

Financial Statements

**The Hummingbird Centre for the
Performing Arts**

December 31, 2006

AUDITORS' REPORT

To the Board of Directors of
The Hummingbird Centre for the Performing Arts

We have audited the balance sheet of **The Hummingbird Centre for the Performing Arts** as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
April 5, 2007.

The Hummingbird Centre for the Performing Arts

BALANCE SHEET

As at December 31

	2006	2005
	\$	\$
ASSETS		
Current		
Cash	11,195,368	2,051,216
Accounts receivable [note 13]	961,684	286,792
Due from City of Toronto		
Hummingbird Capital Improvement and Rehabilitation Reserve Fund [note 4]	—	74,132
Hummingbird Stabilization Reserve Fund [note 3]	—	29,916
Employee Benefits Reserve Fund	—	47,228
Inventories	22,660	17,515
Prepaid expenses	182,394	334,528
Total current assets	12,362,106	2,841,327
Capital assets, net [note 5]	644,095	629,161
	13,006,201	3,470,488
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	9,215,273	1,190,599
Due to City of Toronto		
Hummingbird Capital Improvement and Rehabilitation Reserve Fund [note 4]	17,637	—
Operating surplus due to City of Toronto [note 3]	422,116	136,838
Trade payables	117,873	50,231
Deferred revenue [note 6]	1,464,967	821,240
Advance ticket sales [note 7]	1,124,240	642,419
Total current liabilities	12,362,106	2,841,327
Deferred capital contributions [note 8]	510,874	483,700
Total liabilities	12,872,980	3,325,027
Commitments [note 12]		
Net assets		
Invested in capital assets [note 9]	133,221	145,461
Unrestricted	—	—
	13,006,201	3,470,488

See accompanying notes

On behalf of the Board:

Director

Director



The Hummingbird Centre for the Performing Arts

STATEMENT OF OPERATIONS

Year ended December 31

	2006	2005
	\$	\$
REVENUE		
Operating		
Rental	4,105,294	6,902,661
Performance	18,523,884	2,400,997
Ancillary [note 10]	2,750,539	1,332,024
Interest and other	142,965	39,955
City of Toronto grant [note 3]	128,190	—
Amortization of deferred capital contributions	132,491	110,534
	25,783,363	10,786,171
EXPENSES		
Operating		
Salaries, wages and benefits [note 11]	7,735,018	6,931,484
Presentation and production	15,312,470	2,030,086
Ancillary [note 10]	990,407	571,426
Building operations	782,713	689,161
Administration	514,987	316,642
Amortization of capital assets	174,731	160,171
	25,510,326	10,698,970
Net operating income before the following	273,037	87,201
Transfer of operating income to		
City of Toronto [note 3]	(285,277)	(136,838)
Net results after transfers to		
Hummingbird Stabilization Reserve Fund		
and City of Toronto	(12,240)	(49,637)

See accompanying notes



The Hummingbird Centre for the Performing Arts

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2006		
	Invested in capital assets \$	Unrestricted \$	Total \$
	<i>[note 9]</i>	<i>[notes 1 and 3]</i>	
Net assets, beginning of year	145,461	—	145,461
Net results after transfer to City of Toronto	—	(12,240)	(12,240)
Change in net assets invested in capital assets <i>[note 9]</i>	(12,240)	12,240	—
Net assets, end of year	133,221	—	133,221

	2005		
	Invested in capital assets \$	Unrestricted \$	Total \$
	<i>[note 9]</i>	<i>[notes 1 and 3]</i>	
Net assets, beginning of year	195,098	—	195,098
Net results after transfer to Hummingbird Stabilization Reserve Fund	—	(49,637)	(49,637)
Change in net assets invested in capital assets <i>[note 9]</i>	(49,637)	49,637	—
Net assets, end of year	145,461	—	145,461

