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

(operating as The Sony Centre for the Performing Arts)

Financial Statements

December 31, 2011, December 31, 2010 and January 1, 2010

May 3, 2012

Independent Auditor's Report

To the Members of
The Board of Directors of the Hummingbird Centre for the Performing Arts
(operating as The Sony Centre for the Performing Arts)

We have audited the accompanying financial statements of The Board of Directors of the Hummingbird Centre for the Performing Arts (operating as The Sony Centre for the Performing Arts) (the centre), which comprise the statements of financial position as at December 31, 2011 and December 31, 2010 and the statements of operations and changes in net assets and cash flows for the years ended December 31, 2011 and December 31, 2010 and the statement of remeasurement gains and losses for the year ended December 31, 2011, 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 for not-for-profit organizations, 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 audits. We conducted our audits in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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.

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We believe that the audit evidence we have obtained in our audits 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 centre as at December 31, 2011 and December 31, 2010 and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Emphasis of matter

We draw attention to note 4 to the financial statements, which describes the restatement of prior year results due to an error. Our opinion is not qualified in respect of this matter.

Other matter

Without modifying our opinion, we draw attention to note 3 to the financial statements which describes that The Board of Directors of the Hummingbird Centre for the Performing Arts (operating as The Sony Centre for the Performing Arts) adopted Canadian public sector accounting standards for not-for-profit organizations on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively with restatement of prior periods subject to transitional exemptions described in note 3, including the statement of financial position as at January 1, 2010 and related disclosures. We were not engaged to report on the restated statement of financial position as at January 1, 2010, and as such, it is unaudited.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

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

(operating as The Sony Centre for the Performing Arts)

Statements of Financial Position

	December 31, 2011 $	December 31, 2010 $ (restated - note 4)	January 1, 2010 $ (unaudited)
Assets			
Current assets			
Cash	1,030,071	2,597,407	569,640
Accounts receivable	1,040,651	952,156	200,216
Due from City of Toronto			
Due from Facility Fee Reserve Fund (notes 5 and 8)	462,785	-	1,891,310
Capital program (note 8)	612,384	-	-
Operating deficit (note 5)	29,735	-	-
Inventory	-	-	2,806
Prepaid expenses	45,109	17,022	8,583
	3,220,735	3,566,585	2,672,555
Long-term receivables			
City of Toronto - capital program (note 8)	6,037,616	6,744,830	-
City of Toronto - employee benefits obligation receivable	89,486	90,417	-
Other receivable - developer	449,999	449,999	-
Derivatives (note 2)	8,914	-	-
Capital assets - net (note 9)	2,626,086	3,384,149	1,326,432
Other asset (note 10)	559,534	559,534	559,534
	12,992,370	14,795,514	4,558,521
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,025,848	4,474,013	2,777,911
Due to City of Toronto			
Operating surplus (note 5)	36,718	36,718	305,637
Surcharge payable	21,140	220,393	-
Loan and interest payable (notes 5 and 7)	932,795	-	-
Employee benefits obligation payable	89,640	89,640	-
Trade payables	7,057	9,306	18,496
Refundable municipal grant	406,105	-	16,761
Deferred revenue	1,025,300	557,261	22,126
Advance ticket sales - rental clients	685,665	1,283,617	-
	4,230,268	6,670,948	3,140,931
Loan due to City of Toronto (notes 5 and 7)	6,037,616	4,650,000	-
Employee benefits obligation (note 12)	89,486	90,417	91,158
Deferred capital contributions (note 13)	2,552,883	3,282,570	1,191,150
	12,910,253	14,693,935	4,423,239
Unrestricted net assets			
Accumulated net surplus (note 4)	73,203	101,579	135,282
Accumulated remeasurement gains	8,914	-	-
	12,992,370	14,795,514	4,558,521

Commitments and contingencies (note 15)

Approved by the Board of Directors

Director Luigi Ferrara Director

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

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

(operating as The Sony Centre for the Performing Arts)

