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

(operating as Civic Theatres Toronto)

Financial Statements
December 31, 2018

Independent auditor's report

To the Board of Directors of TO Live

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Board of Directors of the Hummingbird Centre for the Performing Arts (the Entity) as at December 31, 2018 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and changes in net assets (deficit) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 25, 2020

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

(operating as Civic Theatres Toronto)

Statement of Financial Position

As at December 31, 2018

(in thousands of dollars)

	2018 $	2017 $
Assets		
Current assets		
Cash	13,635	4,016
Accounts receivable	2,775	1,082
Due from the City (notes 3 and 4)		
Capital Reserve Funds	284	349
Capital Program – State of Good Repair (SOGR)	2,097	1,162
Prepaid expenses	184	64
	18,975	6,673
Capital assets (note 5)	3,664	1,733
Art collection	29	29
Other asset (note 7)	-	560
	22,668	8,995
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,960	2,782
Due to the City (note 4)		
Operating surplus	388	338
Surcharge payable	157	77
Stabilization Fund	2,325	-
Trade payables	3,731	341
Loan payable (note 5)	85	85
Deferred revenue	2,383	1,047
Advance ticket sales	9,075	2,799
	23,104	7,469
Loan payable (note 5)	85	170
Deferred capital contributions (note 8)	3,237	1,228
	26,426	8,867
Unrestricted net assets (deficit)		
Accumulated net surplus (deficit)	(3,758)	128
	22,668	8,995

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

(operating as Civic Theatres Toronto)

Statement of Operations and Changes in Net Assets (Deficit)

For the year ended December 31, 2018

(in thousands of dollars)

	2018 Budget $	2018 Actual $	2017 Actual $
Revenue			
Operating			
Performance	6,359	3,302	5,240
Rental	12,614	13,728	6,235
Ancillary	5,564	5,078	5,523
Other recoveries	599	395	419
Interest and other (note 13)	36	2,211	64
Transfer from Facility Fee Reserve Fund	1,914	283	78
Transfer from the City State Of Good Repair Program	-	206	-
Subsidy from the City	5,274	5,274	1,707
Amortization of deferred capital contributions (note 8)	-	2,430	361
	32,360	32,907	19,627
Expenses			
Operating			
Salaries, wages and benefits (note 6)	15,727	14,762	8,556
Presentation and production	6,333	4,616	4,170
Ancillary	1,749	1,550	1,943
Building operations	4,598	3,099	1,759
Transfer to Stabilization Fund	-	2,325	-
Transfer to Facility Fee Reserve Fund	1,434	1,314	1,262
Program services	1,723	1,380	346
Administration	796	1,043	769
Amortization of capital assets	-	2,479	382
	32,360	32,568	19,187
Excess of revenue over expenses before the following	-	339	440
Gain on disposal of capital assets (note 5)	-	-	6
Net effect of merger (note 14)	-	(3,837)	-
Excess (deficiency) of revenue over expenses before transfer to the City	-	(3,498)	446
Transfer to the City (note 4)	-	(388)	(338)
Excess (deficiency) of revenue over expenses	-	(3,886)	108
Unrestricted net assets – Beginning of year	-	128	20
Unrestricted net assets (deficit) – End of year	-	(3,758)	128

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 Civic Theatres Toronto)

Statement of Cash Flows

For the year ended December 31, 2018

(in thousands of dollars)

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(3,886)	108
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(2,430)	(361)
Amortization of capital assets	2,479	382
Net effect of merger, net of cash acquired	5,051	-
Gain on disposal of capital assets	-	(6)
Gain on settlement of other assets	(106)	-
Net change in non-cash working capital balances (note 9)	5,961	(418)
	7,069	(295)
Investing activities		
Purchase of capital assets	(60)	(245)
Proceeds on settlement of other assets	666	-
Proceeds on disposal of capital assets	-	6
	606	(239)
Financing activities		
Repayments to the City	(356)	(397)
Transfer to Stabilization Fund	2,325	-
Repayment of loan payable	(85)	(85)
Contributions received for capital asset purchases	60	116
	1,944	(366)
Increase (decrease) in cash during the year	9,619	(900)
Cash – Beginning of year	4,016	4,916
Cash – End of year	13,635	4,016

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

(in thousands of dollars)

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 Civic Theatres Toronto (CTT), is continued as a city board pursuant to the provisions of the City of Toronto Act, 2006. The Board is a corporate body, and its purposes are the operation, management and maintenance of the City of Toronto (the City) owned theatres known as the Sony Centre for the Performing Arts (Sony), St. Lawrence Centre for the Arts (STLC) and Toronto Centre for the Arts (TCA) (collectively the theatres), as theatres and auditoriums and as centres 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 revenue is recognized on the date of the attraction or event. Ancillary revenue is 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.

(in thousands of dollars)

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 (excluding personal computers, laptops, tablets, mobile devices)	4 years
Other equipment	5 years
Furniture	5 years
Building improvements	12 years

Expenditures for chattel assets are capitalized and amortized over the periods of their useful lives, and funding is provided through the Facility Fee Reserve Fund (FFRF).

