The North York Performing Arts Centre Corporation

Operating as "The Toronto Centre for the Arts"

2017 year-end report to the Finance, Audit and Risk management Committee

Prepared as of May 18, 2018

pwc

May 18, 2018

Members of the Finance, Audit and Risk Management Committee of the Board of Directors
The Toronto Centre for the Arts

Dear Members of the Committee:

We have substantially completed our audit of the financial statements of The Toronto Centre for the Arts (the organization or the Centre) prepared in accordance with Public Sector Accounting standards including standards that apply to government not-for-profit organizations (PSAS + 4200) for the year ended December 31, 2017. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 2. Our draft auditor's report is included as Appendix B.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to our meeting on June 4, 2018. If you have any questions or concerns prior to the meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Michael Hawtin
Partner
Assurance

c.c.: Hayde Boccia, Director of Finance
William Milne, VP of Finance & Admin
Clyde Wagner, President and CEO Civic Theatres Toronto

PricewaterhouseCoopers LLP
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Communications to the Finance, Audit and Risk Management Committee

Key matters for discussion	*Comments*
Status of the audit	PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements). Significant outstanding items at time of mailing include the following: • subsequent events procedures; • legal updates; • signed management representation letter; and • review and approval of the financial statements by the Board of Directors.
Service deliverables	We performed audit of the organization's financial statements as of December 31, 2017 and for the year ended prepared in accordance with PSAS + 4200. Our engagement letter, which has been signed by the City of Toronto (the City), sets out the terms and conditions for the audit as the independent auditor of the Centre for the above-mentioned year.
Audit timeline	We worked with management to develop this project timeline: • Interim visit: October 10 - 13, 2017 • Year-end visit: April 2 - April 20, 2018 • Year-end Finance, Audit and Risk Management Committee meeting: June 4, 2018 • Delivery of financial statements: upon resolution of above items and Board of Directors approval
Audit approach	Our audit approach is a mixture of tests of internal controls and substantive testing. In the current year, our work included testing of key controls in the following areas: • purchases, payables and disbursements; and • payroll. All material areas were subject to tests of detail and/or substantive analytical testing.
Materiality	Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements. We set a materiality of $178,000. We reported unadjusted items over $17,800 to the Finance, Audit and Risk Management Committee as a result of audit in appendix B.

Key matters for discussion	*Comments*
Significant accounting, auditing and reporting matters discussed with management	
Risk of fraud with respect to Revenue recognition	Canadian auditing standards contain a "rebuttable presumption" that the risk of fraud with respect to revenue recognition be considered a significant risk on every audit engagement. Management recognizes revenue based on separate criteria per revenue stream as outlined in note 2 to the financial statements ensuring processes are in place to record revenue accurately and in the proper period. We selected a sample of revenue transactions for the year and agreed amounts recorded in the general ledger to supporting documentation, including dates of shows held during the year or other available evidence, to test for proper cut-off, occurrence, completeness and accuracy of the amounts recorded. Amounts deferred and recorded as liabilities in the statement of financial position were also tested on a sample basis. We noted no exceptions as a result of our testing.
Risk of management override of controls	Canadian auditing standards require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement. We have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of entries to test that the entries represent valid and appropriately authorized transactions. No exceptions were noted from our testing.
Related party transactions-City of Toronto	As a significant amount of activity occurs between the Centre and the City, we requested a confirmation from the City of all amounts received during the year and balances outstanding at the year-end. We received an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Centre at year-end and were able to fully reconcile the amounts per confirmation to the financial statements. We have reviewed the financial statements note disclosure with respect to the relationship, transactions and balances with the City and have no matters to report.
Other required communications	
Summary of unadjusted items	As a result of our audit, we identified certain unadjusted misstatements. See details provided in Appendix B.
Internal control recommendations	During the audit, we did not note any significant internal control deficiencies. Our internal control recommendations are summarized in Appendix C.

Key matters for discussion	*Comments*
Fraud and illegal acts	We discuss fraud risk annually with management and the Finance, Audit and Risk Management Committee. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes and have designed our audit procedures to address these risks. No fraud involving senior management, or employees with a significant role in internal control that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to confirm that the Finance, Audit and Risk Management Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
Management's representations	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter has been circulated separately to the Finance, Audit and Risk Management Committee.
Subsequent events	No subsequent events which would impact the financial statements other than those disclosed have come to our attention. We would like to confirm that the Finance, Audit and Risk Management Committee is not aware of any other subsequent events that might affect the financial statements.