Statements of Operations and Changes in Net Assets

For the years ended December 31, 2011 and December 31, 2010

	2011 $	2010 $ (restated - note 4)
Revenue		
Operating		
Performance	2,632,574	5,244,325
Rental	3,280,821	560,297
Ancillary	2,491,622	1,705,562
Other recoveries (note 5)	70,854	182,654
Interest and other	8,495	1,943
City of Toronto		
Grant	1,031,326	1,087,100
Funding from Facility Fee Reserve Fund (note 8)	320,411	1,166,700
Other revenue	768,181	491,984
Amortization of deferred capital contributions	792,322	441,198
	11,396,606	10,881,763
Expenses		
Operating		
Salaries, wages and benefits (note 11)	5,043,484	4,043,266
Presentation and production	2,640,073	4,781,016
Ancillary	1,165,166	780,879
Building operations	790,933	629,315
Administration	658,684	619,370
Interest expense	320,411	-
Amortization of capital assets	835,966	467,469
Loss on disposal of asset - internally funded (note 9)	-	7,432
Gain on disposal of asset - externally funded (note 9)	-	(449,999)
	11,454,717	10,878,748
(Deficiency) excess of revenue over expenses before the following	(58,111)	3,015
Transfer from (to) City of Toronto (note 5)	29,735	(36,718)
Deficiency of revenue over expenses for the year	(28,376)	(33,703)
Unrestricted net assets - Beginning of year (note 4)	101,579	135,282
Unrestricted net assets - End of year (note 4)	73,203	101,579

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

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

(operating as The Sony Centre for the Performing Arts)
Statement of Remeasurement Gains and Losses
For the year ended December 31, 2011

	$
Accumulated remeasurement gains - Beginning of year	-
Unrealized gains attributable to	
Derivatives	8,914
Accumulated remeasurement gains - End of year	8,914

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

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

(operating as The Sony Centre for the Performing Arts)

Statements of Cash Flows

For the years ended December 31, 2011 and December 31, 2010

	2011 $	2010 $ (restated - note 4)
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(28,376)	(33,703)
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(792,322)	(441,198)
Amortization of capital assets	835,966	467,469
Write-off of deferred capital contributions	(35,848)	-
Loss on disposal of asset - externally funded	35,848	-
Gain on sales of asset - externally funded	-	(449,999)
Loss on disposal of asset - internally funded	-	7,432
	15,268	(449,999)
Net change in non-cash working capital balances related to operations (note 14)	(2,135,433)	1,548,416
Change in employee benefits obligation	(931)	(741)
	(2,121,096)	1,097,676
Financing activities		
Due from City of Toronto	(367,955)	(4,853,520)
Accounts payable and accrued liabilities - redevelopment charges	(1,063,017)	1,133,611
Loan proceeds from City of Toronto	2,000,000	4,650,000
Contributions received for capital asset purchases	98,483	3,386,362
	667,511	4,316,453
Capital activities		
Purchase of capital assets	(113,751)	(3,386,362)
(Decrease) increase in cash during the year	(1,567,336)	2,027,767
Cash - Beginning of year	2,597,407	569,640
Cash - End of year	1,030,071	2,597,407

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

1. Operations and relationship with the City of Toronto

The Board of Directors of the Hummingbird Centre for the Performing Arts (the board) operates under the name, The Sony Centre for the Performing Arts, and manages a theatre and centre for meetings, receptions and displays with the same name (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 board is a registered charitable organization and, as such, is not subject to income taxes.

2. Summary of significant accounting policies

The financial statements of the board 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 board follows the deferral method of accounting for contributions, which include grants. 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. Performance, rental and ancillary revenues are recognized on the date of the attraction, event or point of sale.

Deferred revenue consists of the board's advance ticket sales for its presentations, unredeemed gift certificates, sponsorship revenue and membership revenue for which no tax receipt has been issued attributable to future periods of benefit.

