts Centre Corporation (operating as The Toronto Centre for the Arts), which comprise the balance sheet as at December 31, 2011 and the statements of operations and deficit 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
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, 2011 and the results of its operations and its cash flows for the year ended December 31, 2011 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

The North York Performing Arts Centre Corporation
(operating as The Toronto Centre for the Arts)
Balance Sheet
As at December 31, 2011

(in thousands of dollars)

	2011 $	2010 $
Assets		
Current assets		
Cash	646	316
Cash held in trust (note 4)	37	47
Accounts receivable (note 10)	146	149
Prepaid expenses	23	13
	852	525
Receivable from the City of Toronto (note 3(a))	4,430	4,558
Art collection	2,542	2,542
Capital assets (note 5)	26,903	28,067
Total Assets	34,727	35,692
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	507	516
Deferred revenue	311	117
Advance ticket sales	177	247
	995	880
Loan payable to the City of Toronto (note 3(c))	10,023	10,023
Deferred capital contributions (note 6)	27,419	28,165
Total Liabilities	38,437	39,068
Deficit	(3,710)	(3,376)
	34,727	35,692

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 Deficit

For the year ended December 31, 2011

(in thousands of dollars)

	2011		2010
	Budget $ (Unaudited)	**Actual** $	**Actual** $
Revenue			
Revenue from operations (note 4)	3,495	2,975	5,074
City of Toronto grant	923	924	980
Amortization of deferred capital contributions	-	1,068	1,036
	4,418	4,967	7,090
Expenses			
Salaries, wages and benefits (note 8)	2,876	3,234	4,040
Capital maintenance	122	104	202
Utilities	485	309	416
Other operating	1,163	768	1,400
Professional fees and services	22	48	23
Amortization of capital assets	-	1,402	1,365
	4,668	5,865	7,446
Excess of expenses over revenue before the following	(250)	(898)	(356)
Transfer from (to) the City of Toronto (note 3(d))	-	355	(21)
Transfer from the Stabilization Reserve Fund (note 7)	250	209	48
Excess of expenses over revenue for the year	-	(334)	(329)
Deficit - Beginning of year	-	(3,376)	(3,047)
Deficit - End of year	-	(3,710)	(3,376)

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, 2011

(in thousands of dollars)

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(334)	(329)
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(1,068)	(1,036)
Amortization of capital assets	1,402	1,365
Net change in non-cash working capital balances (note 9)	118	(605)
	118	(605)
Investing activities		
Increase (decrease) in receivable from the City of Toronto (note 9)	202	(1,453)
Purchase of capital assets	(238)	(828)
	(36)	(2,281)
Financing activities		
Capital Maintenance Reserve Fund - ticket surcharges (note 6)	248	688
Increase (decrease) in cash during the year	330	(2,198)
Cash - Beginning of year	316	2,514
Cash - End of year	646	316

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

(in thousands of dollars)

1 Purpose

The North York Performing Arts Centre Corporation (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 non-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 exempt from 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 generally accepted accounting principles. The significant accounting policies are as follows.

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 balance sheet.

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)

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.

Impairment of long-lived assets

The Centre tests for impairment of its long-lived assets whenever events and circumstances indicate the carrying amount may not be recoverable. No impairment 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 balance sheet at cost. Works donated are independently appraised and are recorded on the balance sheet at their appraised value.

Employee future benefits

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

Financial instruments

The Centre's financial instruments included in the balance sheet are comprised of cash, cash held in trust, accounts receivable and receivable from the City (both of which are classified as loans and receivables), and accounts payable and accrued liabilities (classified as other liabilities).

The carrying values 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 the transition has not been determined at this time.

(in thousands of dollars)

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 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 independent of the City, except for the investment of the Capital Maintenance Reserve Fund (note 6). The receivable from the City, which is non-interest bearing, represents the cumulative excess of cash received and disbursements made directly by the City on behalf of the Centre. 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 incurs costs 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 amount.

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 (2010 - $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 City is responsible for the entire deficit in the year. The transfer of operating income (deficit) to (from) the City is calculated as follows:

	2011 $	2010 $
Excess of expenses over revenue before transfer from the City	(898)	(356)
Transfer from the Stabilization Reserve Fund (note 7)	209	48
Add (deduct) non-cash items		
Amortization of capital assets	1,402	1,365
Amortization of deferred capital contributions	(1,068)	(1,036)
Transfer (from) to the City	(355)	21

4 Licence agreement

On December 21, 2007, the Centre entered into a licence agreement for the use of the Centre's Main Stage Theatre for certain performances from August 4, 2008 to January 11, 2009. On January 9, 2009, the agreement was extended for an indefinite period of time. In addition to the rental fee, the licensee is required to pay for certain costs specific to its use of the Main Stage Theatre.

