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

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

2016 year-end report
to the Finance, Audit
and Risk Management
Committee

Prepared as of
May 25, 2017





May 25, 2017

Members of the Finance, Audit and Risk Management Committee of the Board of Directors
The Sony Centre for the Performing Arts

Dear Members of Board:

We have substantially completed our audit of the financial statements of The Sony Centre for the Performing Arts (the organization or the Centre) prepared in accordance with Public Sector Accounting standards including standards that apply only to government not-for-profit organizations (PSAS +4200) for the year ended December 31, 2016. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our auditor's report is included as Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process. We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to our meeting on June 8, 2017. If you have any questions or concerns prior to the meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Michael Hawtin
Partner
Assurance

c.c.: Mark Hammond, Chief Executive Officer
William Milne, Director of Finance & Personnel
Clyde Wagner, President and CEO Civic Theatres Toronto

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

Communications to the Board of Directors

Key matters for discussion	Comments
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • Legal updates and subsequent events procedures; • Signed management representation letter; and • Review and approval of the financial statements by the Board of Directors.
Service deliverables	<p>We performed an audit of the organization's financial statements as of December 31, 2016 and for the year then ended prepared in accordance with PSAS + 4200.</p> <p>Our engagement letter, which has been signed by the City of Toronto (the City), sets out the terms and conditions for the audit as the independent auditor of the Centre for the above-mentioned year.</p>
Audit timeline	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> – Interim visit: October 11-12, 2016 – Year-end visit: March 20-24, 2017 – Year-end Finance, Audit and Risk Management Committee meeting: June 8, 2017 – Delivery of financial statements: upon resolution of above items and Board of Director's approval
Audit approach	<p>Our audit approach is a mixture of tests of internal controls and substantive testing. In the current year, our work included testing of key controls in the following areas:</p> <ul style="list-style-type: none"> • Purchases, payables and disbursements • Payroll • Revenue
Materiality	<p>Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.</p> <p>We set our materiality of \$426,000 and are reporting unadjusted items over \$21,000 to the Finance, Audit and Risk Management Committee as a result of the audit.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Significant accounting, auditing and reporting matters discussed with management	
Revenue recognition	<p>Management recognizes revenue based on separate criteria per revenue stream and ensures processes are in place to record revenue accurately and in the proper period.</p> <p>We selected a sample of revenue transactions for the year and agreed amounts recorded in the general ledger to supporting documentation, including Ticketmaster statements, dates of shows held during the year or other available evidence, to test for proper cut-off and accuracy of the amounts recorded.</p> <p>Amounts deferred on the statement of financial position were also tested using the same testing methodology. We noted no exceptions as a result of our testing.</p>
Risk of management override of controls	<p>Canadian auditing standards require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>We have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of items for testing to test that the entries represent valid and appropriately authorized transactions. No exceptions were noted from our testing.</p> <p>We also incorporated unpredictable procedures into our audit and noted no exceptions.</p>
Related party transactions-City of Toronto	<p>As a significant amount of activity occurs between the Centre and the City, we requested a confirmation from the City of all amounts received during the year and balances outstanding at the year-end. This includes funding received, trade receivable or payable balances, the Facility Fee Reserve fund balance, Capital Works Program funding and the Stabilization Reserve fund balance.</p> <p>We received an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Centre at year-end and were able to fully reconcile the amounts per confirmation to the financial statements.</p> <p>We have reviewed the financial statements note disclosure with respect to the relationship, transactions and balances with the City and have no matters to report.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Other asset	<p>The Centre was subject to a Canada Revenue Agency (CRA) audit in the prior year and, as a result of the audit, management became aware that there is a dispute relating to ownership of the condo classified as an 'other asset' on the statement of financial position with a recorded amount of \$560k. The condo was donated to the Centre by a developer in a prior year.</p> <p>This developer has also halted payments on other balances owing to the Centre totalling \$100k at year-end.</p> <p>We understand management is working with the City legal team to resolve this dispute. Management indicated that during the year they agreed on a settlement amount of \$666k with the developer subject to CRA's approval of the terms and conditions set out in the settlement agreement. As of the date of this report, the CRA has not yet responded to Sony's request for approval.</p>
Budgeted figures	<p>Currently, under PSAS for government not-for-profit organizations, presentation of the budgeted figures is not a requirement. This budgeted information has been presented and audited to comply with the City audit team's reporting requirements. We agreed the budgeted figures per the statement of operations to the City of Toronto's approved budget for the Centre. No issues were noted.</p>
Other required communications	
Summary of adjusted and unadjusted items	<p>As a result of our audit, we identified certain unadjusted misstatements. See details provided in Appendix B.</p>
Internal control recommendations	<p>During the audit, we did not note any significant deficiencies.</p>
Fraud and illegal acts	<p>We discuss fraud risk annually with management and the Finance, Audit and Risk Management Committee. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes and have designed our audit procedures to address these risks.</p> <p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures.</p> <p>We wish to reconfirm that the Finance, Audit and Risk Management Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Management's representations	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter has been circulated separately to the Finance, Audit and Risk Management Committee.
Subsequent events	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the Finance, Audit and Risk Management Committee is not aware of any other subsequent events that might affect the financial statements.</p>

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

Appendix A: Auditor's report



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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Appendix B: Summary of unadjusted items

Unadjusted

Description	Assets DR/(CR) \$	Liabilities DR/(CR) \$	Net assets DR/(CR) \$	Excess of revenue over expense DR/(CR) \$
Current year misstatements:				
Dr. Capital Assets Cr. Deferred capital contributions	22,118	(22,118)		
<i>To capitalize labour costs associated with installing new lobby displays</i>				
Misstatements roll forward from prior years:				
Dr. Deferred revenue Dr. Loan payable Dr. Interest Cr. Deferred capital contributions Cr. Operating revenue Cr. Amortization of deferred capital contributions		3,569 17,883 (19,046)		3,884 (3,569) (2,721)
<i>To adjust closing balances for equipment purchase loan and related deferred capital contribution / deferred revenue</i>				
Dr. Due from City of Toronto Cr. Loan Payable	80,500	(80,500)		
<i>To record loan from Sodexo which was accounted for incorrectly in a prior year</i>				
Total:	\$102,618	\$(103,781)	-	\$1,163