Appendix A: Auditor's report

@@, 2018

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, 2017 and the statements of operations and changes in net assets 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
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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, 2017 and the results of its operations and changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Appendix B: Summary of unadjusted items

As a result of our audit, we have noted the following items with an impact on the statement of financial position and the statement of operations and changes in net assets.

Description	Assets Dr/(Cr) $	Liabilities Dr/(Cr) $	Net assets Dr/(Cr) $	Excess of expenses over revenues Dr/(Cr) $
Current year unadjusted misstatements:				
To recognize TCA's capital assets incorrectly recorded in Sony's GL				
Dr. Capital Assets	50,065			
Dr. Depreciation expense				10,013
Cr. Account payable & accrued liabilities - Sony Centre		(50,065)		
Cr. Capital assets - accumulated depreciation	(10,013)			
To recognize TCA's capital assets and underlying depreciation funded by Sony's FFRF and recorded in Sony's GL				
Dr. Capital Assets	89,235			
Dr. Depreciation expense				8,924
Cr. Deferred capital contributions		(80,311)		
Cr. Revenue - amortization of deferred capital contributions				(8,924)
Cr. Capital assets - accumulated depreciation	(8,924)			
Total:	**120,363**	**(130,376)**	**-**	**10,013**

Appendix C: Internal control recommendations

Internal control observation	*Recommendation*	*Management's response*
Review of journal entries: *During the audit, we noted certain instances where manual entries were prepared and posted by the same individuals. A secondary review or approval was not obtained from another staff member or supervisor before posting to the general ledger.* *Absence of a review of manual entries prior to posting increases the possibility of error and/or fraud and can lead to inaccurate financial records.*	*We recommend that all entries pass through a proper preparation and review process where accounting staff prepare entries and the CFO or Senior Accountant review entries before they are posted to the general ledger.*	*A process in now in place that either the Director of Finance or VP of Finance & Administration will sign off on all journal entries before posting.*

[CLIENT LETTERHEAD]

June [•], 2018

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto ON M5J 0B2

Attn: Michael Hawtin

We are providing this letter in connection with your audit of the financial statements of The North York Performing Arts Centre Corporation (the Centre) operating as the Toronto Centre for the Arts (we, us, our) as at December 31, 2017 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, the results of operations, and the cash flows of the Centre in accordance with Canadian public sector accounting standards.

Management's responsibilities
We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 13, 2017. In particular, we confirm to you that:

- we are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards;
- we are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information;
- we have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- all transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations subject to the fact that each part of each such representation is being confirmed to the best of our knowledge:

Preparation of financial statements
The financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards and disclosures otherwise required to be included therein by the laws and regulations to which the Centre is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All intergovernmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Accounting policies
We confirm that we have reviewed our accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in our particular circumstances to present fairly in all material respects its financial position, the results of operations, and cash flows in accordance with Canadian public sector accounting standards.

We are eligible to and have selected to apply the standards for government not-for-profit organizations in CPA Canada Public Sector Accounting Handbook sections PS 4200 to PS 4270.

Internal controls over financial reporting
We have designed disclosure controls and procedures to ensure material information relating to the Centre is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Minutes
All matters requiring disclosure to or approval of the Board of Directors or the shareholders have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions
All contractual arrangements entered into by the Centre with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud
We have disclosed to you:

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all information in relation to fraud or suspected fraud of which we are aware affecting the Centre involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- all information in relation to any allegations of fraud, or suspected fraud, affecting the Centre's financial statements, communicated by employees, former employees, analysts, regulators or others.

Disclosure of information
We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
  - contracts and related data;
  - information regarding significant transactions and arrangements that are outside the normal course of business;
  - minutes of the meetings of shareholders, management, directors and committees of directors;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Compliance with laws and regulations
We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We are not aware of any illegal or possibly illegal acts committed by the Centre's directors, officers or employees acting on the Centre's behalf.

Accounting estimates and fair value measurements
Significant assumptions used by the Centre in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- the measurement methods are appropriate and consistently applied;
- the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- the significant assumptions used in determining fair value measurements are consistent with the Centre's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with The CPA Canada Public Sector Accounting Handbook Sections PS 2130, *Measurement Uncertainty*, have been appropriately disclosed.

Related parties
We confirm that we have disclosed to you the identity of the Centre's related parties as defined by CPA Canada Public Sector Accounting Handbook Section PS 4260, *Disclosure of Related Party Transactions by Not-for-Profit Organizations*, and all the related party relationships and transactions.

The identity of, relationship, balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements.

The list of related parties attached to this letter as Appendix A accurately and completely describes the Centre's related parties and the relationships with such parties.