(in thousands of dollars)

On March 7, 2008, the Centre and the licensee entered into a Master Licence Agreement from the date of the agreement until December 31, 2010, providing the licensee first right to use the premises, including the Main Stage Theatre. In addition to the rental fee, the licensee is required to pay for certain costs specific to its use of the Main Stage Theatre. On January 9, 2009, this agreement was extended to the later of December 31, 2011 or the last day of the licence agreement noted above. On June 16, 2011, the Centre executed the second amending agreement to the Master Licence Agreement dated March 7, 2008, extending the Master Licence Agreement to December 31, 2012. The second amending agreement to the Master Licence Agreement provides a minimum guarantee for 2012 of $408.

All proceeds from the sale of tickets at the Centre pertaining to these agreements are to be held in trust until the completion of the applicable performance, at which time the ticket proceeds for that performance are paid to the licensee. As at December 31, 2011, $37 (2010 - $47) of advance ticket sales was held in trust.

5 Capital assets

Capital assets consist of the following:

			2011
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Building	45,649	20,593	25,056
Furnishings and equipment	4,588	2,811	1,777
Computer equipment	360	290	70
	50,597	23,694	26,903

			2010
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Building	45,649	19,451	26,198
Furnishings and equipment	4,414	2,589	1,825
Computer equipment	296	252	44
	50,359	22,292	28,067

(in thousands of dollars)

6 Deferred capital contributions

The changes in deferred capital contributions during the year are due to the following:

	2011			2010
	Capital Maintenance Reserve Fund $	Other capital contributions $	Total $	Total $
Balance - Beginning of year	7,900	20,265	28,165	28,485
Ticket surcharge	248	-	248	688
Interest earned	74	-	74	28
Purchase of capital assets funded	(239)	239	-	-
Amortization of deferred capital contributions	-	(1,068)	(1,068)	(1,036)
Balance - End of year	7,983	19,436	27,419	28,165

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.

(in thousands of dollars)

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

			2011	2010
	Capital Maintenance Reserve Fund $	Other capital contributions $	Total $	Total $
Gross capital contributions received from the City	-	30,660	30,660	30,660
Other	-	10,563	10,563	10,324
Capital Maintenance Reserve Fund	7,983	-	7,983	7,900
	7,983	41,223	49,206	48,884
Less: Accumulated amortization	-	(21,787)	(21,787)	(20,719)
	7,983	19,436	27,419	28,165

(in thousands of dollars)

7 Stabilization reserve

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 exclude 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 the City Council. For the fiscal years ended December 31, 2010 and 2011, the City has not added to this fund the transfer of current year operating income as disclosed in note 3(d). This fund resides in the City's financial statements and is not included in the Centre's financial statements. As at December 31, 2011, the balance in the Stabilization Reserve Fund is $1,016 (2010 - $1,225).

8 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. The 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 surpluses or deficits are 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 2011, which were expensed, are $80 (2010 - $55) 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 2011 amounted to $143 (2010 - $106) and are included in salaries, wages and benefits.

9 Statement of cash flows

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

	2011 $	2010 $
Funds held in trust	10	133
Accounts receivable	3	(115)
Prepaid expenses	(10)	-
Accounts payable and accrued liabilities	(9)	(423)
Deferred revenue	194	(162)
Advance ticket sales	(70)	(38)
	118	(605)

(in thousands of dollars)

Non-cash investing and financing activities excluded from the statement of cash flows include interest earned on the Capital Maintenance Reserve Fund of $74 (2010 - $28) (note 6), which is included in the receivable from the City.

10 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 $146 (2010 - $149). As at December 31, 2011, two accounts represent 82% of the total accounts receivable balance (2010 - three accounts represented 93%). Revenue derived from one customer totalled 58% of revenue from operations (2010 - one customer totalled 71%).

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, deferred revenue and advance ticket sales.

11 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 budget. As at December 31, 2011, the Centre has met its objective of having sufficient liquid resources to meet its current obligations.

12 Subsequent events

In April 2012, the licensee to the Master License Agreement (note 4) publicly announced it will wind down its theatre operations after its July 2012 show in the Main Stage theatre and will not extend the agreement past December 31, 2012. The licensee represents 58% of 2011 revenues.

13 Comparative figures

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