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 theatres, 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 the City. The financial instruments are initially measured at fair value and subsequently measured at amortized cost.

For certain financial instruments, including cash, accounts receivable and accounts payable and accrued liabilities, 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.

(in thousands of dollars)

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 6). 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 dates of the transactions. 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.

(in thousands of dollars)

3 Funds of the Board held at the City

Stabilization Reserve Funds

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. Amounts maintained in the fund are not interest bearing. This fund resides in the City's financial statements and is not included in the theatre's financial statements.

As at December 31, 2018, the balance in Sony's Stabilization Reserve Fund is $833 (2017 – $167).

During 2003, TCA entered into an agreement with the City that established, in the accounts of the City, The North York Performing Arts Centre Corporation Stabilization Reserve Fund for the purpose of putting aside income earned in profitable years in order to offset deficits in other years. This agreement provided that transfers were to be made to the Stabilization Reserve Fund based on the cash basis of accounting and therefore excludes amortization. Beginning with the year ended December 31, 2006, the transfer of the current year operating income is no longer automatically added to the Stabilization Reserve Fund. The transfer is only added to this fund if approved by City Council. This fund resides in the City's financial statements and is not included in the theatre's financial statements. As at December 31, 2018, the balance in The North York Performing Arts Centre Corporation Stabilization Reserve Fund is $1,826 (2017 – $167).

During the year, the Board received proceeds in the amount of $2,325 related to the settlement of legal matters (note 13). The proceeds were transferred to the Stabilization reserves of Sony and TCA.

Facility Fee Reserve Fund (FFRF)

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.

(in thousands of dollars)

The changes in the fund are as follows:

	2018 $	2017 $
Balance – Beginning of year	1,938	1,128
Revenue from ticket capital surcharge	1,282	831
Proceeds from sale of capital assets	-	6
Investment income	23	7
Proceeds from Name-In-Title sponsor	433	417
Building maintenance and repairs expenditures	-	(183)
Chattel asset purchases	(447)	(268)
Balance – End of year	3,229	1,938

Capital Maintenance Reserve Fund

The TCA Capital Maintenance Reserve Fund, which consists of unspent capital ticket surcharges, is invested by the City. The capital surcharge on the sale of tickets for performances is considered to be externally restricted, with the funds and interest earned on the funds only to be used for capital improvements of the TCA.

The changes in the TCA fund are as follows:

	2018 $	2017 $
Balance – Beginning of year	814	1,437
Revenue from ticket capital surcharge	-	76
Investment income	10	9
Funding for stage redevelopment from the City	-	143
Funding for stage redevelopment from other funders	-	343
Purchase of capital assets funded	(154)	(1,194)
Balance – End of year	670	814

4 Related party transactions

Due from the City – Capital Reserve Funds

The Capital Reserve Funds 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 2018 was $601 (2017 – $451), of which $114 is due as at December 31, 2018 (2017 – $93). A further $170 is due from the Facility Fee Reserve Fund (2017 – $255), but has not been drawn as at December 31, 2018, as part of a multi-year sponsorship arrangement.

(in thousands of dollars)

Intercompany expenses and payables

In the normal course of operations, the Board incurs costs for various expenses payable to the City such as legal and other administration expenses. 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.

During the year, the City and the Board engaged in discussions with respect to an amount owing by the Board to the City in the amount of $3,695, which was incurred during the period from 2001 to 2007. It was determined that this amount was not supportable. In accordance with City by-laws related to write-offs of inter-agency receivables and payables, a motion was brought forward by City management and approved by City Council in December 2019 to write off this amount owing to the City. This write-off will be reflected in the financial statements in 2019.

The transfer of operating excess of revenue is calculated as follows:

	2018 $	2017 $
Excess of revenue over expenses for the year, before transfer to the City and effect of merger	339	446
Add (deduct): Non-cash and other items		
Amortization of deferred capital contributions	(2,430)	(361)
Amortization of capital assets	2,479	382
Other items	-	(129)
Transfer to the City	388	338

The amount payable as at December 31, 2018 is included in due to the City – operating surplus balance on the statement of financial position. The receivable/payable from/to the City is non-interest bearing.

(in thousands of dollars)

5 Capital assets

			2018
	Cost $	Accumulated amortization $	Net $
Stage equipment	8,255	5,741	2,514
Computer equipment	2,357	2,110	247
Other equipment	1,082	895	187
Building improvements	4,254	3,559	695
Furniture	661	640	21
	16,609	12,945	3,664

			2017
	Cost $	Accumulated amortization $	Net $
Stage equipment	2,497	1,204	1,293
Computer equipment	1,848	1,523	325
Other equipment	634	529	105
Furniture	483	473	10
	5,462	3,729	1,733

During 2018, the Board disposed of capital assets with an original cost of $3,323 (2017 – $301) and accumulated amortization of $3,323 (2017 – $301). The cost and related accumulated amortization have been removed from the financial statements. Proceeds from the disposal of assets in 2018 were $nil (2017 – $6).

