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

*Operating as “The Sony Centre for
the Performing Arts”*

*2011 Year-end report
to the Finance
Committee*

*Prepared as of
April 23, 2012*





April 23, 2012

Members of the Finance Committee of the Board of Management
The Sony Centre for the Performing Arts

Dear Members of the Finance Committee

We have substantially completed our audit of the financial statements of The Sony Centre for the Performing Arts (the Centre) prepared in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations (PSAS) for the year ended December 31, 2011. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in Appendix B.

We have issued 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 issues dealt with during the audit process.

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

We would like to express our sincere thanks to the management and the staff of the Centre who have assisted us in carrying out our work and we look forward to our meeting on April 25, 2012. Should you have any questions or concerns prior to the Finance Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Jeffrey Goldfarb
Partner
Audit and Assurance Group

cc: Roy Reeves, Director of Finance and Personnel

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose. Comments and conclusions should only be taken in context of the financial statements as a whole as we do not mean to express an opinion on any individual item or accounting estimate.

1. *Executive summary*

a. Status of the audit

We have substantially completed our audit of the 2011 financial statements (the financial statements). Our auditor's report will be issued once we receive and have completed our audit work on the outstanding items noted below.

This document includes the required communications between an auditor and Finance Committee, as required by Canadian Auditing Standards.

The following items will need to be completed/received prior to the issuance of our opinion. We will provide an update on the status of these items at our upcoming meeting.

Outstanding items as at April 23, 2012	Status as at April 25, 2012
i. Analysis of Actuarial Report from Buck Consulting regarding post employment benefits by main PwC City Audit Team and respective disclosures in the financial statements	Resolved
ii. Resolution of the outstanding issue relating to the recognition of the 2010/2011 Interest Expense / Accrual	Resolved
iii. Update of legal letter responses from lawyers	
iv. Subsequent events update with management	
v. Receipt of signed management representation letter	
vi. Approval of the financial statements by the Finance Committee / Board of Directors	

b. Key issues for discussion

Discussion item	Summary	For further reference
Client service team	<ul style="list-style-type: none"> Jeffrey Goldfarb is your engagement leader; Natalia Glavina is your engagement manager. 	Page 3
Independence	<ul style="list-style-type: none"> We are independent of the Centre as at April 23, 2012. Our independence letter can be found in Appendix E. 	Appendix E
2011 audit fees	<ul style="list-style-type: none"> Our proposed audit fee for 2011 is \$36,910 (2010 - \$18,210). 	Page 3
Service deliverables	<ul style="list-style-type: none"> The scope of our services remains consistent with the prior year: an audit of financial statements of the Centre and the expression of an opinion on the Centre's financial statements. 	Page 4
Audit approach	<ul style="list-style-type: none"> Our audit approach will consist of a mixture of key controls reliance and substantive detail testing. Consistent with Canadian Auditing Standards, we also implement a level of unpredictability into our procedures each year. 	Page 5
Materiality	<ul style="list-style-type: none"> We have calculated materiality to be \$204,000. Unadjusted and adjusted items over \$10,000 will be reported to the Finance Committee. 	Page 7
Fraud	<ul style="list-style-type: none"> We did not note any instances of fraud as part of our audit procedures 	Page 7
Items discussed with Management	<ul style="list-style-type: none"> During the course of our work we discussed the following items with management: <ul style="list-style-type: none"> Treatment of related party transactions Significant management estimates Conversion to PSAS Restatement of 2010 balances Internal control recommendations 	Page 9, 13
Summary of unadjusted and adjusted items	<ul style="list-style-type: none"> As a result of our audit, we identified unadjusted items with an effect of \$19,137 overstatement of deficiency for the year. Unadjusted and adjusted items, including disclosure exceptions or items not impacting net income are listed in Appendix C. In our opinion, the financial statements, taken as a whole, are free of material misstatement. 	Appendix C
Management representations	<ul style="list-style-type: none"> Under Canadian Auditing Standards, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix D. 	Appendix D

2. Audit administration

a. Your team

Your client service team comprises the following individuals:

Name	Role	Phone number	Email address
Jeffrey Goldfarb	Engagement leader	416 218 1531	jeffrey.goldfarb@ca.pwc.com
Natalia Glavina	Engagement manager	416 218 1456	natalia.glavina@ca.pwc.com

b. Independence

Generally accepted auditing standards require that we confirm our independence to the Finance Committee annually. We are not aware of any relationships that may reasonably be through to bear on our independence. Our confirmation letter is set out in Appendix E.

c. Our fees

Our estimated fees are based on the estimated time required by the individuals assigned to the engagement. Our fees exclude taxes and out-of-pocket costs, as outlined in our engagement letter provided to the City.

The following is a summary of our fees for 2011 (exclusive of taxes and out-of-pocket expenses).

Service description	2011	2010
Audit of the financial statements (per engagement letter)	\$18,210	\$18,210
Additional work related to conversion to PSAS	\$13,800	
Assistance with current year financial statements (other than items noted above – i.e. restatement disclosures, employee future benefits, etc.)	\$4,900	
Total audit and audit related services	\$36,910	\$18,210

3. Scope of our services

a. Our audit objectives

As the Centre's auditor, our primary responsibility is to form and express an opinion on the Centre's financial statements as at December 31, 2011 and for the year ended in accordance with Canadian PSAS. The financial statements are prepared by management with the oversight of those charged with governance (Finance Committee). An audit of the financial statements does not relieve management or the Finance Committee of its responsibilities.

We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In addition, we are committed to being a trusted advisor to management and to the Finance Committee. Where appropriate, we will discuss not-for-profit standards, provide management our views and insights and also advise management of other services we feel could be helpful – at all times staying within the realms of our independence rules.

b. Engagement terms

Our engagement letter (included in Appendix A) which was agreed to by the City, sets out the terms and conditions for our engagement as the independent auditor of the Centre for the year ended December 31, 2011.

In addition, our engagement letter outlines our responsibilities as the auditor and the responsibilities of management.

c. Our service deliverables

Our audit and audit related service deliverables with respect to 2011 are:

	Audit and audit related services	Timing
Audit opinion	• Financial statement audit for the Centre.	• April 2012
Control recommendations	• Report significant weaknesses in control and our recommendations to the Finance Committee.	• April 2012
Other services	• Final report on the results of the audit to the Finance Committee.	• April 2012

4. How we perform the audit

a. Our audit approach

Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:

- i. Gaining an understanding of the business by focusing on new developments and key business issues affecting the Centre as well as management's monitoring of controls and business processes;
- ii. Identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks;
- iii. Using well-reasoned professional judgment, especially, in areas that are subjective or require estimates; and
- iv. Leveraging reliance where possible on the Centre's internal controls and information technology and data systems.

In the current year, our planned work will include testing of key controls in the following areas:

- Purchases, payables and disbursements
- Payroll
- Advance ticket sales

All other areas were subject to tests of detail and substantive analytical testing.

Throughout the audit, we scale our work based on the size of an account balance, its complexity and its impact on the financial statements. As a result, you will always hear us talking to you about the key issues.

b. Risk Analysis

Significant risks are those risks of material misstatement that, in our judgment, require special audit consideration. We have identified the following significant audit risks and other risks, including business risks with a potential audit impact, as part of our planning process.

These risks were identified based on discussions with management, our knowledge of the business and current developments in your industry and the economy.

They are the most important risks from our perspective. We request your input on the following significant risks and whether there are any other areas of concern that the Finance Committee has identified.

