

St. Lawrence Centre for the Arts

Financial Statements
December 31, 2016



June 20 2017

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 statement of financial position as at December 31, 2016 and the statements of operations, changes in net 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.

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"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 St. Lawrence Centre for the Arts as at December 31, 2016 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Lawrence Centre for the Arts

Statement of Financial Position

As at December 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash	685,851	767,660
Short-term investments	-	60,134
Accounts receivable (note 10)	117,748	80,841
Due from City of Toronto - net operating deficiency (note 5(b))	105,242	-
Inventories	20,048	15,106
Prepaid expenses	25,703	29,341
	954,592	953,082
Capital assets (note 3)	2,475,040	2,542,578
	3,429,632	3,495,660
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	249,816	275,043
Due to City of Toronto - trade payables (note 5(a))	636,378	398,330
Due to City of Toronto - net operating excess (note 5(b))	-	150,298
Advance ticket sales	173,633	167,806
Customer deposits	9,966	12,522
	1,069,793	1,003,999
Deferred capital contributions (note 4)	2,464,219	2,578,745
	3,534,012	3,582,744
Net Liabilities		
Internally restricted for capital purchases (note 6)	-	-
Unrestricted	(104,380)	(87,084)
	(104,380)	(87,084)
	3,429,632	3,495,660
Commitments and contingencies (note 9)		

On Behalf of the Board

Director

Director

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

St. Lawrence Centre for the Arts

Statement of Operations

For the year ended December 31, 2016

	2016		2015
	Budget \$	Actual \$	Actual \$
Revenue			
Funding from City of Toronto	1,724,361	1,724,422	1,757,028
Operating			
Labour services	1,026,879	1,352,166	1,319,160
Rental	391,876	434,891	475,525
Ancillary	269,531	342,298	370,702
Amortization of deferred capital contributions (note 4)	237,996	244,853	237,839
Other	45,761	108,666	35,794
	3,696,404	4,207,296	4,196,048
Expenses			
Salaries, wages and benefits (note 7)	2,374,917	2,739,605	2,570,961
Building operations	723,249	876,178	836,535
Amortization of capital assets	237,996	262,149	255,135
Administration	229,686	288,000	266,455
Ancillary	79,754	87,144	79,241
Presentation and production	50,802	76,758	54,719
	3,696,404	4,329,834	4,063,046
(Deficiency) excess of revenue over expenses before the following	-	(122,538)	133,002
Transfer from (to) City of Toronto (note 5(b))	-	105,242	(150,298)
Deficiency of revenue over expenses for the year	-	(17,296)	(17,296)

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

St. Lawrence Centre for the Arts

Statement of Changes in Net Liabilities

For the year ended December 31, 2016

	2016		
	Internally restricted for capital purchases \$ (note 6)	Unrestricted \$	Total \$
Net liabilities - Beginning of year	-	(87,084)	(87,084)
Deficiency of revenue over expenses for the year	-	(17,296)	(17,296)
Net liabilities - End of year	-	(104,380)	(104,380)

	2015		
	Internally restricted for capital purchases \$ (note 6)	Unrestricted \$	Total \$
Net liabilities - Beginning of year	-	(69,788)	(69,788)
Deficiency of revenue over expenses for the year	-	(17,296)	(17,296)
Net liabilities - End of year	-	(87,084)	(87,084)

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

St. Lawrence Centre for the Arts

Statement of Cash Flows

For the year ended December 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(17,296)	(17,296)
Add (deduct): Items not involving cash		
Amortization of capital assets	262,149	255,135
Amortization of deferred capital contributions	(244,853)	(237,839)
Net change in non-cash working capital balances (note 8)	(77,659)	128,376
	(77,659)	128,376
Capital activities		
Purchase of capital assets	(194,611)	(62,443)
Investing activities		
Purchase of short-term investments	-	(60,134)
Redemption of short-term investments	60,134	60,216
	60,134	82
Financing activities		
Contributions received restricted for the purchase of capital assets	130,327	150,567
Repayment of obligations under capital lease	-	(4,663)
	130,327	145,904
Increase (decrease) in cash during the year	(81,809)	211,919
Cash - Beginning of year	767,660	555,741
Cash - End of year	685,851	767,660

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

St. Lawrence Centre for the Arts

Notes to Financial Statements

December 31, 2016

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 not-for-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 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 3) and are financed primarily through the Centre's Capital Improvement Reserve Fund, which was established to record ticket surcharges introduced in 1987 (note 4).

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 summarized below:

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions, including funding from the City, 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 that have not been expended are recorded as deferred capital contributions on the statement of financial position and amortized over the life of the related capital assets.

Revenue from rentals and labour services is recognized on the date of the performance or event.

Revenue from provision of ancillary services is generally recognized 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 are payable to the rental clients and are included in trade accounts payable.

St. Lawrence Centre for the Arts

Notes to Financial Statements

December 31, 2016

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 (GIC). The GIC has an interest rate of 0.5% and a maturity date of July 25, 2016. 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. The GIC was redeemed on the maturity date of July 25, 2016.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Capital assets

Capital assets are recorded at cost less accumulated amortization and impairment losses, if any. Contributed capital assets are recorded at fair value at the date of contribution and subsequently recorded similar to purchased capital assets. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Computer equipment	3 years
Computer equipment under capital lease	over lease term
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.

