St. Lawrence Centre for the Arts

Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

April 25, 2013

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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and the cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits 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 St. Lawrence Centre for the Arts as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

St. Lawrence Centre for the Arts

Statements of Financial Position

	December 31, 2012 $	December 31, 2011 $ (note 2)	January 1, 2011 $ (note 2)
Assets			
Current assets			
Cash	441,270	492,450	106,489
Short-term investments	5,035	5,035	5,016
Accounts receivable (note 11)	67,363	180,960	148,003
Due from City of Toronto			
Trade receivables	-	4,051	1,309
Net operating deficiency (note 6(b))	261,916	230,147	265,821
Inventories	15,581	19,929	20,559
Prepaid expenses	18,525	23,889	20,797
	809,690	956,461	567,994
Capital assets (note 4)	3,089,283	3,346,191	3,685,202
	3,898,973	4,302,652	4,253,196
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	151,447	179,444	149,559
Due to City of Toronto			
Trade payables (note 6(a))	613,218	676,473	293,484
Loan (note 6(c))	-	-	160,528
Advance ticket sales	205,807	355,525	332,763
Customer deposits	5,936	17,726	15,465
Obligations under capital lease (note 10(a))	8,372	8,372	8,372
	984,780	1,237,540	960,171
Obligations under capital lease (note 10(a))	12,277	20,270	28,264
Deferred capital contributions (note 5)	2,937,112	3,061,591	3,249,041
	3,934,169	4,319,401	4,237,476
Net Assets			
Internally restricted for capital purchases (note 7)	-	15,720	15,720
Unrestricted	(35,196)	(32,469)	-
	(35,196)	(16,749)	15,720
	3,898,973	4,302,652	4,253,196

Commitments (note 10)

On Behalf of the Board

______________________ Director ______________________ Director

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

St. Lawrence Centre for the Arts

Statements of Operations

For the years ended December 31, 2012 and December 31, 2011

	2012 $	2011 $ (note 2)
Revenue		
Funding from City of Toronto	1,229,400	1,346,221
Operating		
Labour services	1,143,096	1,119,163
Rental	475,263	447,290
Ancillary	300,989	347,279
Amortization of deferred capital contributions	282,828	373,281
Other	44,507	166,061
	3,476,083	3,799,295
Expenses		
Salaries, wages and benefits (note 8)	2,419,379	2,554,274
Building operations	678,097	683,092
Amortization of capital assets	309,269	413,563
Administration	228,006	264,329
Ancillary	61,134	89,145
Presentation and production	39,697	32,780
	3,735,582	4,037,183
Deficiency of revenue over expenses before the following	(259,499)	(237,888)
Recoverable from City of Toronto (note 6(b))	241,052	205,419
Deficiency of revenue over expenses for the year	(18,447)	(32,469)

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

St. Lawrence Centre for the Arts

Statements of Changes in Net Assets

For the years ended December 31, 2012 and December 31, 2011

	2012		
	Internally restricted for capital purchases $ (note 7)	**Unrestricted $**	**Total $**
Net assets - Beginning of year	15,720	(32,469)	(16,749)
Transfer between funds (note 7)	(15,720)	15,720	-
Deficiency of revenue over expenses for the year	-	(18,447)	(18,447)
Net assets - End of year	-	(35,196)	(35,196)

	2011		
	Internally restricted for capital purchases $ (note 7)	**Unrestricted $**	**Total $** (note 2)
Net assets - Beginning of year	15,720	-	15,720
Deficiency of revenue over expenses for the year	-	(32,469)	(32,469)
Net assets - End of year	15,720	(32,469)	(16,749)

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

St. Lawrence Centre for the Arts

Statements of Cash Flows

For the years ended December 31, 2012 and December 31, 2011

	2012 $	2011 $ (note 2)
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(18,447)	(32,469)
Add (deduct): Items not involving cash		
Amortization of capital assets	309,269	413,563
Amortization of deferred capital contributions	(282,828)	(373,281)
Loan forgiveness	-	(120,528)
	7,994	(112,715)
Net change in non-cash working capital balances (note 9)	(157,169)	435,410
	(149,175)	322,695
Capital activities		
Purchase of capital assets	(52,361)	(74,552)
Investing activities		
Purchase of investments	(5,035)	(5,035)
Sale of investments	5,035	5,016
	-	(19)
Financing activities		
Contributions restricted for the purchase of capital assets	158,349	185,831
Repayment of loan payable - City of Toronto	-	(40,000)
Repayment of obligations under capital lease	(7,993)	(7,994)
	150,356	137,837
Increase (decrease) in cash during the year	(51,180)	385,961
Cash - Beginning of year	492,450	106,489
Cash - End of year	441,270	492,450

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. 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 Transition to Public Sector Accounting Standards

In 2010, The Canadian Institute of Chartered Accountants (CICA) Handbook - Public Sector was revised to include Accounting Standards that apply only to Government not-for-profit organizations, to allow Government not-for-profit organizations the choice to use such standards in applying to Public Sector Accounting Standards (PSAS), or PSAS without these standards, effective for the years beginning on or after January 1, 2012.