Risk area (including key judgments and estimates)	Management's response	Our audit approach
<p>Treatment of related party transactions</p> <p>A high amount of activity occurs between the Centre and the City. This includes transactions such as receipt of operating funding, loan payments and the other charges.</p>	<p>Management separately tracks and monitors amounts received from the City to ensure that they are spent in accordance with funding arrangements.</p>	<p>We will confirm all year-end balances with the City related to the grant, loan payable, receivable and others (if applicable) to ensure they have been accurately and completely reflected in the accounts of the Centre.</p>
<p>Deferred capital contributions and ticket sales</p> <p>Certain revenues relate to future performance, and have therefore not yet been earned, or to unspent capital ticket surcharges and are deferred as at the year end.</p>	<p>Management monitors restricted revenues to ensure that they are in accordance with funding arrangements.</p>	<p>We will test amounts which have been deferred to ensure that deferral is appropriate, and in accordance with funding arrangements (i.e. rental revenue deposits, capital contributions). We will also test amounts recognized as revenue in the year.</p>
<p>Payroll</p> <p>Salaries and benefits comprise a significant portion of the Centre's expenditures. It is important that control procedures in this area are effective and function properly on a continuous basis.</p>	<p>There are various controls in place to ensure the accuracy of the payroll, including hires, terminations, and changes to salaries and benefit amounts.</p>	<p>We will validate key management controls around the payroll cycle. We will also perform substantive analytical procedures on salary and benefits expenditures incurred in the current year.</p>
<p>Employee future benefits</p> <p>Employee future benefit determinations are complex calculations involving actuarial assumptions.</p>	<p>The City has utilized the expert services of an actuary to calculate the value of the employee future benefit payable amount, which includes an estimate of sick leave liability. Benefit payments are made through ADP and management relies on their controls.</p>	<p>We will test and rely on the controls of management and ADP. We will obtain the actuarial valuation report prepared by Buck Consulting for the 2011 year, and assess the reasonableness of the assumptions within this report.</p>
<p>Management estimates</p> <p>The preparation of financial statements includes the use of estimates in areas such as amortization, accruals and provisions. Due to their nature, estimates carry a higher inherent risk and therefore require additional consideration as part of an audit examination.</p>	<p>Management reviews its estimates on a regular basis and applies a consistent methodology to estimate the amounts, unless there has been a change in circumstances.</p>	<p>For all material estimates, we will review management's methodology in arriving at these estimates, to ensure that it is reasonable and has been consistently applied year over year.</p>

c. Materiality

Misstatements, including omissions, are considered to be material if they (individually or in aggregate with other misstatements) could reasonably be expected to influence the economic decisions of users, taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both. A common measure for setting materiality for a not-for-profit organization is to use 1/2% to 2% of revenue or expenditures.

Accordingly, we set our materiality for the audit as follows:

	Basis	Amount	Prior year's amount
Overall materiality	2% of expenditures	\$204,000	\$175,000
Unadjusted and adjusted items in excess of this amount are reported to the Finance Committee	5% of overall materiality	\$10,000	\$8,750

In the prior year, our materiality calculation was based on 1½% of expenditures. Based on our experience with the Centre, we feel that using 2% of expenditures is appropriate for the current year.

d. Discussion on fraud risk

Canadian Auditing Standards require us to discuss fraud risk annually with the Finance Committee. We understand that part of your governance role is also to consider the fraud risks facing the Centre and the responses to those risks.

Required discussion 1	<ul style="list-style-type: none"> • Through our audit process (and prior years' audits), we have developed an understanding of your oversight processes including: <ul style="list-style-type: none"> ◦ Monthly reporting comparing financial statements to budget ◦ Quarterly reporting to Board of Directors • Are there any new processes or changes to the above that we should be aware of?
Required discussion 2	<p>We are not aware of any fraud at the current time.</p> <p>We would like to ask whether you are aware of instances of actual, suspected or alleged fraud affecting the entity.</p>

An auditor's responsibilities for detecting fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we will perform the following procedures in order to fulfill our responsibilities:

- inquiries of management, the Finance Committee and others related to any knowledge of fraud or suspected fraud;
- perform disaggregated analytical procedures, primarily over revenue and consider unusual or unexpected relationships identified in planning the audit;
- incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures;
- perform additional required procedures to address the risk of management's override of controls, including:
 - testing internal controls designed to prevent and detect fraud;
 - examine journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - review accounting estimates for biases that could result in material misstatement due to fraud, (including a retrospective review of significant prior years' estimates); and
 - evaluate the business rationale of significant unusual transactions.

We would be pleased to discuss any other procedures or suggestions the Finance Committee may have.

5. Significant audit, accounting and financial reporting matters

Preparation of the financial statements requires management to select accounting policies, as well as make critical accounting estimates and disclosures that may involve significant judgment and measurement uncertainty. These matters can significantly impact the Centre's reported results.

We are responsible for discussing with the Finance Committee our views about the significant qualitative aspects of the Centre's accounting practices, including accounting policies, the accounting estimates, and financial statement disclosures in accordance with the requirements of GAAP.

Our comments and views included in this report should only be taken in the context of the financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate. We are sharing our views with you to facilitate an open dialogue of these matters.

Issue	Discussion
<p>Related party transactions – City of Toronto</p>	<p>As a significant amount of activity occurs between the City and the Centre, we requested a confirmation from the City of all amounts received during the year and balances outstanding at the year-end. This included funding received, loan payable, trade receivable and payable balances, the Facility Fee Reserve fund balance, Capital Works Program funding and the Stabilization Reserve fund balance.</p> <p>All confirmations have been received and have been reconciled to the financial statements. The City did not acknowledge an amount of \$15,268 owed to the Centre for previous years. This amount was taken to the summary of unadjusted items in Appendix C.</p> <p>As part of our controls testing, we also reviewed the business performance review controls of the Centre, focused on quarterly reporting with the City. As a result of our controls work, no significant issues were noted.</p> <p>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. The Facility Fee surcharge on ticket sales is contributed to the Facility Fee Reserve Fund that is maintained by the City and is resigned on the City's books.</p>

Issue	Discussion
Significant management estimates	<p>During the course of our work, we noted the following area of management judgment or estimate:</p> <p><i>Performance based bonus accrual</i></p> <p>The financial statements have been prepared on the assumption that the performance based compensation accrual of \$184,000 (2010 - \$176,000) will be approved. We understand that the Board of Directors will approve the 2011 performance based compensation accrual as part of the financial statement approval process.</p>
Conversion to Public Sector Accounting Standards with section 4200	<p>During 2011 management has elected to early adopt PSAS, including accounting standards that only apply to government not-for-profit organizations. This did not have a significant impact on the financial statements and related notes disclosures. Following are the areas where change was noted due to the conversion:</p> <ul style="list-style-type: none"> • Change in employee future benefit liability and asset • Change in treatment of the hedges • Inclusion of “statement of remeasurement gains and losses” • Inclusion of 2009 and 2010 restated balance sheet figures • Note disclosure on PSAS conversion <p>We reviewed management’s conversion program and noted no exceptions. We reviewed the selected policies and concluded that the statements are fairly presented in accordance with the newly adopted standards.</p>
Restatement of 2010 financial statements	<p>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 account payable balance as presented under Canadian generally accepted accounting principles (CGAAP) resulting in an overstatement of the accounts payable balance and an understatement of the net assets balance of \$89,640. The board’s closing statement of financial position and statement of operations as at December 31, 2010 and for the year then ended as presented under CGAAP have been restated.</p> <p>Additional note disclosure regarding this adjustment has been made in the current year financial statements. Please refer to Appendix C for adjusted entry posted and note 4 of financial statements.</p>

6. Summary of unadjusted and adjusted items

We have concluded that the financial statements taken as a whole are free of material misstatement and (pending the completion, to our satisfaction, of the outstanding matters identified in section 1), we are prepared to issue an unqualified opinion on the financial statements.

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

Under Canadian Auditing Standards, we are required to communicate to you the unadjusted items and the effect that they may have on our opinion and to request that unadjusted items be corrected. As a result of our audit, we identified certain items and have discussed these with management, and management adjusted the financial statements to reflect certain of these items.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. These are disclosed in Appendix C.

Please refer to Appendix C for the details of adjusted items.

7. Other required communications

Canadian Auditing Standards requires that the external auditor communicate certain matters to the Finance Committee that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to you:

Matter to be communicated	PwC's response
Management's representations	<ul style="list-style-type: none"> • Under Canadian Auditing Standards, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix D.
Significant deficiencies in internal control	<ul style="list-style-type: none"> • Recent changes to Canadian Auditing Standards require us to communicate to the Finance Committee internal control weaknesses identified as part of our audit that are considered to be significant deficiencies. • A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Finance Committee. • These are summarized in Section 8.
Significant difficulties or disagreements that occurred during the audit	<ul style="list-style-type: none"> • No difficulties or disagreements occurred while performing our audit that required the attention of the Finance Committee.
Fraud and illegal acts	<ul style="list-style-type: none"> • As noted in Section 4: <ul style="list-style-type: none"> ○ No fraud involving senior management, employees with a significant role in internal control, or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures. ○ We enquired with the Finance Committee whether they are aware of any known, suspected or alleged incidents of fraud.

8. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation 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 internal control.

During our audit, we identified the following control recommendations that we have discussed with management and wish to bring to your attention.

