

**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, 2016**



June 20, 2017

## **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, 2016 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, 2016 and the results of its operations, the 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, 2016

	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	4,916,060	3,108,720
Accounts receivable	650,804	503,250
Due from City of Toronto		
Facility Fee Reserve Fund (notes 3 and 4)	356,291	651,686
Capital Program - State of Good Repair	757,488	426,516
Operating deficit (note 4)	-	17,801
Prepaid expenses	159,975	91,563
	6,840,618	4,799,536
<b>Capital assets</b> (note 5)	1,869,826	1,919,401
<b>Art collection</b>	28,950	-
<b>Other asset</b> (note 6)	559,534	559,534
	9,298,928	7,278,471
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,801,211	1,267,044
Due to City of Toronto		
Operating surplus (note 4)	6,340	-
Surcharge payable	25,347	-
Trade payables	41,531	855,220
Loan payable (note 5)	85,000	85,000
Deferred revenue	1,904,899	1,278,164
Advance ticket sales	3,687,077	1,939,894
	7,551,405	5,425,322
<b>Loan payable</b> (note 5)	255,000	340,000
<b>Deferred capital contributions</b> (note 8)	1,472,693	1,516,143
	9,279,098	7,281,465
<b>Unrestricted net assets (liabilities)</b>		
Accumulated net surplus (deficiency)	19,830	(2,994)
	9,298,928	7,278,471
<b>Commitments and contingencies</b> (note 10)		

Approved by the Board of Directors

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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, 2016

	2016 Budget \$	2016 Actual \$	2015 Actual \$
<b>Revenue</b>			
Operating			
Performance	2,522,973	2,275,890	4,533,266
Rental	5,404,443	4,835,641	4,343,500
Ancillary	4,073,990	4,593,811	3,729,548
Other recoveries	37,600	397,097	174,227
Interest and other	20,127	41,983	32,540
City of Toronto grant	1,732,100	1,732,100	1,655,287
Amortization of deferred capital contributions (note 8)	-	316,416	346,324
	13,791,233	14,192,938	14,814,692
<b>Expenses</b>			
Operating			
Salaries, wages and benefits (note 7)	6,952,103	6,512,820	6,212,745
Presentation and production	1,929,328	2,033,008	3,833,801
Ancillary	1,675,552	1,870,141	1,429,579
Building operations	1,279,448	1,287,680	1,302,707
Transfer to Facility Fee Reserve Fund	1,074,368	970,834	1,021,374
Program services	508,517	424,868	424,667
Administration	371,917	780,332	320,848
Amortization of capital assets	-	322,541	319,348
	13,791,233	14,202,224	14,865,069
<b>Deficiency of revenue over expenses before the following</b>	-	(9,286)	(50,377)
Gain (loss) on disposal of capital assets (note 5)	-	(168,181)	88,760
Writeoff of deferred capital contributions on disposal of assets	-	177,681	32,150
Net gain resulting from disposition of City of Toronto fund and loan balances (notes 3 and 4)	-	-	658,513
<b>Excess of revenue over expenses before transfer (to) from     City of Toronto</b>	-	214	729,046
<b>Transfer (to) from City of Toronto</b> (note 4)	-	(6,340)	17,801
<b>Excess (deficiency) of revenue over expenses for the year</b>	-	(6,126)	746,847
<b>Art collection</b>	-	28,950	-
<b>Unrestricted net liabilities - Beginning of year</b>	-	(2,994)	(749,841)
<b>Unrestricted net assets (liabilities) - End of year</b>	-	19,830	(2,994)

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, 2016

	2016 \$	2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	(6,126)	746,847
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(316,416)	(346,324)
Amortization of capital assets	322,541	319,348
Writeoff of City of Toronto balances - net	-	(658,513)
Loss (gain) on disposal of capital assets	168,181	(88,760)
Writeoff of deferred capital contributions on disposal of assets	(177,681)	(32,150)
	(9,501)	(59,552)
Net change in non-cash working capital balances (note 9)	1,927,918	2,596,334
	1,918,417	2,536,782
<b>Investing activities</b>		
Purchase of capital assets	(450,647)	(1,421,702)
Proceeds on sale of capital assets	9,500	120,910
	(441,147)	(1,300,792)
<b>Financing activities</b>		
Repayments to City of Toronto	(35,577)	(924,926)
Receipt of loan	-	505,000
Repayment of loan payable	(85,000)	(80,000)
Contributions received for capital asset purchases	450,647	1,015,451
	330,070	515,525
<b>Increase in cash during the year</b>	1,807,340	1,751,515
<b>Cash - Beginning of year</b>	3,108,720	1,357,205
<b>Cash - End of year</b>	4,916,060	3,108,720

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

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

Notes to Financial Statements

December 31, 2016

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## **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.

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

## Notes to Financial Statements

December 31, 2016

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### 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 (FFRF). Leasehold improvements are owned by the city and are 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 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 are 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 initially measured at fair value and subsequently 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 and changes in net assets (liabilities). A writedown is not subsequently reversed for a subsequent increase in value.



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

## **Notes to Financial Statements**

**December 31, 2016**

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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 to 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 remeasurement 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.

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

Notes to Financial Statements

December 31, 2016

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## 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, 2016, the balance in the Stabilization Reserve Fund is \$166,718 (2015 - \$166,718).