Cash

Cash represents cash on hand and cash 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:

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

Chattel assets, assets which are considered to be removable, are the property of the board and are recorded in the financial statements.

The board reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the board. The impairment loss, if any, is the excess of the carrying value over any residual value. The board writes down the cost of its capital asset when it can objectively estimate a reduction in the value of the asset's service potential to the board, and has persuasive evidence that the reduction is expected to be permanent in nature. The capital asset would be written down to the revised estimate of the value of the asset's remaining service potential to the board. Writedowns are not reversed. In the current year, no writedowns have been recorded by the board.

Major facilities of the centre, including the land and building in which the board operates, are recorded in the accounts of the city. Expenditures for significant leasehold improvements to the building are charged to the city's capital works program and the corresponding funding is withdrawn from the Facility Fee Reserve Fund. These assets are owned by the city and recorded in the accounts of the city and are therefore not recorded as assets of the board.

Financial instruments

The board's financial instruments included in the statements of financial position are comprised of cash, accounts receivable, receivable due from City of Toronto, long-term receivables, accounts payable and accrued liabilities, payable due to City of Toronto and loan due to City of Toronto.

The board's financial instruments are generally classified and measured as follows:

Assets / liabilities	**Measurement category**
Cash	fair value
Accounts receivable	amortized cost
Due from City of Toronto	amortized cost
Long-term receivables	amortized cost
Accounts payable and accrued liabilities	amortized cost
Due to City of Toronto	amortized cost
Loan due to City of Toronto	amortized cost

For certain of the board's financial instruments, including cash, accounts receivable, due from / to City of Toronto and accounts payable and accrued liabilities, their carrying values approximate their fair values due to their short-term maturities.

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value category:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are more suitable and appropriate on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Derivatives were measured as Level 2 financial instruments.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain and loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are recorded in the statements of operations.

All financial instruments, except derivatives, are tested 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.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

The board currently employs three forward foreign exchange contracts committing it to purchase US $513,000 with the settlement dates of February 2, 2012, March 28, 2012 and April 13, 2012. As at December 31, 2011, the unrealized accumulated exchange gain on these forward contracts was $8,914.

Derivatives

A significant portion of the board's presentation purchases can be for attractions denominated in US dollars. The board, on occasion, utilizes derivative financial instruments in the management of its foreign currency exposure. The board's policy is not to utilize derivative financial instruments for trading or speculative purposes. Currently the board employs a forward contract to exchange US dollars at a pre-determined rate. The forward contract is measured at fair value until the forward contract is derecognized. The change in fair value of the forward contract is recorded in the statement of remeasurement gains and losses.

Contributed materials and services

Contributed materials are recognized as received only when the fair value of the material can be determined. The board currently does not have contributed services.

Leases

Operating lease costs are recognized as an expense on a straight-line basis over the life of the lease.

Employee benefit plan

The employee benefit plan is the multi-employer pension plan (note 11). The board has adopted the following policies with respect to employee benefit plans:

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

- the costs of termination benefits and compensated absences are recognized when the board is demonstrably committed to either terminate the employment of an employee or group of employees, or 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.

Employee benefit obligations

The employee benefit obligations relate to the obligation under post-employment benefits, compensated absences and terminated benefits (note 12). The board has adopted the following policies with respect to employee benefit obligations:

- the costs of termination benefits and compensated absences are recognized when the event that obligates the board occurs;
- the costs for other employee benefits obligations are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation, and expected health-care costs;
- past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment;
- the effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group; and
- employee future benefit obligations are discounted using current interest rates on long-term municipal debentures.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the rates prevailing at the transaction dates. Revenue and expenses are translated at the exchange rates on the date of the transaction. Realized exchange gains of $5,168 and losses of $493 (2010 – gain of $4,480) are included in the statement of operations for the year ended December 31, 2011. Unrealized exchange gains and losses are included in the statement of remeasurement gains and losses.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Transition to public sector accounting standards

Commencing with the 2011 fiscal year, the board has adopted PSAS. These financial statements are the first financial statements for which the board has applied PSAS. The board has elected to apply PSAS that apply only to government not-for-profit organizations.