Internal control observation	Recommendation	Management's response
<p>Tracking of capital assets</p> <p>Capital assets are compiled, tracked and amortized by category using an excel spreadsheet. The Centre does not maintain a fixed asset register.</p> <p>Finance has no effective way of confirming all asset are in existence and is reliant on line management expertise as to the obsolescence of certain assets.</p>	<p>Although we did not note any errors in the current year, we recommend that management update the excel spreadsheet by performing a count of all capital assets.</p> <p>Further, we recommend that management develops a system of identifying and tracking the capital assets (i.e. developing a diagram showing locations of all capital assets in use at the Centre).</p> <p>We also recommend that management considers obtaining a capital asset module for their current accounting system as manually computing depreciation expense, additions and disposals exposes the Centre to the risk of error.</p>	<p>We agree that it would be desirable to have all purchased assets kept in an asset register with sufficient detail, identification and location indicators to be able to perform a physical count and verification of assets owned. We will evaluate available options and the internal time and cost resources needed to implement such a system.</p>
<p>Entries being prepared outside of accounting system</p> <p>As part of management financial statement close process, computations such as amortization of deferred capital contribution, capital asset depreciation and transfer to/from City are tracked in a separate excel spreadsheet and recorded to the financial statements. These accounts are not recorded in the accounting system of the Centre. Since these entries are not tracked in the accounting system they are susceptible to errors due to incorrect formula being used in excel, transposition and typographical errors.</p> <p>During our audit we noted an incorrect entry recorded in the financial statement, leading to restatement of 2010 balances.</p>	<p>Although we did not note any errors in the current year, we recommend that management tracks all entries and adjustments via the accounting system. This will ensure that balances per the accounting system are correctly reflected in the financial statements and that Centre's accounting records are in accordance with PSAS requirements. This will mean lower chance of error.</p> <p>Due to cost effectiveness reasons, if management chooses to track items separately in excel, care should be taken in ensuring that correct entries are posted to the financial statements. This can be done by ensuring all entries are reviewed prior to posting.</p>	<p>Although we understand the concern raised by the external auditor, we continue to believe the current practice is the most efficient in our circumstances. The entries handled outside the general ledger are of a nature that facilitates the ease of preparation of financial reports for the City and the board. We will provide the auditor with more fulsome tracking methodology from general ledger balance to statement line item.</p>

We would also like to provide you an update of the control recommendations identified from the prior year:

Items that have been fully resolved in the current year:

Internal control observation	Recommendation	Management’s response
<p>Management expense reports and policy</p> <p>During our testing of the authorization of management expense reports, we noted that there is currently no formal management expenditure approval policy in place. Although we did not note any issues with the approval of expenses during the course of our work, the lack of a formal policy increases the risk that, as personnel changes, existing policies may not be consistently applied.</p>	<p>2010 Recommendation:</p> <p>We recommend that management develop a formal policy with respect to the approval of management expenses and reimbursements. We recommend that this policy detail appropriate signatory authorization.</p> <p>2011 Recommendation:</p> <p>The recommendation from prior year has been fully implemented. No further action required.</p>	<p>2010 Response:</p> <p>Management notes that all business related expenditures must be approved by an appropriate level of management; however, they will document the existing process and policy controls in a written document.</p>

Appendix A: Engagement letter

November 1, 2010

Mr. Jeffrey Griffiths
Auditor General
City of Toronto, Metro Hall
55 John Street, 9th Floor
Toronto, Ontario, M5V 3C6

Dear Mr. Griffiths:

PricewaterhouseCoopers LLP (PricewaterhouseCoopers or we), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to be appointed auditors of the City of Toronto and its major agencies, boards, commissions and other entities listed in the "Annual Financial Statement and Other Reports" section of this engagement letter (collectively, the City), for the years ending December 31, 2010, 2011, 2012, 2013 and 2014. The purpose of this engagement letter is to confirm our mutual understanding of the specific terms and conditions of our engagement, which terms and conditions are supplemented by our standard terms and conditions set out in the Appendix attached to this letter. Should there be any conflict between our standard terms and conditions and the specific terms and conditions set out in this letter, specific terms and conditions shall apply.

Audit Services and Related Reports

We will provide the following services (the Audit Services):

Annual Financial Statement and Other Reports We will audit the City's financial statements and issue other reports, as outlined in the request for proposal 9171-09-7137 for external audit services dated November 3, 2009 for the engagements listed below as at December 31, 2010, 2011, 2012, 2013 and 2014 and for the years then ending, prepared in accordance with Canadian generally accepted accounting principles.

For the pension fund audits other than the Toronto Transit Commission Pension Fund Society, we will audit the statement of net assets available for benefits and the related statement of changes in net assets available for benefits in accordance with the basis of accounting disclosed in the notes to the financial statements. These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of management and the administrator of the funds and the Financial Services Commission of Ontario for complying with Section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario (the Act). These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose. These financial statements have been prepared by management and/or the administrator.

1. Consolidated Financial Statements of the City of Toronto.
2. Consolidated Financial Statements of the City of Toronto Trust Funds.
3. City of Toronto Sinking Funds.
4. City of Toronto – Report on Compliance with Investment Policy.
5. City of Toronto – Report on Compliance with Agreement for the Transfer of Federal Gas Tax Revenue and Annual Expenditure Report.
6. City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement.
7. Long-term Care Homes and Services – Residents' Interest Trust Fund.
8. Long-term Care Homes – Annual Reconciliation Reports (10 as listed below):

- (a) Bendal Acres;
 - (b) Carefree Lodge;
 - (c) Castleview Wychwood Towers;
 - (d) Cummer Lodge;
 - (e) Fudger House;
 - (f) Kipling Acres;
 - (g) Lakeshore Lodge;
 - (h) Seven Oaks;
 - (i) True Davidson Acres; and
 - (j) Wesburn Manor.
9. The Toronto Track and Field Centre – Statement of Operating Costs.
 10. Toronto Community Housing Corporation:
 - (a) Toronto Community Housing Corporation; and
 - (b) Housing Services Inc.
 11. Toronto Economic Development Corporation
 12. Toronto Parking Authority:
 - (a) Toronto Parking Authority; and
 - (b) Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage – Statement of Operations.
 13. Toronto Police Services Board Special Fund – Section 9110 Report.
 14. Toronto Public Health – Specified procedures in connection with various Settlements of Toronto Public Health programs (7 as listed below):
 - (a) Toronto Board of Health Cost Shared Programs;
 - (b) Settlement of AIDS Bureau Program and Statement of Revenue & Expenditures – Toronto Public Health – AIDS Bureau Program;
 - (c) Blind Low Vision;
 - (d) Healthy Babies Healthy Children Program;
 - (e) Infant Hearing Program;
 - (f) Preschool Speech and Language Program; and
 - (g) Smoke Free Ontario (if applicable).
 15. Toronto Public Library Board.
 16. Toronto Public Library Foundation.
 17. Consolidated Financial Statements of the Board of Governors of Exhibition Place.
 18. Canadian National Exhibition Association.
 19. Canadian National Exhibition Foundation.
 20. The Sony Centre for the Performing Arts.
 21. St. Lawrence Centre for the Arts.
 22. Toronto Centre for the Arts.
 23. Board of Management of the Toronto Zoo.
 24. Consolidated Financial Statements for the Toronto Transit Commission.
 25. Toronto Coach Terminal Inc.
 26. TTC Insurance Company Limited.
 27. The Pension Fund of the Corporation of the City of York Employee Pension Plan.
 28. The Fund of the Metropolitan Toronto Pension Plan.
 29. The Fund of the Metropolitan Toronto Police Benefit Fund.
 30. The Fund of the Toronto Civic Employees' Pension and Benefit Fund.
 31. The Fund of the Toronto Fire Department Superannuation and Benefit Fund.
 32. Toronto Transit Commission Pension Fund Society.
 33. Toronto Transit Commission Sick Benefit Association.

Reports Upon completion of our annual audits, we will provide the City with our reports on the work referred to above. The form and content of our audit reports will be in accordance with Canadian Audit Standard (CAS) 700 / CICA 5400. For the pension fund audits other than the Toronto Transit Commission Pension Fund Society, the form and content of our reports will be in accordance with CAS 800/CICA5600. There may be circumstances where our reports may differ from the expected form and content and if, for any reasons caused by or relating to the affairs or management of the City, we are unable to complete our audits, we may decline to issue our reports.