See accompanying notes



The Hummingbird Centre for the Performing Arts

STATEMENT OF CASH FLOWS

Year ended December 31

	2006	2005
	\$	\$
OPERATING ACTIVITIES		
Net results after transfers to Hummingbird Stabilization Reserve Fund and City of Toronto	(12,240)	(49,637)
Add (deduct) non-cash items		
Amortization of capital assets	174,731	160,171
Amortization of deferred capital contributions	(132,491)	(110,534)
	30,000	—
Changes in non-cash working capital balances related to operations		
Accounts receivable	(674,892)	(68,989)
Due from/to City of Toronto	521,833	297,295
Inventories	(5,145)	9,261
Prepaid expenses	152,134	(293,894)
Accounts payable and accrued liabilities	8,024,674	88,962
Deferred revenue	643,727	109,265
Advance ticket sales	481,821	114,236
Cash provided by operating activities	9,174,152	256,136
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(189,665)	(115,759)
Contributions received for capital purchases	159,665	115,759
Cash used in investing and financing activities	(30,000)	—
Net increase in cash during the year	9,144,152	256,136
Cash, beginning of year	2,051,216	1,795,080
Cash, end of year	11,195,368	2,051,216

See accompanying notes



The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. OPERATIONS AND RELATIONSHIP WITH THE CITY OF TORONTO

The Hummingbird Centre for the Performing Arts [the "Centre"] is a theatre and centre for meetings, receptions and displays. The Board of Directors of the Centre [the "Board"] operates, manages and maintains the Centre under the terms of an agreement between the Board and the City of Toronto [the "City"].

The major capital facilities of the Centre are owned by the City and are therefore not recorded in these financial statements. Expenditures for major improvements to the Centre are charged directly to the "Capital Improvement and Rehabilitation Reserve Fund" which is recorded in the accounts of the City [note 4]. The Centre has a capital surcharge on ticket sales for performances held. As the Centre collects these monies, it forwards them to the City to be recorded in the Capital Improvement and Rehabilitation Reserve Fund. These funds have been set aside by the City for future capital improvements to the Centre and various rehabilitation projects that are required.

The Board has an agreement with the City which established the "Hummingbird Stabilization Reserve Fund". The Hummingbird Stabilization Reserve Fund is also recorded in the accounts of the City [note 3] and was used, prior to 2005, for the purpose of putting income aside in profitable years in order to offset deficits in other years.

The Centre is currently undergoing various stages of planning for a reconfigured site and revitalized future operations. Costs incurred to date are being accounted for by the City and funded through the Capital Improvement and Rehabilitation Reserve Fund [note 4].

The Centre is a registered charity and, as such, is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

Revenue recognition

The Centre follows the deferral method of accounting for contributions. 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 period in which the related expenses are recognized. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset. Rental and performance revenues are recognized on the date of the attraction or event. Grants approved by City Council are recognized as revenue in the year for which they are approved.

The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Inventories

Inventories are recorded at the lower of cost [recorded on a first-in, first-out basis] and net realizable value.

Capital assets

Major capital facilities owned by the Centre are recorded in the accounts of the City. Expenditures for major improvements to the Centre are charged directly to the Capital Improvement and Rehabilitation Reserve Fund which is recorded in the accounts of the City [note 4] and are therefore not recorded as assets in the Centre's accounts.

Other capital assets are recorded at cost. Amortization is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	4 years
Stage equipment	10 years
Other equipment	5 years
Furniture	5 years

Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

Employee benefits

Contributions to a multi-employer defined benefit pension plan and to defined contribution pension plans are expensed when due.

Derivative financial instruments and cash flow hedging strategy

A substantial portion of the Centre's purchases are denominated in U.S. dollars. The Centre utilizes derivative financial instruments in the management of its foreign currency exposure. The Centre's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Centre enters into hedges of its foreign currency exposures on anticipated foreign currency denominated expenses and resulting cash flows within the following year by entering into offsetting forward foreign exchange contracts, when it is deemed appropriate.



The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The Centre documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to forecasted transactions.

In the event it is no longer probable that the anticipated transaction will occur or the hedge ceases to be effective, any unrealized gain or loss on such derivative instrument is recognized in income at that time.

