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, 2012

May 16, 2013

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, 2012 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

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

(operating as the Sony Centre for the Performing Arts)

Statement of Financial Position

As at December 31, 2012

	2012 $	2011 $
Assets		
Current assets		
Cash	1,786,871	1,030,071
Accounts receivable	344,599	1,040,651
Due from City of Toronto		
Due from Facility Fee Reserve Fund (notes 3 and 6)	104,903	462,785
Operating deficit (note 3)	-	29,735
Prepaid expenses	119,558	45,109
	2,355,931	2,608,351
Long-term receivables		
City of Toronto - Capital Works Program Fund (notes 5 and 6)	6,650,000	6,650,000
City of Toronto - employee benefits obligation	-	89,486
Other receivable - developer	449,999	449,999
Derivatives	-	8,914
Capital assets (note 7)	1,881,758	2,626,086
Other asset (note 8)	559,534	559,534
	11,897,222	12,992,370
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,362,758	1,025,848
Due to City of Toronto		
Operating surplus (note 3)	233,322	36,718
Surcharge payable	35,930	21,140
Interest payable on loan	-	320,411
Employee benefits obligation payable	-	89,640
Trade payables	11,474	7,057
Refundable municipal grant	-	406,105
Deferred revenue	959,699	1,025,300
Advance ticket sales - rental clients	762,281	685,665
	3,365,464	3,617,884
Loan due to City of Toronto (note 3)	6,986,656	6,650,000
Employee benefits obligation	-	89,486
Deferred capital contributions (note 10)	1,854,106	2,552,883
	12,206,226	12,910,253
Unrestricted net assets (liabilities)		
Accumulated net (deficiency) surplus	(309,004)	73,203
Accumulated remeasurement gains	-	8,914
	11,897,222	12,992,370
Commitments and contingencies (note 12)		

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)

Statement of Operations and Changes in Net Assets (Liabilities)

For the year ended December 31, 2012

	2012 $	2011 $
Revenue		
Operating		
Performance	3,482,664	2,350,223
Rental	4,233,230	3,628,765
Ancillary	3,338,442	2,491,622
Other recoveries	102,041	70,854
Interest and other	20,089	8,495
City of Toronto		
Grant	927,200	1,031,326
Funding from Facility Fee Reserve Fund	-	320,411
Other revenue	337,226	768,181
Amortization of deferred capital contributions	769,279	792,322
	13,210,171	11,462,199
Expenses		
Operating		
Salaries, wages and benefits (note 9)	5,580,321	5,043,484
Presentation and production	3,247,330	2,705,666
Ancillary	1,689,670	1,165,166
Building operations	891,226	790,933
Administration	799,023	658,684
Interest expense	336,656	320,411
Amortization of capital assets	814,830	835,966
	13,359,056	11,520,310
Deficiency of revenue over expenses before the following	(148,885)	(58,111)
Transfer (to) from City of Toronto (note 3)	(233,322)	29,735
Deficiency of revenue over expenses for the year	(382,207)	(28,376)
Unrestricted net assets - Beginning of year	73,203	101,579
Unrestricted net assets (liabilities) - End of year	(309,004)	73,203

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, 2012

	2012 $	2011 $
Accumulated remeasurement gains - Beginning of year	8,914	-
Unrealized (loss) gain attributable to		
Derivatives	(8,914)	8,914
Accumulated remeasurement gains - End of year	-	8,914

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

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

(operating as the Sony Centre for the Performing Arts)
Statement of Cash Flows
For the year ended December 31, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(382,207)	(28,376)
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(769,279)	(792,322)
Amortization of capital assets	814,830	835,966
Write-off of deferred capital contributions	(23,296)	(35,848)
Loss on disposal of asset - externally funded	23,296	35,848
	(336,656)	15,268
Net change in non-cash working capital balances related to operations (note 11)	488,558	(2,136,364)
Change in employee benefits obligation	(89,640)	-
	62,262	(2,121,096)
Financing activities		
Due to (from) City of Toronto	357,882	(367,955)
Accounts payable and accrued liabilities - redevelopment charges	-	(1,063,017)
Loan proceeds from City of Toronto	-	2,000,000
Interest payable to City of Toronto	336,656	-
Contributions received for capital asset purchases	93,798	98,483
	788,336	667,511
Capital activities		
Purchase of capital assets	(93,798)	(113,751)
Increase (decrease) in cash during the year	756,800	(1,567,336)
Cash - Beginning of year	1,030,071	2,597,407
Cash - End of year	1,786,871	1,030,071

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 $1.25 million 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.

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
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 life, 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 it 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, 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 financial instruments are measured at 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.

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 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.

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 9). 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.

Employee benefit obligations

The employee benefit obligations relate to the obligation under post-employment benefits, compensated absences and terminated benefits. 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 $3,779 and losses of $279 (2011 - gain of $5,168 and losses of $493) are included in the statement of operations for the year ended December 31, 2012. 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. 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 6). 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 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 5 and 6).

Loan

In February 2011, City Council approved a completion loan for the capital renovation project in the total 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 of Directors 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 increased to $6,986,656 as of December 31, 2012 to account for interest on the outstanding balance. The board recognizes interest expense on the loan using the effective interest method.

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 statement of operations and changes in net assets. Transactions between the city and the board are made at the agreed upon exchange amount.