Our Responsibilities

Annual Financial Statement Audit The objective of a financial statement audit is the expression of an opinion on the financial statements. We will be responsible for performing the audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to attain reasonable assurance whether the financial statements are free of material misstatement. The audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Other Reporting Responsibilities Our responsibility as auditors of the TTC Insurance Company Limited (TTC Insurance Co.) is also to report to the Financial Services Commission of Ontario (FSCO) whether certain statements and notes in the TTC Insurance Co.'s Annual Return P&C-1 to FSCO at December 31, 2010, 2011, 2012, 2013 and 2014 present fairly, in all material respects, the TTC Insurance Co.'s financial position, results of operations and changes in cash flows in accordance with Canadian generally accepted accounting principles.

Internal Control, Fraud and Error We will obtain an understanding of the City's internal control over financial reporting solely for the purpose of identifying types of potential misstatements, considering factors that affect the risks of material misstatements and determining the nature, timing and extent of auditing procedures necessary for expressing our opinions on these financial statements. This understanding will not be sufficient to enable us to render our opinions on the effectiveness of internal control over financial reporting, or to consider whether internal control is adequate for management's purposes, nor to identify all significant weaknesses in the City's system of internal financial controls. However, we will inform the appropriate level of management, the Auditor General and the Audit Committee of any significant weaknesses in internal control that come to our attention. Such communications are derivative in nature, and we do not design procedures for the principal purpose of identifying such matters.

Because of the inherent limitations of internal control over financial reporting, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected.

We will design our audits to provide reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on these financial statements as well as other illegal acts having a direct and material effect on these financial statement amounts. Our audits will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements.

It is important to recognize that there are inherent limitations in the auditing process such as: (i) the use of selective testing of the data underlying these financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed; (ii) the inherent limitation of internal control; and (iii) the fact that most audit evidence is persuasive rather than conclusive. Audits are, therefore, subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if any exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management’s ability to override controls, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to the Auditor General, Audit Committee and management of the City, as appropriate, any such matters identified during our audits.

Independence We are required to be, and to remain, independent with respect to the City within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Informing the Audit Committee and the Auditor General We also are responsible for determining that the Audit Committee and the Auditor General are informed about certain other matters related to the conduct of our audits, including but not limited to: (i) any disagreements with management about matters that could be significant to the City’s financial statements or our reports thereon; (ii) any serious difficulties encountered in performing the audits; (iii) information relating to our independence with respect to the City; and (iv) other matters related to the City’s financial statements including its accounting policies and practices.

Reliance by Third Parties The Audit Services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Management’s Responsibilities

Responsible for Financial Statements and Internal Control The City’s management is responsible for the preparation and fair presentation of these financial statements and information referred to above. Management is also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error. In this regard, management is 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, the proper recording of transactions in the accounting systems and records, and for reporting financial information in conformity with Canadian generally accepted accounting principles.

If management engages us to translate these financial statements or other documents referred to above from one language to another, management is responsible for the translated documents.

Correction of Errors	Management is responsible for adjusting these financial statements to correct material misstatements and for affirming to us that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the year under audit are immaterial, both individually and in the aggregate, to these financial statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.
Prevention and Detection of Fraud	Management also is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us: (i) of the risk that these financial statements may be materially misstated as a result of fraud; (ii) about all known or suspected fraud affecting the City involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a non-trivial effect on these financial statements; and (iii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.
Laws and Regulations	Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities. Management will make available to us information relating to any illegal or possibly, illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.
Providing Information on a Timely Basis	Management is responsible for making available to us, on a timely basis, all of the City's original accounting records and related information and the City's personnel to whom we may direct inquiries.
Management Representation Letter	<p>We will make specific inquiries of management and others about the representations embodied in the annual financial statements.</p> <p>Management of the City will provide us with its written representations covering the annual financial statements from certain members of management on matters that are: (i) directly related to items that are material, either individually or in the aggregate, to these financial statements; (ii) not directly related to items that are material to these financial statements but are significant, either individually or in the aggregate, to the engagement; and (iii) relevant to management's judgments or estimates that are material, either individually or in the aggregate, to these financial statements. The results of our tests, the responses to our inquiries and the written representations obtained will comprise the evidential matter we intend to rely on in forming our audit opinions on these financial statements.</p>
Previous Auditors	To assist us in planning our audits, the City will authorize its previous auditors, Ernst & Young LLP, to allow us to review their working papers and to respond fully to our inquiries.

Fees for Audit Services

Fee Estimate	Our fees for the Audit Services as outlined in 3.0, Scope of Work, and in 5.3 Section 7, Cost of Service, of the City's request for proposal No. 9171-09-7137(RFP) will be \$750,000 in 2010, \$750,000 in 2011, \$805,000 in 2012, \$860,000 in 2013 and \$920,000 in 2014. These are fixed fees inclusive of all costs and expenses, but exclusive of applicable taxes. Fees are allocated to the City engagements as outlined in Appendix D of the RFP.
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Other Matters

City Preparation	Our time and fee estimates take into account the agreed upon level of preparation and assistance from the City's personnel. We will advise you on a timely basis when and if for any reason management does not provide such schedules, information and assistance as outlined in this letter and in the City's Responsibility section of the Appendix. In addition, should these or any other issues arise that will require an extra effort to resolve, we will communicate with management, the Auditor General and the Audit Committee in order to revise the fee estimate to reflect additional services, if any, required of us to complete our work.
Term – Agreement Continues in Force	In the event PricewaterhouseCoopers or the City does not exercise its respective rights to terminate the Agreement provided for herein, the Agreement shall continue in full force and effect for the year ending December 31, 2015 until such time as the Agreement is superseded or replaced by another agreement executed between PricewaterhouseCoopers and the City. It is understood by PricewaterhouseCoopers and the City that a specific agreement will be entered into with respect to audit and related services PricewaterhouseCoopers is to provide in each year, including an update to the agreed upon fees and billing schedule.
Termination by PricewaterhouseCoopers	Upon the completion of the services described in this letter for the year ending December 31, 2014, PricewaterhouseCoopers shall have the right to terminate the Agreement upon providing the City with ten (10) days' prior written notice and the City shall pay all fees for services provided by PricewaterhouseCoopers to the satisfaction of the City and in accordance with the Terms and Conditions of the Agreement up to the date of termination.
Termination by the City	The City shall have the right to terminate the Agreement upon providing PricewaterhouseCoopers with ten (10) days' prior written notice. In the event of termination by the City in accordance with this provision, the City shall pay PricewaterhouseCoopers for all fees for services provided to the satisfaction of the City prior to receipt of notice of termination.
Terms and Conditions	The Appendix sets forth additional terms and conditions, including rights and responsibilities of the parties with respect to this engagement.
Other relevant documents	The terms and conditions contained in the RFP No. 9171-09-7137 and the Proposal by PricewaterhouseCoopers in response to RFP No. 9171-09-7137 are incorporated into and form a part of this agreement. In the event of any inconsistency between the terms of the documents which make up this agreement, the following shall be the order of priority of the documents to the extent of any inconsistency: <ol style="list-style-type: none">1. The Engagement letter;2. The Terms and Conditions to the engagement letter;3. Request for Proposal No. 9171-09-7137; and4. The Proposal by PricewaterhouseCoopers referred to above.

As part of PricewaterhouseCoopers' process of assessing the quality of its services, the City may receive questionnaires from PricewaterhouseCoopers and visits from senior partners not directly involved in providing services to the City. PricewaterhouseCoopers appreciates the attention given to these questionnaires and visits and values the City's commentary.

If the services outlined herein are in accordance with your requirements and if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.



Yours very truly,


PriceWaterhouseCoopers LLP

Chartered Accountants

cc: Ms. Ulli S. Watkiss, City Clerk
Mr. Cam Weldon, Deputy City Manager and Chief Financial Officer

The services and terms as set forth in this letter, including the provisions of the Appendix, are agreed to.

City of Toronto



Marilyn M. Toft
for Ulli S. Watkiss
City Clerk

Ulli S. Watkiss, City Clerk



Authorized by item AU15.3. of the Audit Committee adopted by the Council of the City of Toronto on the 22nd and 23rd day of February, 2010.



