St. Lawrence Centre for the Arts

Financial Statements
December 31, 2017

June 22, 2018

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, 2017 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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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, 2017 and the results of its operations, changes in its net liabilities 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, 2017

	2017 $	2016 $
Assets		
Current assets		
Cash	293,068	685,851
Accounts receivable (notes 5 and 10)	147,400	117,748
Due from City of Toronto - net operating deficiency (note 5)	514,129	105,242
Inventories	-	20,048
Prepaid expenses	2,102	25,703
	956,699	954,592
Capital assets (note 3)	2,313,999	2,475,040
	3,270,698	3,429,632
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	667,451	249,816
Due to City of Toronto - trade payables (note 5)	103,920	636,378
Advance ticket sales	118,479	173,633
Deferred revenue - City of Toronto (note 5)	146,500	-
Customer deposits	12,556	9,966
	1,048,906	1,069,793
Deferred capital contributions (note 4)	2,343,468	2,464,219
	3,392,374	3,534,012
Net Liabilities		
Internally restricted for capital purchases (note 6)	-	-
Unrestricted	(121,676)	(104,380)
	(121,676)	(104,380)
	3,270,698	3,429,632

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, 2017

	2017		2016
	Budget $	**Actual** $	**Actual** $
Revenue			
Funding from City of Toronto	1,679,587	1,679,587	1,724,422
Operating			
Labour services	1,280,253	956,928	1,352,166
Rental	486,719	309,737	434,891
Ancillary	343,556	335,749	342,298
Amortization of deferred capital contributions (note 4)	264,000	236,006	244,853
Other	33,734	43,219	108,666
	4,087,849	3,561,226	4,207,296
Expenses			
Salaries, wages and benefits (note 7)	2,658,145	2,756,089	2,739,605
Building operations	791,100	701,672	876,178
Amortization of capital assets	264,000	253,302	262,149
Administration	239,850	251,046	288,000
Ancillary	84,158	92,571	87,144
Presentation and production	50,596	37,971	76,758
	4,087,849	4,092,651	4,329,834
Deficiency of revenue over expenses before the following	-	(531,425)	(122,538)
Transfer from City of Toronto (note 5)	-	514,129	105,242
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, 2017

			2017
	Internally restricted for capital purchases $ (note 6)	**Unrestricted $**	**Total $**
Net liabilities - Beginning of year	-	(104,380)	(104,380)
Deficiency of revenue over expenses for the year	-	(17,296)	(17,296)
Net liabilities - End of year	-	(121,676)	(121,676)

			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)

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, 2017

	2017 $	2016 $
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	253,302	262,149
Amortization of deferred capital contributions	(236,006)	(244,853)
Net change in non-cash working capital balances (note 8)	(415,777)	(77,659)
	(415,777)	(77,659)
Capital activities		
Purchase of capital assets	(92,261)	(194,611)
Investing activities		
Redemption of investments	-	60,134
Financing activities		
Contributions received restricted for the purchase of capital assets	115,255	130,327
Decrease in cash during the year	(392,783)	(81,809)
Cash - Beginning of year	685,851	767,660
Cash - End of year	293,068	685,851

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

1 Operations and relationship with the City of Toronto

St. Lawrence Centre for the Arts (the Centre) is an agency of the City of Toronto (the City) and was incorporated on May 27, 1968 without share capital. The Centre is a 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 (CIF), 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 are 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.

Cash

Cash represents cash on hand and at the bank.

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 are 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

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

Under the defined contribution plans, contributions are expensed when due.

Defined benefit plans are multi-employer pension plans (note 7). Defined contribution plan accounting is applied to the multi-employer defined benefit pension plans. The Centre has adopted the following policies with respect to this employee benefit plan:

- the Centre's contributions to a multi-employer defined benefit pension plan and to deferred retirement savings plans are expensed when contributions are due; and

- the costs of termination benefits and compensated absences are recognized when the Centre is demonstrably committed to either terminate the employment of an employee or group of employees, or to provide termination benefits as a result of an offer to encourage voluntary termination. Costs include projected future compensation payments, fees paid for career counselling and accrued benefits.