Going concern
We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Assets and liabilities
We have satisfactory title or control over all assets. All liens or encumbrances on the Centre's assets and assets pledged as collateral, to the extent material, have been disclosed in notes to the financial statements.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the Centre is contingently liable in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3300, *Contingent Liabilities*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims
All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit
Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the financial statements, as summarized in the accompanying schedule (Appendix B), are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix B.

We confirm there are no adjusted misstatements in the financial statements.

Events after balance sheet date
We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Cash and banks
The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Centre.

All cash balances are under the control of the Centre, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of the Centre.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Centre are included in the financial statements as at December 31, 2017.

Statements of operations and changes in net assets (liabilities)

All transactions entered into by the Centre have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the statements of operations and statement of changes in net assets (liabilities).

The accounting principles and policies followed throughout the year were consistent with prior year's practices (except as disclosed in the financial statements).

Accounts receivable
All amounts receivable by the Centre were recorded in the books and records.

Receivables classified as current do not include any material amounts that are collectible after one year.

Receivables recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position date and are not subject to discount except for normal cash discounts.

All receivables were free from hypothecation or assignment as security for advances to the Centre, except as hereunder stated.

Credit risk

The following information about each class of financial asset, both recognized and unrecognized, has been properly disclosed in the financial statements:

- amount of the maximum credit risk exposure without regard to collateral; and
- significant concentrations of credit.

Capital assets
All charges to capital asset accounts represented the actual cost of additions or the fair value at the date of contribution.

All contributed capital assets have been recorded at fair value at the date of the contribution.

No significant capital asset additions were charged to repairs and maintenance or other expense accounts.

Carrying values of tangible capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Capital assets owned by the Centre are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering property leased by or from the Centre have been disclosed to you and classified in accordance with CPA Canada Public Sector Accounting Handbook Guideline PSG-02, *Leased Tangible Capital Assets*.

Assets held under capital leases are being amortized on a systematic basis over the period of expected use.

There have been no events or changes in circumstances that indicate that any tangible capital assets no longer have any long-term service potential to the Centre. Accordingly, management was not required to write down any tangible capital assets to their residual values, if any, during the period.

HST - Input tax credits
The Centre is subject to HST and has appropriately computed the input tax credits (ITC) receivable on the payment on HST on purchases throughout the year. The methodology used to compute tax credits and the related receivable in the financial statements is complete and accurate.

Financial instruments
The Centre has decided to apply PS 3450 for financial instruments. All financial instruments have been appropriately recognized under PS 3450 and all disclosures made are appropriate.

Deferred revenue and Advance ticket sales
All material amounts of deferred revenue were appropriately recorded in the books and records.

Yours truly,

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

____
Clyde Wagner, President and Chief Executive Officer

____
William Milne, Vice President of Finance & Administration

Appendix A – List of related parties

Board Members:

- ☐ Councilor Gary Crawford
- ☐ Councilor Mary Fragedakis
- ☐ Councilor Paula Fletcher
- ☐ Councilor Lucy Troisi
- ☐ Councilor John Filion
- ☐ Robert Foster
- ☐ Kevin Garland
- ☐ Steven Levin
- ☐ Ira Levine
- ☐ Warren Rudick
- ☐ Seth Zuk
- ☐ Kathleen Sharpe
- ☐ Charles Smith
- ☐ Sandra Laronde
- ☐ Paul Bernards

***Senior Management:**

- Clyde Wagner, President & CEO
- Mark Hammond, VP of Programming
- William Milne, VP of Finance & Admin
- Mary Ann Farrell, VP of Marketing & Communications
- Matt Farrell, VP of Operations
- E.J. Alon, Senior Director of Development
- Martha Haldenby, Senior Director of Development

*Although not explicitly listed, immediate family members are considered included as related parties by this reference.

CITY OF TORONTO

Agencies and Corporations:
- Board of Governors of Exhibition Place
- Toronto Board of Health
- Board of Management of the Toronto Zoo
- Toronto Community Housing Corporation ("TCHC")
- Build Toronto Inc.
- Toronto Licensing Commission
- Casa Loma Corporation
- Toronto Pan Am Sports Centre Inc. ("TPASC")
- Heritage Toronto (50% proportionately)
- Invest Toronto Inc.
- Toronto Police Services Board
- Lakeshore Arena Corporation
- Toronto Public Library Board
- St. Lawrence Centre for the Arts
- Toronto Transit Commission ("TTC")
- The North York Performing Arts Centre
- Toronto Waterfront Revitalization Corporation Corporation ("TWRC") (1/3rd proportionately)
- The Sony Centre for the Performing Arts
- Yonge–Dundas Square
- Toronto Atmospheric Fund ("TAF")