Marilyn M. Toft for City Clerk

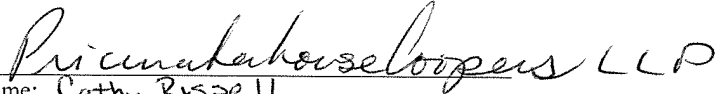
Date



G CARBONE FOR
Cam Weldon, Deputy City Manager and
Chief Financial Officer

Date

PRICEWATERHOUSECOOPERS LLP


Name: Cathy Russell
Title: Partner

Nov 3, 2010
Date

I have authority to bind the partnership

APPROVED AS TO FORM

For Anna Kingstowski
City Solicitor

APPENDIX

TERMS AND CONDITIONS

The engagement letter and any amendments thereto (collectively, the Engagement Letter), together with the Appendix (the Appendix), (collectively, the Agreement), shall, once the Engagement Letter is executed by both parties, constitute the entire agreement between the City of Toronto (City) to which such Engagement Letter is addressed (the City) and PricewaterhouseCoopers LLP (PricewaterhouseCoopers), a limited liability partnership organized under the laws of the Province of Ontario, regarding the services described in the Agreement (the Services). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Engagement Letter.

Timely Performance

- 1 In consultation with the City, PricewaterhouseCoopers will, acting reasonably, establish the timing of the performance of the Services. PricewaterhouseCoopers will use all reasonable efforts to complete the Services within any agreed upon time frame. However, PricewaterhouseCoopers shall not be liable for failures or delays in performance that arise from causes beyond its control, including the untimely performance by the City of its obligations, as set out in the City's Responsibility section below.

Right to Terminate Services

- 2 In addition to the termination rights contemplated under the Engagement Letter, should the City not fulfill its responsibilities to PricewaterhouseCoopers under the Agreement and, in the event that the City fails to remedy such default within thirty (30) days, or such extended period of time as the parties may agree to, following receipt of a notice from PricewaterhouseCoopers to this effect, PricewaterhouseCoopers may, without prejudice to its other rights and recourses, and without any further notice, cease providing the Services and consider the Agreement terminated. In such case, PricewaterhouseCoopers will not be responsible for any action, claim, liability, loss, damage, cost or expenses arising out of, in connection with or resulting from such termination.
- 3 In addition to the termination rights contemplated under the Engagement Letter, should PricewaterhouseCoopers not fulfill its responsibilities to the City under the Agreement and, in the event that PricewaterhouseCoopers fails to remedy such default within thirty (30) days, or such extended period of time as the parties may agree to, following receipt of a notice from the City to this effect, the City may, without prejudice to its other rights and recourses, and without any further notice, terminate the Agreement. Despite such termination the City shall provide payment for fees involved by PricewaterhouseCoopers for services performed to the satisfaction of the City prior to the date of termination. In such case, PricewaterhouseCoopers will not be responsible for any action, claim, liability, loss, damage, cost of expense arising out of, in connection with or resulting from such termination.

City's Responsibility

- 4 The City will provide and make available complete information and such other assistance as PricewaterhouseCoopers may require to enable PricewaterhouseCoopers to provide the Services. Such information will include, but not be limited to:
 - a) financial records and related data;
 - b) copies of all minutes of meetings of City council and other committees;
 - c) a schedule of all entities that are controlled by the City, those entities over which the City has significant influence and those entities that are under common control with the City (the Schedule of Group Structure);
 - d) a schedule of all other related parties as defined in The Canadian Institute of Chartered Accountants' Handbook Section 3840, "Related Party Transactions" (the Other Schedule), which will include, but not be limited to, directors, officers, senior members of management, immediate family members of such individuals and entities over which these individuals or entities are able to exert significant influence;
 - e) a schedule of all the transactions among the City, the entities referred to in the Schedule of Group Structure and the entities or individuals referred to in the Other Schedule during the reporting period; and
 - f) information relating to the recognition, measurement and disclosure of specific items, including, but not limited to:
 - i) an assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
 - ii) any plans or intentions that may affect the carrying value or classification of assets or liabilities;
 - iii) measurement and disclosure of transactions with related parties;
 - iv) an assessment of all areas of measurement uncertainty known to management
 - v) claims and possible claims, whether or not they have been discussed with the City's legal counsel;
 - vi) information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the City is contingently liable;
 - vii) information on whether the City has satisfactory title to assets;
 - viii) information on whether any liens or encumbrances on assets exist;
 - ix) information on whether any assets are pledged as collateral;
 - x) information relating to compliance with aspects of contractual agreements that may affect these financial statements; and
 - xi) information concerning subsequent events.

APPENDIX

TERMS AND CONDITIONS

- 5 The City will ensure that its staff and senior management are available to provide such information, materials and assistance, and that such City personnel will be qualified and have the appropriate skills and experience. If any of the City's personnel fail to perform as required, the City will make suitable additional or alternative personnel available.
- 6 The City will ensure timely communication to PricewaterhouseCoopers of all significant accounting, financial and internal control reporting matters.
- 7 The City will provide the Schedule of Group Structure to PricewaterhouseCoopers at the time of signing the Agreement and will notify PricewaterhouseCoopers of changes thereto within seven (7) days of such events occurring.
- 8 The City agrees that all information disclosed or to be disclosed to PricewaterhouseCoopers is or will, to the best of the City's knowledge, be true, accurate and not misleading in any material respect.
- 9 The City will maintain the existing quality of the City's accounting records during the engagement.
- 10 The City will provide PricewaterhouseCoopers and its staff with all office and other accommodation or workspace and facilities that PricewaterhouseCoopers may reasonably require to perform the Services.
- 11 The City will provide all schedules on the dates established by PricewaterhouseCoopers, acting reasonably and in consultation with the City. Schedules will be completed in an acceptable format, mathematically correct and in agreement with appropriate City records (e.g., general ledger accounts).
- 12 The City's personnel will provide all necessary assistance in obtaining timely responses to third party confirmation requests.
- 13 The City's personnel will prepare a trial balance in financial statement format, which will reference to supporting detailed working papers (by general ledger account number). All entries will be posted to this trial balance prior to PricewaterhouseCoopers' receiving it. Any post-closing entries will be minimal and posted to a final trial balance by the City's personnel. In addition, the City's personnel will prepare draft financial statements that agree with the trial balance and are internally referenced to supporting documentation (for cash flow statements and notes to the financial statements).
- 14 PricewaterhouseCoopers' performance of the Services is dependent on the City carrying out its responsibilities, as set out in this Agreement. PricewaterhouseCoopers shall not be responsible for any delay or any other consequences resulting from the City's failure to perform any of its obligations under this Agreement.
- 15 It is the City's responsibility to ensure that these financial statements, the auditors' report and other information in public documents that contain or incorporate by reference either full or summarized financial statements that we audited are accurately reproduced from the original.
- 16 The City agrees not to offer and not to permit its related parties to offer employment to or hire the lead engagement partner, the quality review partner (if such partner is involved in the provision of the Services) or any other PricewaterhouseCoopers person who provided more than ten (10) hours of audit, review or attest service, without first consulting with the lead engagement partner on any proposed offer of employment.

Electronic Mail (email) Communications

- 17 During the engagement, we may from time to time communicate electronically with each other. However, as the City is aware, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. We shall not have any liability to each other arising from or in connection with the electronic communication of information to or from the City during or as a result of its electronic transmission outside of our electronic environments. If the communication relates to a matter of significance and there are concerns about possible effects of electronic transmission, such information should be restricted to hard copy transmission.
- 18 An electronic communication shall be of no legal effect until received and shall be deemed sent by the sender and received by the addressee when accessible at the email address provided to the sender by the addressee. The electronic signature of a party affixed to, associated with or contained in any electronic communication transmitted by the party shall constitute a valid reliable electronic signature and shall be sufficient to verify that such party signed the electronic communication and its content and had the authority to electronically sign and send the electronic communication and its content. This Agreement and any Schedule may be executed in counterparts, by fax or electronic communication, each of which is deemed to be an original and all of which together are deemed to be one and the same instrument.
- 19 The City approves that PricewaterhouseCoopers' staff may connect their PricewaterhouseCoopers' notebooks to the City's network to access the Internet and use PricewaterhouseCoopers' secure VPN utility to communicate directly with the PricewaterhouseCoopers network.

