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, 2014

April 29, 2015

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), which comprise the statement of financial position as at December 31, 2014 and the statements of operations and changes in net assets (liabilities), remeasurement gains and losses and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Board of Directors of the Hummingbird Centre for the Performing Arts (operating as the Sony Centre for the Performing Arts) as at December 31, 2014 and the results of its operations, changes in its net financial assets (liabilities), changes in its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

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

(operating as the Sony Centre for the Performing Arts)
Statement of Financial Position
As at December 31, 2014

	2014 $	2013 $
Assets		
Current assets		
Cash	1,357,205	1,031,443
Accounts receivable (net)	547,792	550,778
Due from City of Toronto		
Facility Fee Reserve Fund (notes 3 and 4)	87,356	361,615
Capital Program – State of Good Repair	65,920	-
Operating deficit (note 4)	520,760	70,384
Prepaid expenses	61,026	38,202
	2,640,059	2,052,422
Long-term receivables		
City of Toronto - Capital Works Program Fund (notes 3 and 4)	6,343,270	6,650,000
Capital assets (note 5)	849,197	1,303,727
Other asset (note 6)	559,534	559,534
	10,392,060	10,565,683
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,007,315	1,527,651
Due to City of Toronto		
Loan - current portion (note 4)	355,712	338,572
Surcharge payable	49,752	55,761
Trade payables	13,209	31,326
Deferred revenue	1,373,713	561,021
Advance ticket sales - rental clients	816,963	656,098
	3,616,664	3,170,429
Loan due to City of Toronto (note 4)	6,646,071	7,001,783
Deferred capital contributions (note 8)	879,166	1,312,068
	11,141,901	11,484,280
Unrestricted net assets (liabilities)		
Accumulated net deficiency	(749,841)	(918,597)
	10,392,060	10,565,683

Commitments and contingencies (note 10)

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

Statement of Operations and Changes in Net Assets (Liabilities)

For the year ended December 31, 2014

	2014 Budget $	2014 Actual $	2013 Actual $
Revenue			
Operating			
Performance	4,886,257	1,795,977	3,142,650
Rental	3,510,974	4,541,648	3,581,023
Ancillary	3,673,106	3,667,803	3,485,751
Other recoveries	82,600	121,621	104,347
Interest and other	19,108	18,792	22,293
City of Toronto grant	1,238,000	1,238,000	1,259,300
Transfer from Reserve Fund	-	403,448	-
Other revenue	-	-	41,174
Amortization of deferred capital contributions	-	536,538	770,442
	13,410,045	12,323,827	12,406,980
Expenses			
Operating			
Salaries, wages and benefits (note 7)	5,931,374	5,935,611	5,360,863
Presentation and production	3,882,229	1,871,627	2,821,977
Ancillary	1,855,112	2,101,602	1,743,473
Building operations	944,775	1,142,188	932,787
Program services	463,323	369,512	396,203
Administration	333,232	325,519	671,520
Interest	-	371,606	353,699
Amortization of capital assets	-	558,166	806,435
	13,410,045	12,675,831	13,086,957
Deficiency of revenue over expenses before the following	-	(352,004)	(679,977)
Transfer from (to) City of Toronto (note 4)	-	520,760	70,384
Excess (deficiency) of revenue over expenses for the year	-	168,756	(609,593)
Unrestricted net assets (liabilities) - Beginning of year	-	(918,597)	(309,004)
Unrestricted net assets (liabilities) - End of year	-	(749,841)	(918,597)

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

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

Statement of Cash Flows

For the year ended December 31, 2014

	2014 $	2013 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	168,756	(609,593)
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(536,538)	(770,442)
Amortization of capital assets	558,166	806,435
Write-off of other receivable	-	299,999
Interest capitalized (note 9)	371,606	353,699
Transfer from Reserve Fund for loan payment	(403,448)	-
	158,542	80,098
Net change in non-cash working capital balances (note 9)	(41,119)	(578,814)
	117,423	(498,716)
Capital activities		
Purchase of capital assets	(103,636)	(228,404)
Financing activities		
Receipts from (repayments to) City of Toronto	208,339	(256,712)
Contributions received for capital asset purchases	103,636	228,404
	311,975	(28,308)
Increase (decrease) in cash during the year	325,762	(755,428)
Cash - Beginning of year	1,031,443	1,786,871
Cash - End of year	1,357,205	1,031,443

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

1. Operations and relationship with the City of Toronto

The Board of Directors of the Hummingbird Centre for the Performing Arts (the board), carrying on business as the Sony Centre for the Performing Arts, is continued as a city board pursuant to the provisions of the *City of Toronto Act, 2006*. The board is a body corporate, and its purposes are the operation, management and maintenance of the City of Toronto (the city) owned theatre known as the Sony Centre for the Performing Arts (the centre), as a theatre and auditorium and as a centre for meetings, receptions and displays, on behalf of the city.