The impact of the transition to PSAS on the accumulated net surplus at the date of transition, January 1, 2010, and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods subject to transitional exemptions as noted in section (d) below except for the accounting standards contained in PS3450, as this standard specifically prohibits retroactive application. The following changes have been implemented to comply with PSAS:

a) Statement of financial position

	December 31, 2010 $	January 1, 2010 $
Employee future benefits – as previously stated	89,640	89,537
Discount rate (i)	4,040	2,020
Initial recognition of unamortized gains / losses (ii)	(3,263)	(399)
Employee future benefits – restated	90,417	91,158

(i) The board has revalued its pension benefit obligations using a discount rate referencing the board's cost of borrowing. This change has been applied retroactively.

(ii) The board has retroactively recognized unamortized actuarial gains and losses on the date of transition. Accumulated actuarial gains / losses are amortized over the remaining service life of the employees.

b) Statement of operations and changes in net assets

There has been no change in the statement of operations and changes in net assets under PSAS.

c) Statement of cash flows

	$
Change in employee future benefits – as previously stated	103
Restatement to balance as at January 1, 2010	(1,621)
Restatement to balance as at December 31, 2010	777
Change in employee future benefits – restated	(741)

d) Exemptions

The board has elected to use the following exemptions:

- Retirement and post-employment benefits

  Under Section PS 3255, accrued benefit obligations, post-employment benefits and compensated absences are determined by applying a discount rate with reference to its plan asset earnings or with reference to its cost of borrowing. Retroactive application requires the board to recalculate accrued benefit obligations, post-employment benefits and compensated absences at the time of transition to PSAS. Under Section PS 3255, the board also amortizes actuarial gains and losses to the liability or asset over the expected average remaining service life of the related employee group. Retroactive application of this approach requires the board to split the cumulative actuarial gains and losses from the inception of the plan until the date of the transition to PSAS into a recognized portion and an unrecognized portion. The board has elected to apply retroactively these standards and has restated its comparative statement of financial position.

The board elected to recognize all cumulative actuarial gains and losses as at the date of transition to PSAS directly in accumulated operating deficit.

- Tangible capital asset impairment

Section PS 3150 indicates the conditions when a writedown of a tangible capital asset should be accounted for. The board has elected not to apply these requirements for writedowns of tangible capital assets that were incurred prior to the date of transition to PSAS. As a first-time adopter, the conditions for a writedown of a tangible capital asset in Section PS 3150 are applied on a prospective basis from the date of the transition.

e) Adoption of financial instruments accounting standards

The comparative figures have not been restated for the board's adoption of the new financial instrument accounting standards PS 3450. The comparative figures were prepared using the following accounting policies for financial instruments:

Financial instruments

The transition to PSAS standards also included the adoption of Section 3450, Financial Instruments. The Board has applied this standard prospectively. Therefore, financial statements of prior periods, including comparative information, have not been restated.

The board's financial instruments included in the statements of financial position are comprised of cash, accounts receivable, due from City of Toronto, long-term receivables, accounts payable and accrued liabilities, due to City of Toronto and loan due to City of Toronto.

The board's financial instruments are generally classified and measured as follows:

Assets/Liabilities	Category	Measurement
Cash	held-for-trading	fair value
Accounts receivable	loans receivables	amortized cost
Due from City of Toronto	loans receivables	amortized cost
Long-term receivables	loans receivables	amortized cost
Accounts payable and accrued liabilities	other liabilities	amortized cost
Due to City of Toronto	other liabilities	amortized cost
Loan due to City of Toronto	other liabilities	amortized cost

For certain of the board's financial instruments, including cash, accounts receivable, due from / to City of Toronto and accounts payable and accrued liabilities, their carrying values approximate their fair values due to their short-term maturities.

