

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

Financial Statements
December 31, 2016



June 20, 2017

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 statement of financial position as at December 31, 2016 and the statements of operations and changes in net assets (liabilities) 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 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 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
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**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, 2016 and the results of its operations and the changes in its net financial assets (liabilities) and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The North York Performing Arts Centre Corporation

(operating as The Toronto Centre for the Arts)

Statement of Financial Position

As at December 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash	234	619
Accounts receivable (note 9)	437	103
Receivable from the City of Toronto (note 3)	-	1,431
Prepaid expenses	15	5
	686	2,158
Art collection	2,542	2,542
Capital assets (note 4)	30,616	29,155
	33,844	33,855
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	946	1,370
Accounts payable to the City of Toronto (note 3)	1,440	-
Deferred revenue	192	189
Advance ticket sales	364	401
	2,942	1,960
Deferred capital contributions (note 5)	26,602	27,207
	29,544	29,167
Surplus	4,300	4,688
	33,844	33,855

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 Changes in Net Assets (Liabilities)

For the year ended December 31, 2016

(in thousands of dollars)

	2016		2015
	Budgeted \$	Actual \$	Actual \$
Revenue			
Revenue from operations	1,413	1,842	1,478
City of Toronto grant	1,740	1,740	1,773
Amortization of deferred capital contributions	-	1,237	926
	3,153	4,819	4,177
Expenses			
Salaries, wages and benefits (note 7)	2,450	2,894	2,572
Utilities	357	394	330
Other operating	232	500	389
Capital maintenance	57	109	108
Professional fees and services	57	15	74
Amortization of capital assets	-	1,625	1,486
	3,153	5,537	4,959
Deficiency of revenue over expenses before the following	-	(718)	(782)
Gain resulting from disposal of City of Toronto loan balance (note 3)	-	-	10,023
Transfer from the City of Toronto (note 3)	-	330	222
Excess (deficiency) of revenue over expenses for the year	-	(388)	9,463
Surplus (deficit) - Beginning of year	-	4,688	(4,775)
Surplus - End of year	-	4,300	4,688

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, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(388)	9,463
Add (deduct): Non-cash items		
City of Toronto loan writeoff	-	(10,023)
Amortization of deferred capital contributions	(1,237)	(926)
Amortization of capital assets	1,625	1,486
Net change in non-cash working capital balances (note 8)	(802)	906
	<u>(802)</u>	<u>906</u>
Capital activities		
Purchase of capital assets	<u>(3,086)</u>	<u>(6,072)</u>
Financing activities		
Decrease in receivable/payable from the City of Toronto	2,834	2,275
Funding for project equipment from the City of Toronto (note 5)	611	3,248
Ticket surcharge (note 5)	58	43
	<u>3,503</u>	<u>5,566</u>
Increase (decrease) in cash during the year	(385)	400
Cash - Beginning of year	<u>619</u>	<u>219</u>
Cash - End of year	<u>234</u>	<u>619</u>

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)

Notes to Financial Statements

December 31, 2016

(in thousands of dollars)

1 Operations and relationship with the City of Toronto

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 Greenwin Theatre, the Lyric Theatre, the George Weston Recital Hall and the Studio Theatre.

The Centre is a not-for-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 of the Centre have been prepared by management in accordance with Canadian Public Sector Accounting Standards (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.

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 statement 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.

Revenue from operations is recognized either on the date of the performance or event, or at the point of sale. 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.

The North York Performing Arts Centre Corporation

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Notes to Financial Statements

December 31, 2016

(in thousands of dollars)

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

The 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 statement of operations and changes in net assets (liabilities). 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 statement of financial position at cost. Works donated are independently appraised and are recorded on the statement of financial position at their initial 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 statement of financial position are comprised of cash, accounts receivable, receivable/payable from/to the City of Toronto, accounts payable and accrued liabilities. The financial instruments are initially measured at fair value and subsequently 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 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 statement of operations and changes in net assets (liabilities). A writedown is not subsequently reversed for an increase in value.

There were no remeasurement gains or losses recorded during 2015 or 2016 and therefore a statement of remeasurement gains and losses has not been presented.

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December 31, 2016

(in thousands of dollars)

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.