Personal Information Protection

- 20 The City hereby acknowledges and agrees that: (1) the City shall only provide PwC with access to, and PwC will otherwise collect, use and disclose, personal information (as defined in the applicable law) about the City and/or individuals in respect to whom the City collects, uses, holds or discloses personal information, as required to provide the services and deliverables hereunder (the Purposes); (2) the City has obtained all required consents, if any, for such activities, and shall otherwise disclose, transfer or grant access to such personal information only in compliance with applicable legislation regarding the protection of personal information; and (3) in addition to any other liability for breach of these Standard Terms and Conditions, the City shall indemnify and hold PwC, its partners, employees, authorized representatives and associated entities, harmless for any claim, demand, debt,

APPENDIX

TERMS AND CONDITIONS

action, or liability to any third party, including legal costs and disbursements, arising out of or in respect of any breach of the City's obligations under this paragraph. Subject to (2) above, PwC agrees that it will receive, collect, use, hold and disclose such personal information in compliance with all applicable legislation regarding the protection of personal information. Further, PricewaterhouseCoopers shall, upon demand, indemnify the City and its employees for any damages finally awarded as a result of any claim, demand, debt, action or liability to City or any City employee arising out of or in respect of any breach by PricewaterhouseCoopers of this Section with respect to personal information of the City's employees in connection with the Purposes, other than to the extent resulting from a breach by the City of this Section. The City further recognizes that PwC may send personal information outside of the country for the Purposes, including for process and storage by service providers, and that to the extent that any personal information is out of the country, it is subject to access by the regulatory authorities in, and to the laws of, those other jurisdictions

Fees and Payment

- 21 Fees quoted by PricewaterhouseCoopers are based on the assumption that there are:
- no significant new accounting issues that require a significant additional amount of time to resolve, other than as contemplated in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP;
 - no significant changes in accounting policies or practices from those used in prior years, that could significantly impact the audit scope other than as contemplated in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP ;
 - no significant changes or transactions that will occur prior to issuance of our report and that could significantly impact the audit scope assumed in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP; and
 - no material delays in providing PricewaterhouseCoopers with the information, assistance or resources required under this Agreement.
- 22 PricewaterhouseCoopers will render invoices as the work progresses. All invoices will be due for payment upon receipt.
- 23 In addition to its fees payable pursuant to this Agreement, PricewaterhouseCoopers will bill the City for all applicable taxes, whether presently in force or imposed in the future.

Indemnification for Misrepresentation by Management

- 24 The City hereby agrees to release and indemnify PricewaterhouseCoopers and its agents, partners and employees, and hold them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a misrepresentation by a member of the City's management, regardless of whether such person was acting in the City's interest. This release and indemnification and holding harmless will not operate where PricewaterhouseCoopers ought to have uncovered such misrepresentation but failed to, due to the negligence, wilful misconduct or dishonesty of PricewaterhouseCoopers, its partners and/or employees.

Working Papers

- 25 All working papers and files, methodologies, software, other materials, reports and work created, developed or performed by or for PricewaterhouseCoopers either before or during the course of performance of the Services, are the property of PricewaterhouseCoopers.

Reproduction of Financial Statements

- 26 With the exception of the publication requirements outlined in Sections 232,233,234, and 235 of the City of Toronto Act 2006, if the City intends to publish or reproduce, in printed form or electronically (e.g. on an internet web site), our Audit Reports together with these financial statements or otherwise make reference to PricewaterhouseCoopers in a document that contains other information, the City agrees to (a) provide us with a draft of such document to read, and (b) obtain our approval for inclusion of our Audit Reports, before the document is finalized and distributed. Where our Audit Reports are reproduced in any medium, the complete financial statements, including notes, must also be presented.

Confidential Information

- 27 PricewaterhouseCoopers agrees that all information received from the City, or otherwise learned by PricewaterhouseCoopers, during the course of the engagement is confidential information (Confidential Information). PricewaterhouseCoopers shall use the City's Confidential Information only for the purposes contemplated under the Agreement and shall not disclose such Confidential Information to any party without the City's prior written consent, provided that PricewaterhouseCoopers may disclose the City's Confidential Information to its partners, authorized representatives, subcontractors and employees (collectively, the PwC Authorized Personnel) on a need-to-know basis in connection with this Agreement as well as to those referred to in paragraphs 34, 35 and 37 of the Terms and Conditions of this Agreement. PricewaterhouseCoopers agrees to take measures to protect the confidentiality of the City's Confidential Information that, in the aggregate, are no less protective than those measures it uses to protect the confidentiality of its own confidential information. PricewaterhouseCoopers agrees to keep the City's Confidential Information in a reasonably secure location.

APPENDIX

TERMS AND CONDITIONS

- 28 Notwithstanding anything to the contrary contained in this Agreement, PricewaterhouseCoopers shall not be obligated to treat as confidential, or otherwise be subject to the restrictions on use, disclosure or treatment contained in this Agreement, any information disclosed by the City which:
- is rightfully known to PricewaterhouseCoopers on a non-confidential basis prior to its disclosure by the City;
 - is independently developed by PricewaterhouseCoopers without any reference to, use of, or reliance on, Confidential Information;
 - is or later becomes publicly available without violation of this Agreement; or
 - is lawfully obtained by PricewaterhouseCoopers from another party.

Assisting Firms

- 29 PricewaterhouseCoopers is member of a worldwide network of individual partnerships and companies, each of which is a separate legal entity. This Agreement is between the City and PricewaterhouseCoopers only. In the course of providing our Services we may, at our discretion, draw on the resources of another entity (whether or not incorporated) which carries on business under a name which includes all or part of the PricewaterhouseCoopers name or is otherwise within (or associated or connected with an entity within) or is a correspondent firm of the worldwide network of PricewaterhouseCoopers firms (together, including such entities' partners, members and employees, "PwC Affiliates").
- 30 Unless a PwC Affiliate is contracted by you or a group entity to provide any of the Services which are subject to this Agreement, provision of the Services remains the responsibility of PricewaterhouseCoopers alone and you will not bring any claim, whether in contract, tort (including negligence) or otherwise against any PwC Affiliate in respect of this Agreement or the Services. In these circumstances any PwC Affiliate who deals with you in the course of providing the Services does so on behalf of PricewaterhouseCoopers alone. The provisions of this clause have been stipulated by PricewaterhouseCoopers expressly for the benefit of PwC Affiliates. PwC Affiliates will have the right to rely on this clause as if they were parties to this Agreement and will have the right (subject to the discretion of the courts) to a stay in proceedings if you bring any claim against any PwC Affiliate in breach of this clause.

Consent to Production

- 31 PricewaterhouseCoopers, like other auditing and accounting firms, must, in conducting audits, meet professional standards and, as such, is regulated or overseen by various professional bodies, including various provincial Institutes of Chartered Accountants and the Ordre des comptables agréés du Québec. In addition, other regulatory or professional authorities (both in Canada and abroad), including the Office of the Superintendent of Financial Institutions and the Investment Industry Regulatory Organization of Canada, among others, have the right to inspect our files, including working papers and other work product relating to the Services (the Documents), to determine if professional standards have been met. The City hereby acknowledges that PricewaterhouseCoopers may from time to time, and in connection with such inspections of PricewaterhouseCoopers, receive requests or orders from such bodies to provide them with information and copies of such Documents. The City hereby consents to PricewaterhouseCoopers providing these Documents without further reference to, or authority from, the City.
- 32 These bodies, among others, may also have the right to conduct investigations of the City, including the Services provided. To the extent practicable, PricewaterhouseCoopers will advise management, the Auditor General and the Audit Committee of the City of any such investigation request or order prior to production of the Documents, except where prohibited by law from doing so. The City will reimburse PricewaterhouseCoopers for its professional time and expenses, as well as the fees and expenses of its counsel, incurred in responding to such an investigation relating to the City
- 33 Except where production of the Documents is required by the laws of any jurisdiction that govern over the City or PricewaterhouseCoopers, PricewaterhouseCoopers will use all reasonable efforts to refuse access to any document over which the City has expressly informed PricewaterhouseCoopers that the City asserts privilege. The City must mark any document over which the City asserts privilege as "PRIVILEGED". Any legal or other out-of-pocket expense incurred by PricewaterhouseCoopers in asserting privilege on the City's behalf will be charged to the City.
- 34 In the event PricewaterhouseCoopers is requested or authorized by the City or required by government regulation, subpoena or other legal process to produce its Documents or its personnel as witnesses with respect to the Services for the City, the City will, so long as PricewaterhouseCoopers is not a party to the proceeding in which the Documents are sought, reimburse PricewaterhouseCoopers for its professional time and expenses, as well as the fees and expenses of its counsel, incurred in responding to such a request.