4. Restatement of prior period financial statements under Canadian generally accepted accounting principles

As a result of a review carried out in the current year, it was determined that an error existed in the historic calculation of the board's accounts payable balance as presented under Canadian generally accepted principles (CGAAP) resulting in an overstatement of the accounts payable balance and an understatement of the net assets balance. The board's closing statement of financial position and statement of operations as at December 31, 2010 and for the year then ended presented under CGAAP have been restated.

The following tables summarize the impact of the restatements as a result of the overstatement of accounts payable and understatement of net assets on the statement of financial position, statement of operations, and statement of cash flows for the year ended December 31, 2010 under CGAAP.

The restated statements under CGAAP were subsequently transitioned to PSAS as noted in note 3.

a) Statement of financial position

	2010 **$** (originally reported under CGAAP)	**Restatement** **$**	**2010** **$** (restated under CGAAP)
Current liabilities			
Accounts payable and accrued liabilities	4,563,653	(89,640)	4,474,013
Due to City of Toronto			
Operating surplus	126,358	(89,640)	36,718
Surcharge payable	220,393	-	220,393
Employee future benefits payable	-	89,640	89,640
Trade payables	9,306	-	9,306
Deferred revenue	557,261	-	557,261
Advance ticket sales – rental clients	1,283,617	-	1,283,617
	6,760,588	(89,640)	6,670,948
Unrestricted net assets	11,939	89,640	101,579

b) Statement of operations

	2010 $ (originally reported under CGAAP)	Restatement $	2010 $ (restated under CGAAP)
Revenue	10,881,763	-	10,881,763
Expenses	10,878,748	-	10,878,748
Excess of revenue over expenses before the following	3,015	-	3,015
Transfer to City of Toronto	(126,358)	89,640	(36,718)
Deficiency of revenue over expenses for the year	(123,343)	89,640	(33,703)
Unrestricted net assets - Beginning of year	135,282	-	135,282
Unrestricted net assets - End of year	11,939	89,640	101,579

c) Cash flow from operations

	2010 $ (originally reported under CGAAP)	Restatement $	2010 $ (restated under CGAAP)
Cash provided by (used in)			
Operating activities			
Deficiency of revenue over expenses for the year	(123,343)	89,640	(33,703)
Add (deduct): Non-cash items			
Amortization of deferred capital contributions	(441,198)	-	(441,198)
Amortization of capital assets	467,469	-	467,469
Gain on sales of asset – externally funded	(449,999)	-	(449,999)
Loss on disposal of asset – internally funded	7,432	-	7,432
	(539,639)	89,640	(449,999)
Net change in non-cash working capital balances related to operations	1,638,056	(89,640)	1,548,416
Change in employee future benefits	(741)	-	(741)
	1,097,676	-	1,097,676

5. Related party transactions

Facility Fee Reserve Fund

In October 2011, the city updated its administrative amendments to the board's Facility Fee Reserve Fund (note 8). Contributions to the Facility Fee Reserve Fund can now include: the Facility Fee surcharge which is applied to all tickets sold for attractions at the centre at a rate determined by the Board of Directors; capital salvage;

corporate and naming right contributions for a capital purpose; developer capital contributions; other recoveries of a capital nature and any other contributions directed by City Council. The Facility Fee Reserve Fund is maintained by the city and is recorded on the city's books.

The fund can be used to fund maintenance, state of good repair, heritage preservation, and renovation of the theatre as well as repayment of advances and /or loans – principal and interest – made by the city to the centre. The fund was used to finance the capital works expenditures for the theatre renovation (notes 7 and 8).

