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, 2015

June 30, 2016

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, 2015 and the statements of operations and changes in net assets (liabilities) 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, 2015 and the results of its operations, changes in its net financial assets (liabilities) 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, 2015

	2015 $	2014 $
Assets		
Current assets		
Cash	3,108,720	1,357,205
Accounts receivable	503,250	547,792
Due from City of Toronto		
Facility Fee Reserve Fund (notes 3 and 4)	651,686	87,356
Capital Program - SOGR	426,516	65,920
Operating deficit (note 4)	17,801	520,760
Prepaid expenses	91,563	61,026
	4,799,536	2,640,059
Long-term receivables		
City of Toronto - Capital Works Program Fund (notes 3 and 4)	-	6,343,270
Capital assets (note 5)	1,919,401	849,197
Other asset (note 6)	559,534	559,534
	7,278,471	10,392,060
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,267,044	1,007,315
Due to City of Toronto		
Loan - current portion (note 4)	-	355,712
Surcharge payable	-	49,752
Trade payables	855,220	13,209
Loan payable (note 5)	85,000	-
Deferred revenue	1,278,164	1,373,713
Advance ticket sales	1,939,894	816,963
	5,425,322	3,616,664
Loan due to City of Toronto (note 4)	-	6,646,071
Loan payable (note 5)	340,000	-
Deferred capital contributions (note 8)	1,516,143	879,166
	7,281,465	11,141,901
Unrestricted net assets (liabilities)		
Accumulated net deficiency	(2,994)	(749,841)
	7,278,471	10,392,060

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, 2015

	2015 Budget $	2015 Actual $	2014 Actual $
Revenue			
Operating			
Performance	5,215,582	4,533,266	1,795,977
Rental	3,981,539	4,343,500	4,541,648
Ancillary	3,939,179	3,729,548	3,667,803
Other recoveries	18,600	174,227	121,621
Interest and other	20,002	32,540	18,792
City of Toronto grant	1,655,287	1,655,287	1,238,000
Transfer from Reserve Fund	-	-	403,448
Amortization of deferred capital contributions (note 8)	-	346,324	536,538
	14,830,189	14,814,692	12,323,827
Expenses			
Operating			
Salaries, wages and benefits (note 7)	6,192,738	6,212,745	5,935,611
Presentation and production	3,878,952	3,833,801	1,426,171
Ancillary	1,681,874	1,429,579	1,731,102
Building operations	1,246,605	1,302,707	1,142,188
Transfer to FFRF	952,151	1,021,374	815,956
Program services	500,794	424,667	369,512
Administration	377,075	320,848	325,519
Interest	-	-	371,606
Amortization of capital assets	-	319,348	558,166
	14,830,189	14,865,069	12,675,831
Deficiency of revenue over expenses before the following	-	(50,377)	(352,004)
Gain on disposal of capital assets (note 5)	-	88,760	-
Write off of deferred capital contributions on disposed assets	-	32,150	-
Net gain resulting from disposition of City of Toronto fund and loan balances (notes 3, 4)		658,513	-
Excess/(deficiency) of revenue over expenses before transfer from City of Toronto	-	729,046	(352,004)
Transfer from City of Toronto (note 4)	-	17,801	520,760
Excess of revenue over expenses for the year	-	746,847	168,756
Unrestricted net assets (liabilities) - Beginning of year	-	(749,841)	(918,597)
Unrestricted net assets (liabilities) - End of year	-	(2,994)	(749,841)

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, 2015

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	746,847	168,756
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(346,324)	(536,538)
Amortization of capital assets	319,348	558,166
Interest capitalized (note 9)	-	371,606
Transfer from reserve fund for loan payment	-	(403,448)
Write off of City of Toronto balances, net	(658,513)	-
Gain on disposal of capital assets	(88,760)	-
Write off of deferred capital contributions on disposed assets	(32,150)	-
	(59,552)	158,542
Net change in non-cash working capital balances (note 9)	2,596,334	(41,119)
	2,536,782	117,423
Capital activities		
Purchase of capital assets	(1,421,702)	(103,636)
Proceeds on disposal of capital assets	120,910	-
	(1,300,792)	(103,636)
Financing activities		
Receipts from (repayments to) City of Toronto	(924,926)	208,339
Receipt of loan balance	505,000	-
Repayment of loan balance	(80,000)	-
Contributions received for capital asset purchases	1,015,451	103,636
	515,525	311,975
Increase in cash during the year	1,751,515	325,762
Cash - Beginning of year	1,357,205	1,031,443
Cash - End of year	3,108,720	1,357,205

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 and rental revenues are recognized on the date of the attraction or event. Ancillary revenues are generally recognized at the point of sale.

Deferred revenue consists of the board's advance ticket sales for its presentations, unredeemed gift certificates, sponsorship revenue and donation 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. Write downs are not subsequently reversed.

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 State of Good Repair 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 statement of financial position are comprised of cash, accounts receivable, accounts payable and accrued liabilities, loan payable and amounts due to/from City of Toronto. The financial instruments are measured at amortized cost.

For certain financial instruments, including cash, accounts receivable, 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 are assessed annually for impairment. When a financial asset is impaired, impairment losses are recorded in the statement of operations. A write down 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 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. There were no unrealized exchange gains and losses therefore a statement of re-measurement gains and losses has not been presented.