Governing Law

- 35 The Agreement shall be governed and construed in accordance with the laws of the Province of Ontario and shall be deemed in all respects to be an Ontario contract. The parties hereby agree to the jurisdiction of the courts of the Province of Ontario with respect to all matters arising under or by virtue of this Agreement.

Severability

- 36 If any of the provisions of this Agreement are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

APPENDIX

TERMS AND CONDITIONS

Other Matters

- 37 The failure of either party to insist on strict performance of the Agreement, or to exercise any option herein, shall not act as a waiver of any right, promise or option, but the same shall continue to be in full force and effect. No waiver of any term or provision or of any breach or default shall be valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any other term or provision or any subsequent breach or default of the same or similar nature.
- 38 The Agreement constitutes the entire agreement of the City and PricewaterhouseCoopers with respect to its subject matter and supersedes and replaces all other prior agreements and understandings, whether written or oral, between the City and PricewaterhouseCoopers, relating to the subject matter. On the termination of this Agreement for any reason including normal expiration, the provisions of this Agreement relating to indemnification shall survive the expiration and termination of this Agreement in addition to any other provision that survives by operation of law or which by its nature is intended to survive. This Agreement may not be modified, amended or superseded except by the City and PricewaterhouseCoopers in writing.
- 39 The City agrees that each engagement with PricewaterhouseCoopers for additional services will be subject to a separate engagement letter and the approval of the City's Audit Committee and City Council.

Appendix B: Draft auditor's report

**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**

@@, 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 then ended and the statement of remeasurement gains (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.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

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 then ended 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.

Chartered Accountants, Licensed Public Accountants

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

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
	<u>3,220,735</u>	<u>3,566,585</u>	<u>2,672,555</u>
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
	<u>12,992,370</u>	<u>14,795,514</u>	<u>4,558,521</u>
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	-
	<u>4,230,268</u>	<u>6,670,948</u>	<u>3,140,931</u>
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
	<u>12,910,253</u>	<u>14,693,935</u>	<u>4,423,239</u>
Unrestricted net assets			
Accumulated net surplus (note 4)	73,203	101,579	135,282
Accumulated remeasurement gains	8,914	-	-
	<u>12,992,370</u>	<u>14,795,514</u>	<u>4,558,521</u>

Commitments and contingencies (note 15)

Approved by the Board of Directors

_____ Director _____ 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
	<u>11,396,606</u>	<u>10,881,763</u>
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)
	<u>11,454,717</u>	<u>10,878,748</u>
(Deficiency) excess of revenue over expenses before the following	(58,111)	3,015
Transfer from (to) City of Toronto (note 5)	<u>29,735</u>	<u>(36,718)</u>
Deficiency of revenue over expenses for the year	(28,376)	(33,703)
Unrestricted net assets - Beginning of year (note 4)	<u>101,579</u>	<u>135,282</u>
Unrestricted net assets - End of year (note 4)	<u>73,203</u>	<u>101,579</u>

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	<u>8,914</u>
Accumulated remeasurement gains - End of year	<u>8,914</u>

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.

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

(operating as The Sony Centre for the Performing Arts)

Notes to Financial Statements

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

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 Board of Directors of the Hummingbird Centre for the Performing Arts

(operating as The Sony Centre for the Performing Arts)

Notes to Financial Statements

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

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.

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(operating as The Sony Centre for the Performing Arts)

Notes to Financial Statements

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

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.

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Notes to Financial Statements

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

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

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Notes to Financial Statements

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

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	<u>90,417</u>	<u>91,158</u>

- (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	<u>777</u>
Change in employee future benefits – restated	<u>(741)</u>

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

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(operating as The Sony Centre for the Performing Arts)

Notes to Financial Statements

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

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.

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

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Notes to Financial Statements

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

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
	<u>6,760,588</u>	<u>(89,640)</u>	<u>6,670,948</u>
Unrestricted net assets	<u>11,939</u>	<u>89,640</u>	<u>101,579</u>

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Notes to Financial Statements

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

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;

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

(operating as The Sony Centre for the Performing Arts)

Notes to Financial Statements

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

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)	-
	<hr/>	<hr/>
(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.

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

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Notes to Financial Statements

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

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
	<u>6,650,000</u>	<u>4,650,000</u>

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)
	<u>(6,650,000)</u>	<u>(6,695,396)</u>

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.

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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)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	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
	<hr/>	<hr/>	<hr/>
	4,751,523	2,125,437	2,626,086

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	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
	<u>5,017,537</u>	<u>1,633,388</u>	<u>3,384,149</u>

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).

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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)
	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

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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)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	(2,135,433)	1,548,416

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

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Notes to Financial Statements

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

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
	<hr/>
	78,845
	<hr/>

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.

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

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Notes to Financial Statements

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

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.

Appendix C: Summary of unadjusted and adjusted items

a. Unadjusted items

If all of the items (including differences in estimates) were adjusted, the following would be the effect on the Centre's financial statements.

Description	Deficiency of revenue over expenses (Over) under stated \$	Statement of financial position		
		Assets (over) under stated \$	Liabilities over (under) stated \$	Net assets over (under) stated \$
DR. Accrued Liabilities CR. Expenses <i>(To adjust for overstatement of accrued liabilities)</i>	(51,905)		51,905	
DR. Bad Debt Write off CR. Due from City <i>(To record write off of prior year Due from the City balance that is not collectible)</i>	15,268	(15,268)		
DR. Expenses CR. Accrued Liabilities <i>(To adjust for understatement of audit accrual)</i>	17,500		(17,500)	
Total unadjusted differences	(19,137)	(15,268)	34,405	NIL

There are no unadjusted items from the prior year that have a rollover component in the current year.

As a result of our audit, we conclude that the above unadjusted items are individually and in the aggregate immaterial to the financial statements taken as a whole.

b. Adjusted items

Prior period adjustments made by the Centre as part of the 2011 audit process are as follows:

Description	Deficiency of revenue over expenses	Statement of financial position		
	(Over) under stated \$	Assets (over) under stated \$	Liabilities over (under) stated \$	Net assets over (under) stated \$
DR. Accounts payable CR. Retained earnings <i>(To adjust for employee future benefit liability double counted in prior year financial statements)</i>			89,640	(89,640)
DR. Due to City – Operating deficit transfer CR. Due to City – Employee future benefit <i>(To reclassify employee future benefit liability payable within sub-categories for financial statement presentation)</i>			89,640 (89,640)	
DR. Interest expense CR. Due to City – loan and interest payable <i>(To account for interest expense accrued on loan payable to the City)</i>	320,411		(320,411)	
DR. Due from City – Due from Facility Fee Reserve Fund CR. Revenue from City – Funding from Facility Fee Reserve Fund <i>(To record receivable from the City for the interest expense payable from the Facility Fee Reserve Fund recorded on the City's books)</i>	(320,411)	320,411		
Total adjusted differences	Nil	320,411	(230,771)	(89,640)

Appendix D: Management representation letter

[Client Letterhead]

PricewaterhouseCoopers
North American Board
5700 Yonge Street, Suite 1900
North York, ON
Canada M2M 4K7

We are providing this letter in connection with your audit of the financial statements of The Board of Directors of the Hummingbird Board for the Performing Arts (the board) operating as The Sony Centre for the Performing Arts for the years ended December 31, 2011, December 31, 2010 and January 1, 2010 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 Board in accordance with Canadian public sector accounting standards (PSAS).

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter. 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 internal control relevant to the preparation and fair presentation of 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 in accordance with Canadian public sector accounting standards;
- 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:

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 Board 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 an operations account and vice versa. All inter-governmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Accounting policies

We confirm that we have reviewed the Board's 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 the Board's particular circumstances to present fairly in all material respects its financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.

Internal controls over financial reporting

We have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Board.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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 as of December 31, 2011.

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 of the normal course of business;
 - Minutes of the meetings of management, directors and committees of directors. The most recent meetings held were: Board of Directors –March 5, 2012;
- 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.

Completeness of transactions

All contractual arrangements entered into by the Board 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.

Fraud

We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud and error. 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 Board 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 Board's financial statements, communicated by employees, former employees, analysts, regulators or others.

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 Board's directors, officers or employees acting on the Board's behalf.

Accounting estimates and fair value measurements

Significant assumptions used by the Board 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 Board'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 Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook Section PS 2130, Measurement Uncertainty have been appropriately disclosed.