Effective January 1, 2012, the Centre adopted PSAS and elected to apply the accounting standards that apply only to government not-for-profit organizations as issued by the Canadian Public Sector Accounting Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

In preparation of these financial statements, the Centre early adopted PS 3450, Financial Instruments, and the associated standards of PS 1201, Financial Presentation, PS 2601, and Foreign Currency Translation. These specific standards have been applied prospectively from January 1, 2012 in accordance with the transition provisions of these standards as these financial statements are the first PSAS financial statements for the Centre.

There have been no exemptions taken and no transitional impact on the statements of financial position, operations, changes in net assets and cash flows under PSAS.

3 Summary of significant accounting policies

The financial statements of the Centre have been prepared by management in accordance with 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 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 statements 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 1.00% and a maturity date of June 28, 2013. 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.

Writedown of tangible capital assets

A writedown of tangible 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 statements of operations. A writedown is subsequently not reversed. No writedown has been recorded in the current year.

Employee future benefits

Contributions to multi-employee defined contribution pension plans are expensed when due.

Contributed materials and services

Contributed materials are not 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 statements of financial position are comprised of cash, short-term investments, accounts receivable, receivable due from the City of Toronto, long-term receivables, accounts payable and accrued liabilities and payable due to City of Toronto. The financial instruments are measured at amortized cost.

For certain of the Centre's financial instruments, including cash, accounts receivable and accounts payable and accrued liabilities, their carrying value approximate 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 statements of operations. A writedown is not subsequently reversed for a subsequent increase in value.

There are no remeasurement gains or losses recorded during 2011 and 2012.

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, 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.

4 Capital assets

Capital assets consist of the following:

			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 (note 6(c))			
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

			2011
	Cost $	Accumulated amortization $	Net $
Computer equipment	615,421	544,321	71,100
Furniture and fixtures	2,216,857	1,732,768	484,089
Building improvements (note 6(c))			
Exterior	892,635	181,452	711,183
Interior	3,125,593	1,045,774	2,079,819
	6,850,506	3,504,315	3,346,191

Computer equipment includes assets with a cost of $72,590 (2011 - $72,590) held under capital leases. Accumulated amortization relating to these assets amounted to $50,607 (2011 - $42,614).

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:

	2012 $	2011 $
Balance - Beginning of year	3,061,591	3,249,041
Amortization of deferred capital contributions	(282,828)	(373,281)
Contributions restricted for the purchase of capital assets	158,349	185,831
Balance - End of year	2,937,112	3,061,591

6 Related party transactions, City of Toronto

a) In the normal course of operations, the Centre incurred costs of $463,897 (2011 - $474,721), which are included in the statements 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.

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:

	2012 $	2011 $
Due from the City - Beginning of year	230,147	265,821
Receipt of 2011 deficit (2011 - receipt of 2010 deficit)	(209,283)	(241,093)
Deficiency of revenue over expenses recoverable from the City	241,052	205,419
Due from the City - End of year	261,916	230,147

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 $40,000 in 2011. The outstanding balance of $120,528 was forgiven by the City in 2011 and was recorded as other revenue on the statements of operations.

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 distributions from the Estate of Vida Peene. During 2012, the Centre received distributions of $1,101 (2011 - $981). The distributions from the estate are to be used at the discretion of the Board of Management of the Centre. In 2012, the distributions received were used toward operations of the Centre.

In the current year, $nil (2011 - $nil) was transferred from the unrestricted fund to net assets internally restricted for capital purchases and $15,720 (2011 - $nil) was transferred from net assets internally restricted for capital purchases to the unrestricted fund.

8 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 this plan were $40,989 (2011 - $47,913), which is expensed and included within salaries, wages and benefits on the statements of operations. Labour contracts for IATSE staff accounted for $65,694 (2011 - $102,616) 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.

The Centre also makes contributions to a defined contribution pension plan administered for the stage employees. Contributions to this plan were $65,399 (2011 - $63,559). 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 $49,745 (2011 - $49,197). 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. These recoverable expenses are recorded on a gross basis in labour services revenue and salaries, wages and benefits expenses on the statements of operations.

9 Statements of cash flows

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

	2012 $	2011 $
Accounts receivable	113,597	(32,957)
Inventories	4,348	630
Prepaid expenses	5,364	(3,092)
Accounts payable and accrued liabilities - trade	(27,997)	29,885
Due from/to the City	(90,973)	415,921
Advance ticket sales	(149,718)	22,762
Customer deposits	(11,790)	2,261
	(157,169)	435,410

10 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 2012	22,007
Less: Imputed interest	1,358
Present value of minimum lease payments	20,649
Less: Current portion	8,372
	12,277

b) Lease commitments

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

	$
2013	26,066
2014	26,000
2015	26,000
2016	26,000
2017	6,500
	110,566

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.

11 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, 2012, three accounts represent 86% of the total accounts receivable balance (2011 - three accounts represented 82%). These accounts are regular licensees of the Centre.

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, due to the City, advance ticket sales, customer deposits and obligations under capital lease.

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 $7,269 (2011 - $7,261), has not been included in the Centre's statements of financial position nor have its operations been included in the Centre's statements of operations.

13 Capital management

In managing capital, the Centre focuses on liquid resources available for its 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, 2012, the Centre has met its objective of having sufficient liquid resources to meet its current obligations.