Loan

In February 2011, City Council approved a completion loan for the capital renovation project in the total of $6.65 million. The terms of the agreement specify that the loan will be repaid in bi-annual instalments over 15 years beginning on January 1, 2012, with interest accrued at 5%. The loan will be repaid using future Facility Fee surcharge levied on ticket sales and is secured by future naming rights proceeds. Interest expense of $320,411 (2010 – $nil) is accrued as at December 31, 2011 and will be paid out of the Facility Fee Reserve Fund residing on the city's books. As a result, interest expense funding receivable is recorded as at December 31, 2011 in the statement of financial position as at December 31, 2011 (note 8). No interest expense was paid out during the year.

Intercompany expenses

In the normal course of operations, the board incurs costs for various expenses payable to the city such as hydro, legal and other administration expenses. In addition, the city has agreed to cover certain salary costs related specifically to the board's renovation plan, which are included in other recoveries in the statements of operations and changes in net assets. Transactions between the city and the board are made at the agreed upon exchange amount. Also, as part of the board's operations, the city picks up the deficit for the year.

The transfer of operating income to the city is calculated as follows:

	2011 $	2010 $
(Deficiency) excess of revenue over expenses before transfer to City of Toronto	(58,111)	3,015
Add (deduct) non-cash items		
Amortization of deferred capital contributions	(792,322)	(441,198)
Amortization of capital assets	835,966	467,469
Deferred capital contribution from operations	14,000	-
Loss on disposal of internally funded asset	-	7,432
Purchase of internally funded capital assets	(29,268)	-
(Receivable from) payable to City of Toronto	(29,735)	36,718

The amount payable as at December 31, 2010 was not paid during 2011; therefore, it is recorded in the statement of financial position as a payable to the city and the amount receivable from the city for the fiscal 2011 is recorded as a receivable from the city in the statement of financial position.

6. Stabilization Reserve - Sony Centre

The board has an agreement with the city that established in the accounts of the city, a Stabilization Reserve. Under the operating agreement with the board, the city is entitled to the operating surpluses of the board and responsible for the board's deficits in any year. In certain years since 1996, the board has been allowed by the city to transfer its operating surplus into the Stabilization Reserve for the purpose of putting surpluses aside in better years in order to offset deficits in other years. The last such transfer of operating income into the Stabilization Reserve allowed by the city was in 2004. Amounts maintained in the fund are not interest bearing.

As at December 31, 2011, the balance in the Stabilization Reserve is $181,185 (2010 -$181,185).

7. Capital Works Program Fund - Sony Centre redevelopment project

The city approved the board's redevelopment plan as part of its capital works program in 2008.
In February 2011, City Council approved an amendment to the plan to increase the capital expenditure to $35.469 million. In addition, City Council approved an amendment to increase the loan available for completion by $2.0 million to $6.65 million.

This loan is presented on the board's financial statements as follows:

	2011 $	2010 $
Due to City of Toronto – loan payable (current portion)	612,384	-
Loan due to City of Toronto (long-term portion)	6,037,616	4,650,000
	6,650,000	4,650,000

The changes in the capital works program for the theatre renovation, which are recorded in the city's accounts, are as follows:

	2011 $	2010 $
Capital works program deficit – Beginning of year	(6,695,396)	-
Transfer from the Facility Fee Reserve Fund (note 8)	800,027	20,453,214
East side mechanical and electrical project expenditures	(130,654)	(10,338,876)
Theatre renovation project expenditures (note 5)	(401,046)	(13,727,394)
Plaza expenditures	(138,448)	(248,327)
Funding of chattel asset purchases (note 13)	(84,483)	(2,834,013)
Capital works program deficit – End of year	(6,650,000)	(6,695,396)

8. Facility Fee Reserve Fund – Sony Centre

Contributions to the fund in 2011 included $500,000 from the developer in respect of a contractual commitment, $468,328 from surcharge fees, $104,571 in capital recoveries from third parties, and investment income.