Related parties

We confirm the completeness of information provided to you regarding the identification of related parties as defined by CAS 550 – Related Parties. We also confirm the completeness of information provided to you regarding the nature of the Board's relationships with and transactions involving those entities and related amounts receivable by or payable to the Board and all transactions therewith, including (but not limited to) sale and purchase transactions that have not been given accounting recognition (such as management services without charge), non-monetary transactions, loans, transfers, leasing arrangements and guarantees.

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

Going concern

The financial statements disclose all of the matters of which we are aware that are relevant to the Board's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Board's plans. The Board also has the intent and ability to take actions necessary to continue as a going concern. We have made available to you all relevant information on [Client's] ability to continue as a going concern that could affect the financial statements, including the recoverability or classification of recorded assets or the amounts and classification of liabilities. Accordingly, the Board's financial statements are appropriately prepared on a going concern basis.

Assets and liabilities

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

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. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

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, have been disclosed to you and are appropriately reflected in the financial statements.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

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.

The adjusted misstatements identified during your audit and summarized in the attached table (Appendix C) have been approved by us and adjusted in the financial statements

Restatement of prior year's balance

The restatement made to correct a material misstatement in the prior year's financial statements that affect the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of Public Sector Accounting Standards.

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.

Adjustments related to PSAS conversion

We confirm that all adjustments made from the date of transition of January 1, 2010 to PSAS to the year ending December 31, 2011 are complete and accurate.

Cash and banks

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

All cash balances are under the control of the Board, 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 Board.

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 Board of which we are aware are included in the financial statements at December 31, 2011.

Accounts receivable

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

Amounts receivables amounted to \$1,067,898 are considered to be fully collectible, except to the extent of \$25,246 in respect of which full allowance has been made in the accounts.

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

Credit risk

Significant concentrations of credit relating to each class of financial asset, both recognized and unrecognized, has been properly disclosed in the financial statements.

Tangible capital assets

All charges to tangible capital asset accounts represented the actual cost of additions to tangible capital assets.

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

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

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

Tangible capital assets owned by the Board 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 assets leased by or from the Board have been disclosed to you and classified as leased tangible capital assets or operating leases.

There are no leased tangible capital assets being amortized on a systematic basis over the period of expected use.

There have been no events, conditions or changes in circumstances that indicate that a tangible capital asset no longer contributes to the Board's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of the Board's long-lived tangible capital assets is fully recoverable in accordance with PS 3150.

Financial Instruments

The Board 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 and advance ticket sales meet the definition of a liability and were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences and termination benefits

All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The details of all pension plan amendments since the date of the last actuarial valuation, have been identified to you.

The actuarial valuation completed as of December 31, 2009 incorporates management's best estimates, detailed as follows:

- post-retirement health benefits have are covered to age 65; post age 65 coverage for non-union grandfathered employees only are 100% employer paid
- post-retirement drugs are covered to age 65 which is 100% employer paid
- post-retirement dental is covered to age 65; post age 65 for non-union grandfathered employees only are 100% employer paid
- post-retirement life is 2 times the final earnings pre-age 65 and \$5,000 post age 65
- cumulative sick leave benefits are paid out 50% at termination, death or retirement to a maximum of 3 months for 10-14 years of service, 4 months for 15-19 months of service, 5 months for 20-24 months of service, and 6 months for 25 or more years service
- the Association continues to pay life, health, and dental premiums for disabled employees on long-term disability to age 65
- the City is liable for future WSIB claims
- 190 employees under the plan, of which 167 are active, 20 are retired, and 3 are on long-term disability

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

The Board does not plan to make frequent amendments to the pension or other post-retirement benefit plans

All changes to the plan and the employee group and the fund's performance since the last actuarial valuation have been reviewed and considered in determining the pension plan expense and the estimated actuarial present value of accrued pension benefits and value of pension fund assets.

The Board's actuaries have been provided with all information required to complete their valuation as at December 31, 2009 and their extrapolation to December 31, 2011. We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with PS 3250 – Retirement Benefits [and PS 3255 – Post-employment Benefits, Compensated Absences and Termination Benefits]. In particular:

- The significant accounting policies that the Board has adopted in applying PS 3250 and PS 3255 are accurately and completely disclosed in the notes to the consolidated financial statements.
- Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.
- The discount rate used to determine the accrued benefit obligation was determined by reference to the Board's borrowing rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.
- The assumptions included in the actuarial valuation are those that management instructed Buck Consultants to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named consolidated financial statements, in accordance with PS 3250.
- In arriving at these assumptions, management has obtained the advice of Buck Consultants who assisted in reaching best estimates, but has retained the final responsibility for them.
- The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- The percentage of the market value of total plan assets represented by each major category held at the measurement date is not disclosed because it is not expected to be useful in understanding the risks and expected long-term rate of return for the plan assets.
- All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

Statements of operations and statement of remeasurement gains and losses

All transactions entered into by the Board 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 remeasurement gains and losses.

The accounting principles and policies followed throughout the period were consistent with prior period practices (except as disclosed in the consolidated financial statements)

Yours truly,

Hummingbird Board for the Performing Arts

Dan Brambilla, Chief Executive Officer

Roy Reeves, Director of Finance and Personnel

Appendix A – List of related parties

City of Toronto

Appendix B – Summary of Uncorrected Misstatements (SUM)

Description	Deficiency of revenue over expenses	Statement of financial position		
	(Over) under stated \$	Assets (over) under stated \$	Liabilities over (under) stated \$	Net assets over (under) stated \$
DR. Accrued Liabilities CR. Expenses <i>(To adjust for overstatement of accrued liabilities)</i>	(51,905)		51,905	
DR. Bad Debt Write off CR. Due from City <i>(To record write off of prior year Due from the City balance that is not collectible)</i>	15,268	(15,268)		
DR. Expenses CR. Accrued Liabilities <i>(To adjust for understatement of audit accrual)</i>	17,500		(17,500)	
Total unadjusted differences	(19,137)	(15,268)	34,405	NIL

Appendix C – Summary of Adjusted Misstatements (SAM)

Description	Deficiency of revenue over expenses	Statement of financial position		
	(Over) under stated \$	Assets (over) under stated \$	Liabilities over (under) stated \$	Net assets over (under) stated \$
DR. Accounts payable CR. Retained earnings <i>(To adjust for employee future benefit liability double counted in prior year financial statements)</i>			89,640	(89,640)
DR. Due to City – Operating deficit transfer CR. Due to City – Employee future benefit <i>(To reclassify employee future benefit liability payable within sub-categories for financial statement presentation)</i>			89,640 (89,640)	
DR. Interest expense CR. Due to City – loan and interest payable <i>(To account for interest expense accrued on loan payable to the City)</i>	320,411		(320,411)	
DR. Due from City – Due from Facility Fee Reserve Fund CR. Revenue from City – Funding from Facility Fee Reserve Fund <i>(To record receivable from the City for the interest expense payable from the Facility Fee Reserve Fund recorded on the City's books)</i>	(320,411)	320,411		
Total adjusted differences	Nil	320,411	(230,771)	(89,640)

Appendix E: Independence letter



April 23, 2012

Members of the Finance Committee
The Board of Directors of the Hummingbird Centre for the Performing Arts
(operating as The Sony Centre for the Performing Arts)
1 Front Street East
Toronto, Ontario M5E 1B2

Dear Members of the Finance Committee:

We have been engaged to audit the 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) for the year ended December 31, 2011.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Centre, its management and us that may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by Ontario Provincial Institute and applicable legislation covering such matters as:

- a. holding a financial interest, either directly or indirectly, in a client;
- b. serving as an officer or director of a client;
- c. performance of management functions for an assurance client;
- d. personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or its management;
- e. economic dependence on a client;
- f. long association of senior personnel with a listed entity audit client;
- g. audit committee approval of services to a listed entity audit client; and
- h. provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 27, 2011, the date of our last letter.

We are not aware of any relationships between the Centre or its management and PricewaterhouseCoopers LLP that may reasonably be thought to bear on our independence that have occurred from May 27, 2011 to April 23, 2012.

We hereby confirm that we are independent with respect to the Centre within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 23, 2012.

PricewaterhouseCoopers LLP, Chartered Accountants
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: +1 416 218 1500, F: +1 416 218 1499, www.pwc.com/ca



This report is intended solely for the use of the Audit Committee, the Board of Directors, management and others within the Centre and should not be used for any other purpose.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on April 25, 2012.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