Foreign currency translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated foreign currency denominated expenses and resulting cash flows are recognized as an adjustment of the expenses when the transactions are settled.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at the exchange rates on the date of transaction. Realized and unrealized exchange gains and losses are included in income.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. CITY OF TORONTO HUMMINGBIRD STABILIZATION RESERVE FUND

The changes in the Hummingbird Stabilization Reserve Fund balance, which is recorded in the City's accounts [note 1], are as follows:

	2006	2005
	\$	\$
Balance, beginning of year	161,942	176,555
Interest income	9,738	6,877
OMERS past service obligations	—	(21,490)
Balance, end of year	171,680	161,942



The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Since the transfer of the current year operating income into the Hummingbird Stabilization Reserve Fund is subject to City Council approval, it has not been included as an addition to the reserve.

The current year transfer of operating income, to the City, is calculated as follows:

	2006	2005
	\$	\$
Net operating income before transfers	273,037	87,201
Add (deduct) non-cash items		
Amortization of capital assets	174,731	160,171
Amortization of deferred capital contributions	(132,491)	(110,534)
Purchase of capital assets internally funded [note 5]	(30,000)	—
Transfer of current year operating income	285,277	136,838

In 2005, the Board prepared the financial statements showing its operating surplus being transferred to the Hummingbird Stabilization Reserve Fund consistent with approval given in all years applicable since 1996 when the operating agreement between the Board and the City was amended to make the Centre 100% responsible for funding its capital expenditures. Prior to 1996, the City of Toronto funded 75% of the capital expenditures of the Centre through its capital works program. During 2006, the City enforced a policy adopted in 2004 that provided that all transfers of operating surpluses would go to the City unless approved otherwise.

In 2006, the Board became aware that its 2005 operating surplus was not added to the Hummingbird Stabilization Reserve Fund. As a result, the 2005 financial statements have been revised to show the transfer as being to the City. The Board continues to request for the transfer of the 2005 and 2006 total earned operating surplus of \$293,926 to the Hummingbird Stabilization Reserve Fund on the basis that the funds were generated from user fees and not the result of a municipal grant. In 2006, the Board received an operating grant from the City of \$128,190. The request for the earned portion of the Board's operating surplus transfers was not approved by City Council and, therefore, both the earned surplus and the municipal grant are not being transferred to the Hummingbird Stabilization Reserve Fund.

The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

4. CITY OF TORONTO CAPITAL IMPROVEMENT AND REHABILITATION RESERVE FUND

The changes in the Capital Improvement and Rehabilitation Reserve Fund balance, which is recorded in the City's accounts *[note 1]*, are as follows:

	2006 \$	2005 \$
Balance, beginning of year	3,448,656	3,933,054
Revenue from ticket capital surcharge	865,502	734,582
Investment income	185,476	184,292
Funding of capital asset purchases <i>[note 5]</i>	(159,665)	(115,759)
City capital costs - related to the Centre's building maintenance and business planning <i>[note 1]</i>	(1,316,223)	(1,287,513)
Balance, end of year	3,023,746	3,448,656

As at December 31, 2006, a balance of \$293,000 [2005 - \$259,328] was receivable from the City from the Capital Improvement and Rehabilitation Reserve Fund in connection with expenditures made by the Centre and recoverable from the City. In addition, the Centre had ticket capital surcharges due to the City to the Capital Improvement and Rehabilitation Reserve Fund of \$310,637 [2005 - \$185,196]. The net payable of \$17,637 [2005 - net receivable of \$74,132] is recorded on the balance sheet.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2006		Net
	Cost	Accumulated	book
	\$	amortization	value
		\$	\$
Computer equipment	376,894	262,615	114,279
Stage equipment	889,882	499,653	390,229
Other equipment	242,020	177,320	64,700
Furniture	232,576	157,689	74,887
	1,741,372	1,097,277	644,095

The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

	2005		Net
	Cost	Accumulated	book
	\$	\$	value
			\$
Computer equipment	299,379	221,339	78,040
Stage equipment	889,882	411,001	478,881
Other equipment	212,498	142,863	69,635
Furniture	149,948	147,343	2,605
	<u>1,551,707</u>	<u>922,546</u>	<u>629,161</u>