The city is responsible for the board's operating deficits and is entitled to its operating surpluses. The board may not borrow money without the approval of City Council. The board has an operating line of credit with the city not to exceed $1,250,000 repayable before December 31 in any year.

The board is a registered charitable organization and, as such, can issue tax receipts and is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

2. Summary of significant accounting policies

The financial statements of the 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 summarized below.

Revenue recognition

The board follows the deferral method of accounting for contributions. Contributions, including grants, 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
Computer equipment	4 years
Other equipment	5 years
Furniture	5 years

Expenditures for chattel assets are capitalized and amortized over the period of their useful lives, and funding is provided through the Facility Fee Reserve Fund. Leasehold improvements are owned by the city and recorded in the financial statements of the city.

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

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

Derivative financial instruments

A significant portion of the board's purchases can be for the attractions denominated in U.S. dollars. The board, on occasion, utilizes derivative financial instruments such as forward contracts in the management of its foreign currency exposure. The board does not utilize derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are measured as Level 2 financial instruments, which are market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. The board values foreign exchange contracts based on a fixed forward exchange rate and revalues them at year-end.

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 statement of operations.

Financial instruments

The board's financial instruments included in the statement of financial position are comprised of cash, accounts receivable (net), long-term receivables, accounts payable and accrued liabilities, and amounts due to/from City of Toronto. The financial instruments are measured at amortized cost.

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

All financial instruments, except derivatives, are assessed annually for impairment. When a financial asset is impaired, impairment losses are recorded in the statement of operations. A writedown is not 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.

Contributed materials and services

Contributed materials are recognized as received only when the fair value of the material can be determined, and the goods and services would otherwise have been purchased. The 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 7). 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; and

- 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.

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 $6,642 and losses of $nil (2013 - gains of $2,334 and losses of $nil) are included in the statement of operations for the year ended December 31, 2014. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Funds of the board held at the city

Stabilization Reserve Fund

The board has an agreement with the city that established in the accounts of the city a Stabilization Reserve Fund. Under the operating agreement with the board, the city is entitled to the operating surpluses of the board and is 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 Fund 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 Fund allowed by the city was in 2004. Amounts maintained in the fund are not interest bearing.

As at December 31, 2014, the balance in the Stabilization Reserve Fund is $166,718 (2013 - $166,718).

Facility Fee Reserve Fund

In October 2011, the city updated its administrative amendments to the board's Facility Fee Reserve Fund. Contributions to the Facility Fee Reserve Fund can now include: the Facility Fee surcharge which is applied to most tickets sold for attractions at the centre at a rate determined by the Board of Directors; capital salvage; corporate and naming right contributions for a capital purpose; developer capital contributions; other recoveries of a capital nature and any other contributions directed by City Council. The Facility Fee Reserve Fund is maintained and banked by the city and is recorded on the city's books.

The changes in the fund are as follows:	2014 $	2013 $
Balance - Beginning of year	474,827	455,052
Revenue from ticket capital surcharge	461,747	514,295
Proceeds from the developer for special items	12,600	15,000
Investment income	5,658	5,655
Proceeds from Name-In-Title sponsor	370,500	165,000
State of good repair expenses	(333,457)	(451,771)
Chattel asset purchases	(103,636)	(228,404)
Loan payment	(710,178)	-
Balance - End of year	178,061	474,827

Capital Works Program Fund

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 $35,469,000. In addition, City Council approved an amendment to increase the loan available for completion by $2,000,000 to $6,650,000 (note 4).

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

	2014 $	2013 $
Balance - Beginning of year	7,340,355	6,986,656
Compound interest accrued on capital loan	371,606	353,699
Loan payment	(710,178)	-
Balance - End of year	7,001,783	7,340,355

4. Related party transactions

Due from City of Toronto - Facility Fee Reserve Fund

The Facility Fee Reserve Fund (FFRF) 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 (note 3). The total amount expended in 2014 was $437,093 (2013 - $680,175), of which $87,356 is due from the FFRF as at December 31, 2014 (2013 - $361,615).

City of Toronto receivable - Capital Works Program Fund

As at December 31, 2014, a balance of $6,343,270 (2013 - $6,650,000) was recorded on the statement of financial position as receivable from the city in connection with the capital renovation project paid for by the board and reimbursable by the city.

City of Toronto - Loan payable

In February 2011, City Council approved a completion loan for the capital renovation project in the amount of $6,650,000. The terms of the agreement specify that the loan will be repaid in annual instalments over 15 years beginning on January 1, 2012, with interest compounded semi-annually at 5%. The loan will be repaid using future Facility Fee surcharge levied on ticket sales and is secured by future naming rights proceeds.