### Facility Fee Reserve Fund

In October 2011, the city updated its administrative amendments to the board's FFRF. Contributions to the FFRF 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; 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 FFRF is maintained and banked by the city and is recorded on the city's books.

The changes in the fund are as follows:

	2016 \$	2015 \$
Balance - Beginning of year	846,265	178,061
Revenue from ticket capital surcharge	555,425	515,144
Proceeds from sale of capital assets	9,500	120,910
Investment income	5,176	2,274
Proceeds from Name-In-Title sponsor	400,733	385,320
Building maintenance and repairs expenditures	(92,252)	-
Chattel asset purchases	(596,828)	(355,444)
Balance - End of year	1,128,019	846,265

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

Notes to Financial Statements

December 31, 2016

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## 4 Related party transactions

### Due from City of Toronto - Facility Fee Reserve Fund

The 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 board (note 3). The total amount expended in 2016 was \$596,828 (2015 - \$355,444), of which \$16,291 is due from the FFRF as at December 31, 2016 (2015 - \$226,686). A further \$340,000 is due from the FFRF (2015 - \$425,000), but has not been drawn as at December 31, 2016, as part of a multi-year sponsorship arrangement.

### 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 on 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:

	2016 \$	2015 \$
Excess of revenue over expenses for the year before transfer to the City of Toronto	29,164	729,046
Add (deduct): Non-cash and other items		
Amortization of deferred capital contributions	(316,416)	(346,324)
Amortization of capital assets	322,541	319,348
Gain on writeoff of city loan - net	-	(658,513)
Other items	(28,949)	(61,358)
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Transfer to (from) City of Toronto	6,340	(17,801)

The amount receivable/payable as at December 31, 2016 is included in Due from/to City of Toronto - Operating deficit/surplus on the statement of financial position.

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

Notes to Financial Statements

December 31, 2016

## 5 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Stage equipment	2,392,038	999,249	1,392,789
Computer equipment	2,058,618	1,702,247	356,371
Other equipment	583,808	491,700	92,108
Furniture	482,432	453,874	28,558
	<u>5,516,896</u>	<u>3,647,070</u>	<u>1,869,826</u>
	2015		
	Cost \$	Accumulated amortization \$	Net \$
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
	<u>6,392,127</u>	<u>4,472,726</u>	<u>1,919,401</u>

During 2016, the board disposed of capital assets with an original cost of \$1,325,878 (2015 - \$62,893) and accumulated amortization of \$1,148,197 (2015 - \$30,743). The cost and related accumulated amortization have been removed from the financial statements. Proceeds from the disposal of assets in 2016 were \$9,500 (2015 - \$120,910).

In 2015, the board approved an equipment purchase with a third party vendor, which was funded partly by an interest free loan provided by the vendor in the amount of \$505,000 with the remainder being paid by the board 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 five years beginning on July 20, 2016. The loan payable as at December 31, 2016 is \$340,000 (2015 - \$425,000).

## 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.

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

## Notes to Financial Statements

December 31, 2016

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In March 2016, the board received notice from the donor that the unit was unavailable for transfer to the board. The donor has indicated its intention to honour the original agreement and is in discussions 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 \$329,175 (2015 - \$286,272) 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 \$98,490 (2015 - \$100,302) 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 FFRF 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:

	2016 \$	2015 \$
Balance - Beginning of year	1,516,143	879,166
Amortization of deferred capital contributions	(316,416)	(346,324)
Writeoff of deferred capital contributions	(177,681)	(32,150)
Contributions restricted for the purchase of capital assets	450,647	1,015,451
	<hr/>	<hr/>
Transfer to City of Toronto	1,472,693	1,516,143

Of the contributions received in the year, \$450,647 (2015 - \$1,015,451) has been provided to fund chattel asset purchases (note 5).

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

Notes to Financial Statements

December 31, 2016

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## 9 Statement of cash flows

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

	2016 \$	2015 \$
Accounts receivable	(147,554)	44,542
Prepaid expenses	(68,412)	(30,537)
Accounts payable and accrued liabilities	534,167	259,729
Due to/from City of Toronto		
Operating surplus - current fiscal year	24,141	502,959
Trade payables	(813,689)	842,011
Surcharge payable	25,347	(49,752)
Deferred revenue	626,735	(95,549)
Advance ticket sales	1,747,183	1,122,931
	<u>1,927,918</u>	<u>2,596,334</u>

## 10 Commitments and contingencies

### Leases

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

	\$
2017	792
2018	-
2019	-
	<u>792</u>

### 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.

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

Notes to Financial Statements

**December 31, 2016**

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## **11 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 fluctuations in foreign exchange prices. Realized exchange gains of \$8,569 are included in the statement of operations and changes in net assets (liabilities) for the year ended December 31, 2016 (2015 - \$19,696).

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, 2016, three accounts represent 67% of the total accounts receivable balance (2015 - two accounts represent 55%).

### **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 Subsequent events**

In 2015, the City of Toronto mandated a merger of the three City owned theatres (Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts and Toronto Centre for the Arts; collectively Civic Theatres Toronto (CTT)). In 2017, CTT hired a President and Chief Executive Officer to initiate the merger of the three theatres. In connection with the integration of theatres, Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts and Toronto Centre for the Arts are expected to incur costs between \$1.2 million and \$1.5 million related to terminations.