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

	2012 $	2011 $
Deficiency of revenue over expenses before transfer to City of Toronto	(148,885)	(58,111)
Add (deduct) non-cash items		
Amortization of deferred capital contributions	(769,279)	(792,322)
Amortization of capital assets	814,830	835,966
Accrued interest on capital loan	336,656	-
Deferred capital contribution from operations	-	14,000
Purchase of internally funded capital assets	-	(29,268)
Payable to (receivable from) City of Toronto	233,322	(29,735)

The amount payable as at December 31, 2012 will be paid during 2013 and is included in due to City of Toronto - operating surplus. The amount receivable from the city for fiscal 2011 has been received by the board during fiscal 2012. The amount of $36,718 recorded in due to City of Toronto - operating surplus in 2011 relates to the 2010 operating surplus, and was paid to the city during fiscal 2012.

4. 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, 2012, the balance in the Stabilization Reserve is $166,718 (2011 -$181,185).

5. 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 $35,469,000. In addition, City Council approved an amendment to increase the loan available for completion by $2,000,000 to $6,650,000. Refer to note 3 regarding terms of the completion loan for the capital redevelopment project.

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

	2012 $	2011 $
Loan due to City of Toronto (due December 31, 2028, interest compounded semi-annually at 5%)	6,986,656	6,650,000

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

	2012 $	2011 $
Capital works program deficit - Beginning of year	(6,650,000)	(6,695,396)
Compound interest accrued in 2012 on capital loan	(336,656)	-
Transfer from Facility Fee Reserve Fund (note 6)	-	800,027
East side mechanical and electrical project expenditures	-	(130,654)
Theatre renovation project expenditures	-	(401,046)
Plaza expenditures	-	(138,448)
Funding of chattel asset purchases	-	(84,483)
Capital works program deficit - End of year	(6,986,656)	(6,650,000)

6. Facility Fee Reserve Fund - Sony Centre

The changes in the fund, which are recorded in the city's accounts as described in note 3 are as follows:

	2012 $	2011 $
Balance - Beginning of year	341,081	62,184
Revenue from ticket capital surcharge	545,429	468,328
Proceeds from the developer for special items	-	500,000
Investment income	1,661	6,025
Other sundry revenue	-	104,571
Proceeds from Name-In-Title sponsor	142,500	-
State of Good Repair Work	(161,410)	-
Chattel asset purchases	(93,798)	-
Interest on capital completion loan	(320,411)	-
Transfer to capital works program - Sony Centre Redevelopment Project	-	(800,027)
Balance - End of year	455,052	341,081

As at December 31, 2012, a balance of $6,754,903 (2011 - $7,112,785) 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. $6,650,000 (2011 - $6,650,000) is a long-term receivable and $104,903 (2011 - $462,785) is a current receivable.

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

	2012 $	2011 $
Due from City of Toronto - Due from Facility Fee Reserve Fund (current portion)	104,903	142,374
Due from City of Toronto - Due from Facility Fee Reserve Fund (current portion relating to interest expense funding)	-	320,411
Long-term receivables - City of Toronto - capital program (note 3)	6,650,000	6,650,000
	6,754,903	7,112,785

7. Capital assets

			2012
	Cost $	Accumulated amortization $	Net $
Stage equipment	1,509,859	746,773	763,086
Computer equipment	2,422,665	1,600,052	822,613
Other equipment	461,002	255,719	205,283
Furniture	421,736	330,960	90,776
	4,815,262	2,933,504	1,881,758

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

During 2012, the board disposed of capital assets with an original cost of $30,059 (2011 - $379,765) and accumulated amortization of $6,763 (2011 - $343,917). The cost and related accumulated depreciation have been removed from the financial statements. The capital loss of $23,296 has been included in the statement of cash flows for 2012 (2011 - $35,848).

8. 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.

9. 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. Employers' current service contributions to the OMERS pension plan in the amount of $224,442 (2011 - $195,414) 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 $94,925 (2011 - $71,700) were expensed and are included in salaries, wages and benefits.

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

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

	2012 $	2011 $
Canada Pension Plan	155,356	145,610
Employment Insurance	86,187	80,154
Workplace Safety and Insurance	44,547	41,457
Medical plan	72,999	74,015
Dental plan	51,140	51,832
Group term life	12,824	13,448
Long-term disability	24,198	25,618
	447,251	432,134

10. 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:

	2012 $	2011 $
Balance - Beginning of year	2,552,883	3,282,570
Amortization of deferred capital contributions	(769,279)	(792,322)
Write-off of deferred capital contributions	(23,296)	(35,848)
Contributions restricted for the purchase of capital assets	93,798	98,483
Balance - End of year	1,854,106	2,552,883

Of the contributions received in the year, $93,798 (2011 - $98,483) has been provided to fund chattel asset purchases (note 7).

11. Statement of cash flows

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

	2012 $	2011 $
Accounts receivable	696,052	(88,495)
Prepaid expenses	(74,449)	(28,087)
Accounts payable and accrued liabilities	336,910	(2,385,148)
Due to (from) City of Toronto		
Operating surplus (deficit) - current fiscal year	226,339	(29,735)
Interest payable on loan	(320,411)	320,411
Refundable municipal grant	(406,105)	406,105
Trade payables	4,417	(2,249)
Surcharge payable	14,790	(199,253)
Deferred revenue	(65,601)	468,039
Advance ticket sales - rental clients	76,616	(597,952)
	488,558	(2,136,364)

12. Commitments and contingencies

Leases

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

	$
2013	17,340
2014	17,180
2015	15,420
2016	11,565
	61,505

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.

13. 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, 2012, two accounts represent 60% of the total accounts receivable balance (2011 - one account represented 77%).

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.

14. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2012 financial statements.