The increase in net book value of capital assets is due to the following:

	2006	2005
	\$	\$
Balance, beginning of year	629,161	673,573
Purchase of capital assets internally funded	30,000	—
Purchase of capital assets funded by capital contributions <i>[note 4]</i>	159,665	115,759
Amortization of capital assets	(174,731)	(160,171)
Balance, end of year	644,095	629,161

6. DEFERRED REVENUE

Deferred revenue includes unredeemed gift certificates, sponsorships for future events, rent deposits and advance ticket sales from tickets sold prior to December 31 for performances presented by the Centre in the following year.

7. 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.



The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

8. DEFERRED CAPITAL CONTRIBUTIONS

The continuity of the deferred capital contributions balance is as follows:

	2006	2005
	\$	\$
Balance, beginning of year	483,700	478,475
Amortization of deferred capital contributions	(132,491)	(110,534)
Contributions restricted for the purchase of capital assets <i>[note 4]</i>	159,665	115,759
Balance, end of year	510,874	483,700

9. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2006	2005
	\$	\$
Capital assets, net	644,095	629,161
Less amounts financed by deferred capital contributions <i>[note 8]</i>	510,874	483,700
Balance, end of year	133,221	145,461

The change in net assets invested in capital assets is calculated as follows:

	2006	2005
	\$	\$
Purchase of capital assets internally funded	30,000	—
Less amortization of capital assets	(174,731)	(160,171)
Add amortization of deferred capital contributions	132,491	110,534
	(12,240)	(49,637)

10. GOVERNMENT GRANTS

In 2006, the Centre entered into an agreement with the Ontario Tourism Marketing Program of the Province of Ontario to promote the Radio City Christmas Spectacular to tourists outside the Greater Toronto Area. Direct marketing expenses in 2006 of \$50,512 were substantially covered by grants of \$50,000 from this program.



The Hummingbird Centre for the Performing Arts

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The Centre was the recipient of a Federal grant of \$6,000 from the Canada Council for the Arts supporting the presentation tour of Sankai Juku.

11. 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. 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 and rates of pay. Employees and employers contribute jointly 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. The City does not recognize any share of the OMERS pension surplus or deficit. Employers' current service contributions to the OMERS pension plan in 2006, which were expensed, are \$182,059 [2005 - \$156,074].

In addition to "other-than-continuous full-time" offers to participate in the OMERS plan, the Centre has arrangements with bargaining units to make contributions to registered retirement savings plans on behalf of its employees. Contributions expensed under these plans for 2006 amounted to \$156,439 [2005 - \$157,981].

12. COMMITMENTS

[a] Foreign exchange contracts

As at December 31, 2006, the Centre had open forward foreign exchange contracts committing it to purchase U.S.\$1,150,000 [\$1,290,300 CDN] maturing from February 2007 to December 2007 [2005 - nil]. The fair value of these forward foreign exchange contracts is \$1,340,095 CDN.

[b] Leases

The Centre is committed to future minimum annual lease payments for equipment under operating leases as follows:

	\$
2007	18,613
2008	19,045
2009	19,045
2010	19,045
2011	18,813
Thereafter	11,901
	<u>106,462</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

13. FINANCIAL INSTRUMENTS

[a] Foreign exchange risk

Foreign exchange is a financial risk to the Centre's income that arises with respect to the degree of volatility of the foreign exchange rates. The Centre, during the normal course of operations, will have contractual obligations for performances in other currencies for which they are subject to foreign exchange risk. The Centre uses forward foreign exchange contracts to reduce its exposure to foreign exchange risks.

[b] Credit risk

Accounts which are receivable result in exposure to credit risk since there is a risk of counterparty default. The Centre provides for an allowance for doubtful accounts to absorb potential credit losses. As at December 31, 2006, one account represents 79% of the total accounts receivable balance [2005 - two accounts represented 85%].

[c] Fair values

The carrying values of the Centre's financial instruments approximate their fair values unless otherwise noted.

ERNST & YOUNG LLP

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