The North York Performing Arts Centre Corporation

(operating as The Toronto Centre for the Arts)

Financial Statements

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

June 27, 2013

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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and changes in net assets and 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.

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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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations, its remeasurement gains and losses 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

The North York Performing Arts Centre Corporation

(operating as The Toronto Centre for the Arts)
Statements of Financial Position

(in thousands of dollars)

	December 31, 2012 $	December 31, 2011 $ (note 2)	January 1, 2011 $ (note 2)
Assets			
Current assets			
Cash	131	646	316
Cash held in trust (note 5)	-	37	47
Accounts receivable (note 11)	106	146	149
Prepaid expenses	13	23	13
	250	852	525
Receivable from the City of Toronto (note 4(a))	4,569	4,430	4,558
Art collection	2,542	2,542	2,542
Capital assets (note 6)	25,867	26,903	28,067
	33,228	34,727	35,692
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	236	507	516
Deferred revenue	253	311	117
Advance ticket sales	208	177	247
	697	995	880
Loan payable to the City of Toronto (note 4(c))	10,023	10,023	10,023
Deferred capital contributions (note 7)	26,550	27,419	28,165
	37,270	38,437	39,068
Deficit	(4,042)	(3,710)	(3,376)
	33,228	34,727	35,692

Contingencies (note 12)

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)

Statements of Operations and Changes in Net Assets

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

(in thousands of dollars)

	2012 $	2011 $ (note 2)
Revenue		
Revenue from operations (note 5)	3,263	2,975
City of Toronto grant	824	924
Other revenue	15	-
Amortization of deferred capital contributions	1,090	1,068
	5,192	4,967
Expenses		
Salaries, wages and benefits (note 9)	3,509	3,234
Utilities	349	309
Other operating	719	768
Capital maintenance	94	104
Professional fees and services	96	48
Amortization of capital assets	1,422	1,402
	6,189	5,865
Excess of expenses over revenue before the following	(997)	(898)
Transfer from the City of Toronto (note 4(d))	415	355
Transfer from the Stabilization Reserve Fund (note 8)	250	209
Excess of expenses over revenue for the year	(332)	(334)
Deficit - Beginning of year	(3,710)	(3,376)
Deficit - End of year	(4,042)	(3,710)

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)

Statements of Cash Flows

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

(in thousands of dollars)

	2012 $	2011 $ (note 2)
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(332)	(334)
Add (deduct): Non-cash items		
Net gain on sale of capital equipment	(12)	-
Amortization of deferred capital contributions	(1,090)	(1,068)
Amortization of capital assets	1,422	1,402
Net change in non-cash working capital balances (note 10)	(211)	118
	(223)	118
Capital activities		
Sale of capital assets	16	-
Purchase of capital assets	(390)	(238)
	(374)	(238)
Financing activities		
Increase (decrease) in receivable from the City of Toronto (note 10)	(76)	202
Capital Maintenance Reserve Fund - ticket surcharge (note 7)	158	248
	82	450
Increase (decrease) in cash during the year	(515)	330
Cash - Beginning of year	646	316
Cash - End of year	131	646

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

(in thousands of dollars)

1 Purpose

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 exempt from 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 Canadian 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 the preparation of these financial statements, the Centre early adopted PS 3540, Financial Instruments, and the associated standards of PS 1201, Financial Presentation, and PS 2601, 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 and 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 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.

(in thousands of dollars)

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 statements 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.

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 statements of operations and changes in net assets. 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 statements of financial position at cost. Works donated are independently appraised and are recorded on the statements of financial position at their initial appraised value.

(in thousands of dollars)

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 statements of financial position are comprised of cash, cash held in trust, accounts receivable, receivable from the City of Toronto, and accounts payable and accrued liabilities. The financial instruments are measured at amortized cost.

For certain of the Centre's financial instruments, including cash, cash held in trust and accounts payable and accrued liabilities, their carrying values 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 and changes in net assets. A writedown is not subsequently reversed for a subsequent increase in value.

There were no remeasurement gains or losses recorded during 2011 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.

4 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 7). 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 $378 (2011 - $336) 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 (2011 - $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:

(in thousands of dollars)

	2012 $	2011 $
Excess of expenses over revenue before transfer from the City	(997)	(898)
Transfer from the Stabilization Reserve Fund (note 8)	250	209
Add (deduct) non-cash items		
Amortization of capital assets	1,422	1,402
Amortization of deferred capital contributions	(1,090)	(1,068)
Transfer from the City	(415)	(355)

5 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.

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 and 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, 2012, $nil (2011 - $37) of advance ticket sales was held in trust.

6 Capital assets

Capital assets consist of the following:

	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

(in thousands of dollars)

	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

7 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		
	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

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

(in thousands of dollars)

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:

			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

			2011
	Capital Maintenance Reserve Fund $	**Other capital contributions $**	**Total $**
Gross capital contributions received from the City	-	30,660	30,660
Other	-	10,562	10,562
Capital Maintenance Reserve Fund	7,985	-	7,985
	7,985	41,222	49,207
Less: Accumulated amortization	-	(21,787)	(21,787)
	7,985	19,435	27,450

8 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,

(in thousands of dollars)

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, 2011 and December 31, 2012, the City has not added to this fund the transfer of current year operating income as disclosed in note 4(d). This fund resides in the City's financial statements and is not included in the Centre's financial statements. As at December 31, 2012, the balance in the Stabilization Reserve Fund is $766 (2011 - $1,016).

9 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 2012, which were expensed, are $84 (2011 - $80) 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 2012 amounted to $69 (2011 - $143) and are included in salaries, wages and benefits.

10 Statements of cash flows

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

	2012 $	2011 $
Funds held in trust	37	10
Accounts receivable	40	3
Prepaid expenses	10	(10)
Accounts payable and accrued liabilities	(271)	23
Deferred revenue	(58)	162
Advance ticket sales	31	(70)
	(211)	118

Non-cash investing and financing activities excluded from the statements of cash flows include interest earned on the Capital Maintenance Reserve Fund of $63 (2011 - $74) (note 7), which is included in the receivable from the City.

(in thousands of dollars)

11 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 $106 (2011 - $146). As at December 31, 2012, two accounts represented 86% of the total accounts receivable balance (2011 - two accounts represented 82%). Revenue derived from one customer totalled 39% of revenue from operations (2011 - one customer totalled 58%).

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.

12 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.