The changes in the fund, which are recorded in the city's accounts as described in note 5 are as follows:

	2011 $	2010 $
Balance - Beginning of year	62,184	16,883,141
Revenue from ticket capital surcharge	468,328	311,300
Proceeds from the sale of density rights	-	3,459,000
Proceeds from the developer for special items	500,000	800,000
Investment income	6,025	57,251
Other sundry revenue	104,571	171,406
Funding of operations	-	(1,166,700)
Transfer to capital works program – Sony Centre Redevelopment Project (note 7)	(800,027)	(20,453,214)
Balance - End of year	341,081	62,184

As at December 31, 2011, a balance of $7,112,785 (2010 - $6,744,830) was recorded on the statement of financial position as receivable from the city in connection with capital expenditures paid by the board and reimbursable from the city. $6,037,616 (2010 - $6,744,830) is a long-term receivable and $1,075,169 (2010 - $nil) is a current receivable.

This receivable is presented on the board's financial statements as follows:

	2011 $	2010 $
Due from City of Toronto – Due from Facility Fee Reserve Fund (current portion)	142,374	-
Due from City of Toronto – Due from Facility Fee Reserve Fund (current portion relating to interest expense funding) (note 5)	320,411	
Due from City of Toronto – capital program (current portion)	612,384	-
Long-term receivables – City of Toronto – capital program	6,037,616	6,744,830
	7,112,785	6,744,830

9. Capital assets

		2011	
	Cost $	Accumulated amortization $	Net $
Stage equipment	1,482,798	609,828	872,970
Computer equipment	2,413,765	1,047,121	1,366,644
Other equipment	433,224	183,353	249,871
Furniture	421,736	285,135	136,601
	4,751,523	2,125,437	2,626,086

	2010		
	Cost $	Accumulated amortization $	Net $
Stage equipment	1,812,180	757,084	1,055,096
Computer equipment	2,340,576	490,240	1,850,336
Other equipment	441,443	153,750	287,693
Furniture	423,338	232,314	191,024
	5,017,537	1,633,388	3,384,149

During 2011, the board disposed of capital assets with an original cost of $379,765 (2010 - $898,452) and accumulated amortization of $343,917 (2010 - $37,276). The cost and related accumulated depreciation have been removed from the financial statements. A capital loss of $35,848 (2010 - a net gain of $442,567) has been recorded in the statement of operations.

10. Other asset

In 2007, the centre was the recipient of a gift of a condominium unit scheduled for completion in 2013. The intention of the centre is to resell the condominium unit at a time that maximizes value.

11. Employee benefits

The board 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 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. As a result, the board does not recognize any share of the OMERS pension surplus or deficit. Employers' current service contributions to the OMERS pension plan in the amount of $195,414 (2010 - $163,482) were expensed and are included in salaries, wages and benefits.

In addition to other than continuous full-time offers to participate in the OMERS plan, the board has arrangements with bargaining units to make contributions to registered retirement savings plans on behalf of its employees. Contributions in the amount of $71,700 (2010 - $52,809) were expensed and are included in salaries, wages and benefits.

The board also contributes the employers' portion of: the Canada Pension Plan (CPP); Employment Insurance (EI); payments for Workplace Safety and Insurance, medical plan, dental plan, group term life, and long-term disability (LTD).

The total of these contributions which were expensed and are included in salaries, wages and benefits are:

	2011 $	2010 $
Canada Pension Plan	145,610	118,739
Employment Insurance	80,154	61,847
Workplace Safety and Insurance	41,457	30,458
Medical plan	74,015	59,911
Dental plan	51,832	41,542
Group term life	13,448	12,640
Long-term disability	25,618	23,679
	432,134	348,816

12. Employee future benefits

The city's long-term disability plan for employees is unfunded with respect to future liabilities. The centre as a participant in the LTD plan has a portion of this unfunded liability as its obligation.

The employee future benefits payable related to these plans recorded in the financial statements consist of the following:

	2011 $	2010 $
Accrued benefit obligations	517,057	518,283
Less: Unamortized actuarial loss	(427,571)	(427,866)
Total employee future benefits payable	89,486	90,417

Due to the complexities in valuing the liabilities of the plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2010.