Arenas:
- Forest Hill Memorial
- Moss Park
- George Bell
- North Toronto Memorial
- Leaside Memorial Community Gardens
- Ted Reeve Community
- McCormick Playground
- William H. Bolton

Community Centres:
- 519 Church Street
- Eastview Neighbourhood
- Applegrove
- Harbourfront
- Cecil Street
- Ralph Thornton
- Central Eglinton
- Scadding Court
- Community Centre 55
- Swansea Town Hall

Business Improvement Areas:
- Albion Islington Square
- Baby Point Gates
- Bloor Annex
- Bloor By The Park
- Bloor Street
- Bloor West Village
- Bloor Yorkville
- Bloorcourt Village
- Bloordale Village
- Cabbagetown
- Chinatown
- Church Wellesley Village
- College Promenade
- College West
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Duke Heights
- Dundas West
- Dupont by the Castle
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Marketo District
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Ossington Avenue
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside District
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- shoptheQueensway.com
- St. Clair Gardens
- St. Lawrence Market
- Yonge and St. Clair

Neighbourhood
- The Beach
- The Danforth
- The Eglinton Way
- The Kingsway
- The Waterfront
- Toronto Entertainment

District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Village
- Wychwood Heights
- Yonge Lawrence Village
- York Eglinton

Appendix B – Summary of uncorrected misstatements (SUM)

Description	*Assets Dr/(Cr) $*	*Liabilities Dr/(Cr) $*	*Net assets Dr/(Cr) $*	*Excess of expenses over revenues Dr/(Cr) $*
Current year unadjusted misstatements:				
To recognize TCA's capital assets incorrectly recorded in Sony's GL				
Dr. Capital Assets	50,065			
Dr. Depreciation expense				10,013
Cr. Account payable & accrued liabilities - Sony Centre		(50,065)		
Cr. Capital assets - accumulated depreciation	(10,013)			
To recognize TCA's capital assets and underlying depreciation funded by Sony's FFRF and recorded in Sony's GL				
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Cr. Deferred capital contributions		(80,311)		
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Total:	**120,363**	**(130,376)**	-	**10,013**

The North York Performing Arts Centre Corporation

(operating as The Toronto Centre for the Arts)

Financial Statements

December 31, 2017

@@, 2018

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, 2017 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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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.

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, 2017 and the results of its operations and changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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, 2017

(in thousands of dollars)

	2017 $	2016 $
Assets		
Current assets		
Cash	921	234
Accounts receivable (note 9)	158	437
Prepaid expenses	14	15
	1,093	686
Art collection	2,542	2,542
Capital assets (note 4)	30,071	30,616
	33,706	33,844
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	480	946
Accounts payable to the City of Toronto (note 3)	2,778	1,440
Deferred revenue	451	192
Advance ticket sales	286	364
	3,995	2,942
Deferred capital contributions (note 5)	25,698	26,602
	29,693	29,544
Net Assets		
Surplus	4,013	4,300
	33,706	33,844

On Behalf of the Board

______________________________ Director ______________________________ Director

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

DRAFT

The North York Performing Arts Centre Corporation

(operating as The Toronto Centre for the Arts)

Statement of Operations and Changes in Net Assets

For the year ended December 31, 2017

(in thousands of dollars)

	2017		2016
	Budgeted $	**Actual $**	**Actual $**
Revenue			
Revenue from operations	1,539	2,303	1,842
City of Toronto subsidy	1,887	1,887	1,740
Amortization of deferred capital contributions	-	1,475	1,237
	3,426	5,665	4,819
Expenses			
Salaries, wages and benefits (note 7)	2,662	3,096	2,894
Utilities	383	417	394
Other operating	280	506	500
Capital maintenance	75	153	109
Professional fees and services	26	17	15
Amortization of capital assets	-	1,762	1,625
	3,426	5,951	5,537
Deficiency of revenue over expenses before the following	-	(286)	(718)
Transfer (to) from the City of Toronto (note 3)	-	(1)	330
Excess of expenses over revenue for the year	-	(287)	(388)
Net assets - Beginning of year	-	4,300	4,688
Net assets - End of year	-	4,013	4,300

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, 2017

(in thousands of dollars)

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(287)	(388)
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(1,475)	(1,237)
Amortization of capital assets	1,762	1,625
Net change in non-cash working capital balances (note 8)	(5)	(802)
	(5)	(802)
Capital activities		
Purchase of capital assets	(1,217)	(3,086)
Financing activities		
Increase in payable to the City of Toronto	1,347	2,834
Funding for project equipment from the City of Toronto (note 5)	143	611
Funding for stage redevelopment from other source	343	-
Ticket surcharge (note 5)	76	58
	1,909	3,503
Increase (decrease) in cash during the year	687	(385)
Cash - Beginning of year	234	619
Cash - End of year	921	234

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

(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 Lyric Theatre, The Greenwin 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.