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.

Financial instruments

The Centre's financial instruments included in the statement of financial position comprise cash, accounts receivable, accounts payable and accrued liabilities and amounts due from/to the City of Toronto. The financial instruments are measured at amortized cost. For these financial instruments, 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 remeasurement gains or losses recorded during 2017 and 2016 and therefore a statement of remeasurement 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:

			2017
	Cost $	**Accumulated amortization** $	**Net** $
Computer equipment	774,902	737,895	37,007
Furniture and fixtures	2,638,757	2,230,991	407,766
Building improvements			
Exterior	892,635	447,700	444,935
Interior	3,125,593	1,701,302	1,424,291
	7,431,887	5,117,888	2,313,999

			2016
	Cost $	Accumulated amortization $	Net $
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
	7,339,626	4,864,586	2,475,040

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:

	2017 $	2016 $
Balance - Beginning of year	2,464,219	2,578,745
Amortization of deferred capital contributions	(236,006)	(244,853)
Contributions received restricted for the purchase of capital assets	115,255	130,327
Balance - End of year	2,343,468	2,464,219

5 Related party transactions - City of Toronto

In the normal course of operations, the Centre incurred costs of $185,832 (2016 - $346,653), 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 amount owing to the City as at December 31, 2017 is $103,920 (2016 - $636,378). The payable to the City is non-interest bearing. The fair value of this payable cannot be reasonably determined as there are no fixed terms of repayment.

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.

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

	2017 $	2016 $
Excess of revenue over expenses before transfer	(531,425)	(122,538)
Add (deduct): Non-cash items		
Amortization of capital assets	253,302	262,149
Amortization of deferred capital contributions	(236,006)	(244,853)
Transfer from City of Toronto	(514,129)	(105,242)

The City advanced funds of $146,500 to the Centre in December 2017 for its fiscal 2018 budget.

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 2017, the Centre received distributions of $5,211 (2016 - $7,722). The distributions from the estate are to be used at the discretion of the Board of Directors of the Centre. In 2017, 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 (2016 - no transfers).

7 Employee benefits

The Centre’s administrative employees participated in a defined contribution pension plan. This plan is separate from the International Alliance of Theatrical Stage Employees (IATSE) pension plan. The Centre’s contributions to the pension plan were $15,712 (2016 - $46,713), which are expensed and included within salaries, wages and benefits on the statement of operations. The defined contribution plan was terminated on May 31, 2017.

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 $50,125 (2016 - $70,047). 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 $71,997 (2016 - $90,863). 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.

Effective June 1, 2017, the Centre makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer pension plan, on behalf of many of its employees. The 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, pension formula and best 60 months of earnings. Employees and employers contribute equally to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the Board does not recognize any share of the OMERS pension surplus or deficit, as the amount is not determinable. Employers' current service contributions to the OMERS pension plan in the amount of $41,921 (2016 - $nil) were expensed 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	(29,652)	(36,907)
Inventories	20,048	(4,942)
Prepaid expenses	23,601	3,638
Accounts payable and accrued liabilities	417,635	(25,227)
Due to (from) City of Toronto	(941,345)	(17,492)
Advance ticket sales	(55,154)	5,827
Deferred revenue - City of Toronto	146,500	-
Customer deposits	2,590	(2,556)
	(415,777)	(77,659)

9 Commitments and contingencies

Lease commitments

Future minimum annual lease payments for equipment under operating leases are $nil.

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 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.

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, 2017, three accounts represented 80% of the total accounts receivable balance (2016 - three accounts represented 76%). These accounts are regular licensees of the Centre.

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 $7,487 (2016 - $7,436), 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 Merger of theatres

In 2015, the City 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 $713,035 in transition costs, reflected across various departments.