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. A writedown is subsequently not reversed. No writedown has been recorded in the current year.

Employee future benefits

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

Contributed materials and services

Contributed materials are 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.

St. Lawrence Centre for the Arts

Notes to Financial Statements

December 31, 2016

Financial instruments

The Centre's financial instruments included in the statement of financial position comprise cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and amounts due from/to the City of Toronto. The financial instruments are initially measured at fair value and subsequently measured at amortized cost. For these financial instruments, except the amount due to/from the City of Toronto, the carrying value approximates 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. A writedown is not subsequently reversed for a subsequent increase in value.

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

Use of estimates

The preparation of financial statements in accordance 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.

3 Capital assets

Capital assets consist of the following:

	2016		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Computer equipment	759,553	709,507	50,046
Furniture and fixtures	2,561,845	2,150,295	411,550
Building improvements			
Exterior	892,635	405,578	487,057
Interior	3,125,593	1,599,206	1,526,387
	<u>7,339,626</u>	<u>4,864,586</u>	<u>2,475,040</u>

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	2015		
	Cost \$	Accumulated amortization \$	Net \$
Computer equipment	715,223	676,217	39,006
Furniture and fixtures	2,411,564	2,068,095	343,469
Building improvements			
Exterior	892,635	361,016	531,619
Interior	3,125,593	1,497,109	1,628,484
	<u>7,145,015</u>	<u>4,602,437</u>	<u>2,542,578</u>

Computer equipment includes assets with a cost of \$72,590 (2015 - \$72,590) held under capital leases. Accumulated amortization relating to these assets amounted to \$72,590 (2015 - \$72,590).

4 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 \$	2015 \$
Balance - Beginning of year	2,578,745	2,666,017
Amortization of deferred capital contributions	(244,853)	(237,839)
Contributions received restricted for the purchase of capital assets	<u>130,327</u>	<u>150,567</u>
Balance - End of year	<u>2,464,219</u>	<u>2,578,745</u>

5 Related party transactions - City of Toronto

- a) In the normal course of operations, the Centre incurred costs of \$346,653 (2015 - \$351,283), which are included in the statement of operations, for various expenses payable to the City such as maintenance and other administrative costs.

Transactions between the City and the Centre are made at agreed on exchange amounts. The fair value of this payable cannot be reasonably determined as there are no fixed terms of repayment.

- 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. The amount of the transfer of the operating excess (deficiency) of revenue over expenses to (from) the City is based on the excess (deficiency) after adjustments for non-cash items and other amounts agreed on with the City.

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The transfer of operating excess (deficiency) of revenue is calculated as follows:

	2016 \$	2015 \$
Excess (deficiency) of revenue over expenses before transfer	(122,538)	133,002
Add (deduct) non-cash items		
Amortization of capital assets	262,149	255,135
Amortization of deferred capital contributions	(244,853)	(237,839)
Transfer to (from) City of Toronto	(105,242)	150,298

6 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 2016, the Centre received distributions of \$7,722 (2015 - \$3,732). The distributions from the estate are to be used at the discretion of the Board of Management of the Centre. In 2016, the distributions received were used toward operations of the Centre.

In the current year, there were no transfers between the unrestricted fund and net assets internally restricted for capital purchases (2015 - no transfers).

7 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 Manulife Canada. The Centre's contributions to the Manulife Canada pension plan were \$46,713 (2015 - \$42,170), which is expensed and included within salaries, wages and benefits on the statement of operations.

As per the IATSE Collective Bargaining Agreement, the Centre also makes contributions to a defined contribution pension plan administered by the stage employees. Contributions to the IATSE pension plan were \$70,047 (2015 - \$69,823). 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 \$90,863 (2015 - \$85,961). A portion of these pension and benefit contributions is recovered through clients renting the facilities at the Centre as these are direct costs of those clients 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 statement of operations. During the year, there were a number of days when the theatres were not rented. As per the collective bargaining agreement, IATSE employees continued to be paid during those non-rented days. Therefore, these amounts recorded in expenses are not recovered in the current year.

St. Lawrence Centre for the Arts

Notes to Financial Statements

December 31, 2016

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	(36,907)	(30,305)
Inventories	(4,942)	(1,759)
Prepaid expenses	3,638	(3,452)
Accounts payable and accrued liabilities	(25,227)	72,582
Due to City of Toronto	(17,492)	117,538
Advance ticket sales	5,827	(33,750)
Customer deposits	(2,556)	7,522
	<u>(77,659)</u>	<u>128,376</u>

9 Commitments and contingencies

- Lease commitments

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

	\$
2017	<u>6,500</u>

- 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 losses 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.

10 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, 2016, three accounts represent 76% of the total accounts receivable balance (2015 - three accounts represented 81%). These accounts are regular licensees of the Centre.

St. Lawrence Centre for the Arts

Notes to Financial Statements

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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 accounts payable and accrued liabilities, due to the City, advance ticket sales and customer deposits.

11 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 \$7,436 (2015 - \$7,413), has not been included in the Centre's statement of financial position nor have its operations been included in the Centre's statement of operations.

12 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 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 theatres, Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts and Toronto Centre for the Arts are expected to incur costs between \$1.2 million and \$1.5 million related to terminations.