(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
Leasehold improvements	10 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. A writedown is subsequently not reversed. No writedown has been recorded in the current year.

Art collection

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 comprise cash, accounts receivable, payable to the City of Toronto and accounts payable and accrued liabilities. The financial instruments are initially measured at fair value and subsequently measured at amortized cost.

For certain 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. A writedown is not subsequently reversed for an increase in value. There were no remeasurement gains or losses recorded during 2017 or 2016 and therefore a statement of remeasurement gains and losses has not been presented.

(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

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/to 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.

In the normal course of operations, the Centre incurred costs of $367 (2016 - $352) 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.

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:

	2017 $	2016 $
Deficiency of revenue over expenses before transfer from the City	(286)	(718)
Add (deduct): Non-cash items		
Amortization of capital assets	1,762	1,625
Amortization of deferred capital contributions	(1,475)	(1,237)
Transfer to (from) the City	1	(330)

(in thousands of dollars)

4 Capital assets

Capital assets consist of the following:

			2017
	Cost $	Accumulated amortization $	Net $
Building	55,948	27,913	28,035
Leasehold improvements	236	12	224
Furnishings and equipment	6,224	4,452	1,772
Computer equipment	520	480	40
	62,928	32,857	30,071

			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

(in thousands of dollars)

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 contribution 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 contribution from the City. The changes in deferred capital contributions during the year are as follows:

			2017
	Capital Maintenance Reserve Fund $	**Other capital contributions $**	**Total $**
Balance - Beginning of year	1,437	25,165	26,602
Ticket surcharge	76	-	76
Interest earned	9	-	9
Funding for stage redevelopment from the City of Toronto	143	-	143
Funding for stage redevelopment from other funders	343	-	343
Purchase of capital assets funded	(1,194)	1,194	-
Amortization of deferred capital contributions	-	(1,475)	(1,475)
Balance - End of year	814	24,884	25,698

			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

The Capital Maintenance Reserve Fund, which consists of unspent capital ticket surcharges, is invested by the City. The capital surcharge on the sale of tickets for performances is considered to be externally restricted with the funds and interest earned on the funds only to be used for capital improvements of the Centre.

(in thousands of dollars)

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

			2017
	Capital Maintenance Reserve Fund $	Other capital contributions $	Total $
Gross capital contributions received from the City	-	30,660	30,660
Other	-	22,894	22,894
Capital Maintenance Reserve Fund	814	-	814
	814	53,554	54,368
Less: Accumulated amortization	-	28,670	28,670
	814	24,884	25,698

			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

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 the 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, 2017, the balance in the Stabilization Reserve Fund is $167 (2016 - $309).

(in thousands of dollars)

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 2017, which were expensed, are $94 (2016 - $139) 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 2017 amounted to $34 (2016 - $29) 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:

	2017 $	2016 $
Accounts receivable	279	(334)
Prepaid expenses	1	(10)
Accounts payable and accrued liabilities	(466)	(424)
Deferred revenue	259	3
Advance ticket sales	(78)	(37)
	(5)	(802)

Non-cash investing and financing activities excluded from the statement of cash flows include interest earned on the Capital Maintenance Reserve Fund of $9 (2016 - $19) (note 5), which is included in the receivable/payable from/to the City.

9 Financial risk management

The main risks to which the Centre's financial statements are exposed are outlined below.

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.

(in thousands of dollars)

The Centre is subject to credit risk with respect to accounts receivable of $158 (2016 - $437). As at December 31, 2017, seven accounts represented 79% of the total accounts receivable balance (2016 - seven accounts represented 77%).

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 Merger of theaters

In 2015, the City of Toronto mandated a merger of the three City owned theatres (Sony Centre for the Performing Arts (Sony Centre), St. Lawrence Centre for the Arts and Toronto Centre for the Arts; collectively Civic Theatres Toronto (CTT)). In December 2017, City Council passed a motion whereby the Sony Centre would assume the operations of the St. Lawrence Centre for the Arts, the Toronto Centre for the Arts and CTT. Effective January 1, 2018, Sony Centre was renamed Civic Theatres Toronto and the three individual boards were also dissolved. As a result of the merger, the Centre expensed $464 in transition costs, reflected across various departments.