3 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 5). The receivable/payable from the City is non-interest bearing. The fair value of this receivable/payable cannot be reasonably determined as there are no fixed terms of repayment.
- b) In the normal course of operations, the Centre incurred costs of \$352 (2015 - \$287) 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 on 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. In 2015, City Council approved a motion to write off the outstanding loan payable of \$10,023. There were no outstanding loans in 2016.
- 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 amount of the transfer of the operating excess (deficiency) from (to) the City is based on excess (deficiency) of revenue after adjustments for non-cash items. The transfer of operating excess (deficiency) of revenue is calculated as follows:

	2016 \$	2015 \$
Deficiency of revenue over expenses before transfer from the City	(718)	(782)
Add (deduct): Non-cash items		
Amortization of capital assets	1,625	1,486
Amortization of deferred capital contributions	(1,237)	(926)
Transfer from the City	(330)	(222)

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(in thousands of dollars)

4 Capital assets

Capital assets consist of the following:

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Building	55,004	26,514	28,490
Furnishings and equipment	6,199	4,136	2,063
Computer equipment	509	446	63
	61,712	31,096	30,616
	2015		
	Cost \$	Accumulated amortization \$	Net \$
Building	52,430	25,219	27,211
Furnishings and equipment	5,761	3,834	1,927
Computer equipment	435	418	17
	58,626	29,471	29,155

Building includes assets amounting to \$9,213, for which construction was finished during the year. Accordingly, amortization of these assets commenced in 2016.

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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:

	2016		
	Capital Maintenance Reserve Fund \$	Other capital contributions \$	Total \$
Balance - Beginning of year	3,890	23,317	27,207
Ticket surcharge	58	-	58
Interest earned	19	-	19
Funding for project equipment	611	-	611
Marketing costs	(56)	-	(56)
Purchase of capital assets funded	(3,085)	3,085	-
Amortization of deferred capital contributions	-	(1,237)	(1,237)
Balance - End of year	1,437	25,165	26,602
	2015		
	Capital Maintenance Reserve Fund \$	Other capital contributions \$	Total \$
Balance - Beginning of year	6,637	18,170	24,807
Ticket surcharge	43	-	43
Interest earned	35	-	35
Funding for project equipment	3,248	-	3,248
Purchase of capital assets funded	(6,073)	6,073	-
Amortization of deferred capital contributions	-	(926)	(926)
Balance - End of year	3,890	23,317	27,207

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.

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(in thousands of dollars)

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

	2016		
	Capital Maintenance Reserve Fund \$	Other capital contributions \$	Total \$
Gross capital contributions received from the City	-	30,660	30,660
Other	-	21,700	21,700
Capital Maintenance Reserve Fund	1,437	-	1,437
	1,437	52,360	53,797
Less: Accumulated amortization	-	(27,195)	(27,195)
	1,437	25,165	26,602
	2015		
	Capital Maintenance Reserve Fund \$	Other capital contributions \$	Total \$
Gross capital contributions received from the City	-	30,660	30,660
Other	-	18,614	18,614
Capital Maintenance Reserve Fund	3,890	-	3,890
	3,890	49,274	53,164
Less: Accumulated amortization	-	(25,957)	(25,957)
	3,890	23,317	27,207

6 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, 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 City Council. This fund resides in the City's financial statements and is not included in the Centre's financial statements. As at December 31, 2016, the balance in the Stabilization Reserve Fund is \$309 (2015 - \$709).

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7 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 2016, which were expensed, are \$139 (2015 - \$127) 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 2016 amounted to \$29 (2015 - \$24) and are included in salaries, wages and benefits.

8 Statement of cash flows

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

	2016 \$	2015 \$
Accounts receivable	(334)	(40)
Prepaid expenses	(10)	1
Accounts payable and accrued liabilities	(424)	847
Deferred revenue	3	35
Advance ticket sales	(37)	63
	<u>(802)</u>	<u>906</u>

Non-cash investing and financing activities excluded from the statement of cash flows include interest earned on the Capital Maintenance Reserve Fund of \$19 (2015 - \$35) (note 5), which is included in the receivable/payable from the City.

9 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.

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(in thousands of dollars)

The Centre is subject to credit risk with respect to accounts receivable of \$437 (2015 - \$103). As at December 31, 2016, seven accounts represented 77% of the total accounts receivable balance (2015 - three accounts represented 98%).

The Centre believes it has moderate exposure to credit risk.

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.

10 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.

11 Subsequent events

In 2015, the City of Toronto mandated a merger of the three City owned theatres (Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts and The Toronto Centre for the Arts, collectively, Civic Theatres Toronto (CTT)). In 2017, CTT hired a President and Chief Executive Officer to initiate the merger of the three theatres. In connection with the integration of the theatres, Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts and The Toronto Centre for the Arts are expected to incur costs between \$1,200 and \$1,500 related to terminations.