In 2012, the board requested that the outstanding loan payments for 2012 and 2013 be deferred and resumed on December 31, 2014. This request was approved by City Council. This amendment has been accounted for as a loan restructuring. The interest rate and compounding period of the restructured loan remain unchanged.

The principal amount of the loan payable has a balance of $7,001,783 as at December 31, 2014 (2013 - $7,340,355) to account for accumulated interest on the outstanding balance. The board recognizes interest expense on the loan using the effective interest method.

	2014 $	2013 $
Current portion of capital loan	355,712	338,572
Long-term portion of capital loan	6,646,071	7,001,783
Loan due to City of Toronto - End of year	7,001,783	7,340,355

Intercompany expenses

In the normal course of operations, the board incurs costs for various expenses payable to the city such as 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 statement of operations and changes in net assets. Transactions between the city and the board are made at the agreed upon exchange amount.

As part of the terms of the agreement between the board and the city, any operating excess (deficiency) is to be transferred to or recovered from the city. The amount of the transfer of the operating excess (deficiency) to (from) the city is based on excess (deficiency) of revenue after adjustments for non-cash items.

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

	2014	2013
	$	$
Excess/(deficiency) of revenue over expenses for the year before transfer to the City of Toronto	(352,004)	(679,977)
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(536,538)	(770,442)
Amortization of capital assets	558,166	806,435
Accrued interest on capital loan	371,606	353,699
Draw from FFRF to fund loan payment	(403,448)	–
Expense item deferred and paid in 2014	(158,542)	219,901
Transfer to (from) City of Toronto	(520,760)	(70,384)

The amount receivable as at December 31, 2014 is included in due from City of Toronto - operating deficit on the statement of financial position.

5. Capital assets

			2014
	Cost	Accumulated amortization	Net book value
	$	$	$
Stage equipment	1,557,996	966,393	591,603
Computer equipment	2,441,867	2,385,682	56,185
Other equipment	531,020	415,843	115,177
Furniture	502,435	416,203	86,232
Balance, end of year	5,033,318	4,184,121	849,197

			2013
	Cost	Accumulated amortization	Net book value
	$	$	$
Stage equipment	1,550,127	886,172	663,955
Computer equipment	2,465,030	2,141,777	323,253
Other equipment	503,488	327,831	175,657
Furniture	502,435	361,573	140,862
Balance, end of year	5,021,080	3,717,353	1,303,727

During 2014, the board disposed of fully amortized capital assets with an original cost of $91,398 (2013 - $22,586).

6. Other asset

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

7. 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 equally to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the board does not recognize any share of the OMERS pension surplus or deficit, as the amount is not determinable. Employers' current service contributions to the OMERS pension plan in the amount of $290,357 (2013 - $261,507) 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 $101,868 (2013 - $77,696) were expensed and are included in salaries, wages and benefits.

8. 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 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 Fund, which represents 90% of the current balance. The changes in deferred capital contributions during the year are as follows:

	2014 $	2013 $
Balance, beginning of year	1,312,068	1,854,106
Amortization of deferred capital contributions	(536,538)	(770,442)
Write-off of deferred capital contributions	—	—
Contributions restricted for the purchase of capital assets	103,636	228,404
Balance, end of year	879,166	1,312,068

Of the contributions received in the year, $103,636 (2013 - $228,404) has been provided to fund chattel asset purchases (note 5).

9. Statement of cash flows

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

	2014 $	2013 $
Accounts receivable (net)	2,986	(56,179)
Prepaid expenses	(22,824)	81,356
Accounts payable and accrued liabilities	(520,336)	164,893
Due to (from) City of Toronto		
Operating surplus (deficit) - current fiscal year	(450,376)	(303,706)
Trade payables	(18,117)	19,852
Surcharge payable	(6,009)	19,831
Deferred revenue	812,692	(398,678)
Advance ticket sales – rental clients	160,865	(106,183)
	(41,119)	(578,814)

Non-cash financing activities excluded from the statement of cash flows include interest capitalized on the loan of $371,606 (2013 - $353,699) (note 4), which is included in the loan due to City of Toronto.

10. Commitments and contingencies

Leases

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

	$
2015	16,608
2016	12,753
2017	792
	30,153

Contingencies

The board has been served notice from a bargaining union unit 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.

From time to time, the board is named in lawsuits relating to its activities. These claims are at various stages and, therefore, it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to the board. Accordingly, no material provisions have been made for loss in these financial statements, but in management's view these claims should not have a material adverse effect on the financial position of the board.

11. Financial risk management

The main risks to which the board's financial instruments are exposed are as follows. The board deems all risks to be low.

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, 2014 two accounts represent 83% of the total accounts receivable balance (2013 - two accounts represented 64%).

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.

12. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2014 financial statements.