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 the reported amounts of 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, 2015, the balance in the Stabilization Reserve Fund is $166,718 (2014 - $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:	**2015** $	**2014** $
Balance - Beginning of year	178,061	474,827
Revenue from ticket capital surcharge	515,144	461,747
Proceeds from sale of capital assets	120,910	-
Proceeds from developer for special items	-	12,600
Investment income	2,274	5,658
Proceeds from Name-In-Title sponsor	385,320	370,500
State of good repair expenses	-	(333,457)
Chattel asset purchases	(355,444)	(103,636)
Loan payment	-	(710,178)
Balance - End of year	846,265	178,061

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). In November 2015, City Council adopted a motion to write off the outstanding loan payable and the long-term receivable. Amounts written off were $7,001,783 for the loan and $6,343,270 for the long-term receivable resulting in a net gain of $658,513.

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

	2015 $	2014 $
Balance - Beginning of year	7,001,783	7,340,355
Compound interest accrued on capital loan	-	371,606
Loan payment	-	(710,178)
Loan write off	(7,001,783)	-
Balance - End of year	-	7,001,783

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 2015 was $355,444 (2014 - $437,093), of which $226,686 is due from the FFRF as at December 31, 2015 (2014 - $87,356). A further $425,000 is due from the FFRF, but not drawn as of December 31, 2015, as part of a multi-year sponsorship arrangement.

City of Toronto receivable - Capital Works Program Fund

The fund balance was written off in 2015 (note 3) therefore as at December 31, 2015, the fund balance is $nil (2014 - $6,343,270).

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 specified that the loan is to be repaid in annual instalments over 15 years beginning on January 1, 2012, with interest compounded semi-annually at 5%.

The loan balance was written off in 2015 (note 3) therefore the principal amount of the loan payable has a balance of $nil as at December 31, 2015 (2014 - $7,001,783).

	2015 $	2014 $
Current portion of capital loan	-	355,712
Long-term portion of capital loan	-	6,646,071
Loan due to City of Toronto - End of year	-	7,001,783

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 (liabilities). 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:

	2015 $	2014 $
Excess (deficiency) of revenue over expenses for the year before transfer to the City of Toronto	729,046	(352,004)
Add (deduct) non-cash items		
Amortization of deferred capital contributions	(346,324)	(536,538)
Amortization of capital assets	319,348	558,166
Accrued interest on capital loan	—	371,606
Draw from FFRF to fund loan payment	—	(403,448)
Gain on write-off of City loan (net)	(658,513)	—
Expense item deferred and paid in 2014 and 2015	(61,358)	(158,542)
Transfer to (from) City of Toronto	(17,801)	(520,760)

The amount receivable as at December 31, 2015 is included in due from City of Toronto - operating deficit on the statement of financial position.

5. Capital assets

			2015
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Stage equipment	2,906,224	1,151,865	1,754,359
Computer equipment	2,472,451	2,411,957	60,494
Other equipment	531,020	474,970	56,050
Furniture	482,432	433,934	48,498
Balance, end of year	6,392,127	4,472,726	1,919,401

			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

During 2015, the board disposed of capital assets with an original cost of $62,893 (2014 - $91,398) and accumulated amortization of $30,743 (2014 - $91,398). The cost and related accumulated amortization have been removed from the financial statements. Proceeds from the disposal of assets in 2015 was $120,910 (2014 – $nil)

In 2015, the Board approved an equipment purchase with a 3rd party vendor which was funded partly by an interest free loan provided by the vendor in the amount of $505,000 with the rest being paid by the centre in kind through provision of services over the repayment period of the loan. The terms of the agreement specified that the loan is to be repaid through an initial payment of $80,000 and equal annual instalments of $85,000 over 5 years beginning on July 20, 2016. The fair value of the loan payable at December 31, 2015 is $392,632.

6. Other asset

In 2007, the board was the recipient of the right, title and interest in the Purchase Agreement and Deposit of a condominium unit as a charitable donation. The intention of the board was to resell the condominium unit at a time that maximized value.

In March 2016, the board received notice from the donor that the unit was unavailable for transfer to the board. The donor has indicated their intention to honor the original agreement and are working closely with the board on how this can best be achieved.

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 $286,272 (2014 - $290,357) 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 $100,302 (2014 - $101,868) 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. The changes in deferred capital contributions during the year are as follows:

	2015	**2014**
	$	**$**
Balance, beginning of year	879,166	1,312,068
Amortization of deferred capital contributions	(346,324)	(536,538)
Write-off of deferred capital contributions	(32,150)	—
Contributions restricted for the purchase of capital assets	1,015,451	103,636
Balance, end of year	1,516,143	879,166

Of the contributions received in the year, $1,015,451 (2014 - $103,636) 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:

	2015 $	2014 $
Accounts receivable	44,542	2,986
Prepaid expenses	(30,537)	(22,824)
Accounts payable and accrued liabilities	259,729	(520,336)
Due to (from) City of Toronto		
Operating surplus (deficit) - current fiscal year	502,959	(450,376)
Trade payables	842,011	(18,117)
Surcharge payable	(49,752)	(6,009)
Deferred revenue	(95,549)	812,692
Advance ticket sales	1,122,931	160,865
	2,596,334	(41,119)

Non-cash financing activities excluded from the statement of cash flows include interest capitalized on the loan in 2015 of $nil (2014 – $371,606), which is included in the loan due to City of Toronto (note 4).

10. Commitments and contingencies

Leases

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

	$
2016	12,753
2017	792
2018	-
	13,545

Contingencies

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. Realized exchange gains of $19,696 (2014 - $6,682) are included in the statement of operations for the year ended December 31, 2015.

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 where required. As at December 31, 2015 two accounts represent 55% of the total accounts receivable balance (2014 - two accounts represented 83%).

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 current year financial statements.