The significant actuarial assumptions adopted in measuring the centre's accrued benefit obligations and benefit costs are as follows:

	2011 %	2010 %
Discount rate for accrued benefit obligation		
Post-retirement	3.80	4.70
Other post-employment	3.10	4.00
Discount rate for accrued benefit costs		
Post-retirement	7.60	7.60
Other post-employment	7.60	7.60
Rate of compensation increase	3.00	3.00

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health-care benefits was assumed except for a 4.0% annual rate of increase for dental benefits. The rates are assumed to decrease gradually to 4.0% by 2020 for all benefits except for the dental benefit rate that is assumed to decrease gradually to 3.0% by 2015, and remain at those levels thereafter.

13. Deferred capital contributions

Deferred capital contributions represent unamortized amounts of capital contributions. The board follows the deferral method of accounting for restricted contributions received. These contributions comprise of capital assets donated by corporations, the board's Facility Fee Reserve Fund and contributions in-kind. The most significant sources of the balance are contributions from the city's capital reserve program which represents 90% of the current balance. The changes in deferred capital contributions during the year are as follows:

	2011 $	2010 $
Balance – Beginning of year	3,282,570	1,191,150
Amortization of deferred capital contributions	(792,322)	(441,198)
Contributions restricted for the purchase of capital assets (note 7)	98,483	3,386,362
Write-off of deferred capital contributions (note 9)	(35,848)	(853,744)
Balance – End of year	2,552,883	3,282,570

Of the contributions received in the year, $98,483 (2010 - $3,386,362) has been provided to fund chattel asset purchases (note 7).

14. Statement of cash flows

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

	2011 $	2010 $
Accounts receivable	(88,495)	(751,940)
Inventory	-	2,806
Prepaid expenses	(28,087)	(8,439)
Accounts payable and accrued liabilities	(2,385,148)	562,491
Due (from) to City of Toronto		
Operating deficit – current fiscal year	(29,735)	-
Operating surplus – prior fiscal year	-	(268,919)
Interest payable	320,411	-
Refundable municipal grant	406,105	(16,761)
Employee future benefits payable	-	89,640
Employee future benefits receivable	931	(90,417)
Trade payables	(2,249)	(9,190)
Surcharge payable	(199,253)	220,393
Deferred revenue	468,039	535,135
Advance ticket sales	(597,952)	1,283,617
	(2,135,433)	1,548,416

15. Commitments and contingencies

Leases

The centre is committed under the terms of equipment operating leases approximately as follows:

	$
2012	17,340
2013	17,340
2014	17,180
2015	15,420
2016	11,565
	78,845

Contingencies

The board has been served notice from a bargaining unit union with a request for the board to review its pay equity plan adopted and posted in 1990. The board's management, in consultation with its lawyers and pay equity consultant, has responded to the union's request for information. The amount of any liability that may result from this review is not determinable at this time.

16. Financial risk management

The main risks to which the board's financial instruments are exposed are as follows:

Foreign exchange risk

Foreign exchange risk is the risk due to fluctuation in foreign exchange prices.

The board is exposed to gains / losses that arise with respect to the degree of volatility of foreign exchange rates.

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 that are receivable result in exposure to credit risk since there is a risk of counterparty default. The board provides for an allowance for doubtful accounts to absorb potential credit losses. As at December 31, 2011, one account represents 77% of the total accounts receivable balance (2010 – two accounts represented 59%).

Liquidity risk

Liquidity risk is the risk of the inability of an entity to meet its current obligations from proceeds of current assets.

The board manages its liquidity risk by forecasting cash flows from operations and other activities and maintains credit facilities with the city to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

17. Comparative figures

Prior to transitioning prior year financial statements for PSAS adjustments, certain comparative figures presented under CGAAP have been reclassified from those previously presented to conform to the presentation of the 2011 financial statements under CGAAP.