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, 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 and equal annual instalments of $85 over five years beginning on July 20, 2016. The loan payable as at December 31, 2018 is $170 (2017 – $255).

6 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.

(in thousands of dollars)

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 $732 (2017 – $449) 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 $223 (2017 – $169) were expensed and are included in salaries, wages and benefits.

7 Other assets

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. In March 2018, the donor honored his commitment and provided a cheque for $666 (the appraised value of the condo at December 2016, net of transfer costs).

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:

	2018 $	2017 $
Balance – Beginning of year	1,228	1,473
Amortization of deferred capital contributions	(2,430)	(361)
Net effect of merger – DCC portion	4,379	-
Contributions restricted for the purchase of capital assets	60	116
Balance of deferred capital contributions	3,237	1,228

Included in the contributions received during the year is $60 (2017 – $116) to fund chattel asset purchases (note 5).

(in thousands of dollars)

9 Statement of cash flows

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

	2018 $	2017 $
Accounts receivable	(1,387)	(432)
Prepaid expenses	(105)	96
Accounts payable and accrued liabilities	1,031	981
Due to/from the City		
Operating surplus – current fiscal year	50	331
Trade payables	(305)	300
Surcharge payable	80	52
Deferred revenue	725	(858)
Advance ticket sales	5,872	(888)
	5,961	(418)

10 Commitments and contingencies

Leases

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

	$
2019	7
2020	7
2021	7
2022	7
2023	3
	31

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.

(in thousands of dollars)

The City of Toronto and the Board have been served with a claim from a developer in the amount of $9.7 million in connection with a redevelopment project completed in a prior year. The claim is proceeding to arbitration. The City of Toronto and the Board are being jointly defended by lawyers from the Legal Services Division of the City of Toronto. Defence counsel advise that the claim is in the early stages of discovery. The outcome of the claim is not determinable at this time. No amounts have been accrued in relation to this claim as at year-end.

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 $14 are included in the statement of operations and changes in net assets (liabilities) for the year ended December 31, 2018 (2017 – loss of $1).

The Board is exposed to gains/losses that arise with respect to the degree of volatility of foreign exchange rates. The Board believes it has a low exposure to foreign exchange risk given the value of its foreign denominated assets.

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, 2018, five accounts represent 76% of the total accounts receivable balance (2017 – three accounts represent 73%).

The Board believes it has moderate exposure to credit risk.

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. Refer to note 15 outlining the impact to the Board, including future cash flows, as a result of the COVID-19 pandemic.

(in thousands of dollars)

12 Trust Fund

In 1981, STLC was appointed as trustee for the Victor C. Polley Scholarship Fund (the Fund), which was created for the purpose of awarding a scholarship annually to a deserving student of arts management or arts administration. The Fund, which has a balance of $7 (2017 – $7), has not been included in the Board's statement of financial position nor have its operations been included in the Board's statement of operations.

13 Interest and other revenue

Interest and other revenue of $2,211 includes $203 related to interest and $1,873 related to one-time legal settlements.

14 Merger of theatres

In 2015, the City mandated a merger of the three City owned theatres: Sony, STLC and TCA. In December 2017, City Council passed a motion whereby Sony would assume the operations of STLC, TCA and CTT. Effective January 1, 2018, Sony would operate as Civic Theatres Toronto (CTT) and the three individual boards were also dissolved.

Effective January 1, 2018, the Board adopted public sector standard 3430, Restructuring Transactions (PS 3430). This accounting standard defines restructuring transactions and provides guidance with respect to the accounting and reporting for these transactions. The Board accounted for the integration with TCA, STLC and CTT under this new accounting standard. In accordance with PS 3430, the Board recorded the net liabilities of TCA, STLC and CTT at the carrying value of TCA, STLC and CTT on the date of transfer with the net increase in net liabilities recognized in the statement of operations for the year ended December 31, 2018. The merger of the three theatres occurred on January 1, 2018 and, as such, the financial statements reflect the merged entity for 2018, whereas the comparative results for 2017 are based on the results of Sony.

(in thousands of dollars)

As at the date of the merger, the Board acquired the assets and liabilities outlined in the table below:

	Note	STLC $	TCA $	CTT $	Less adjustments $	Total $
Cash		293	921	-	-	1,214
Accounts receivable		147	158	-	-	305
Due from City		514	-	-	-	514
Prepaid expenses		2	14	-	-	16
Total current assets		956	1,093	-	-	2,049
Capital assets	(a)	2,314	30,071	-	(28,035)	4,350
Artwork	(b)	-	2,542	-	(2,542)	-
Total assets		3,270	33,706	-	(30,577)	6,399
Accounts payable and accrued liabilities		667	480	-	-	1,147
Due to City	(c)	104	2,778	-	813	3,695
Deferred revenue		160	451	-	-	611
Advance ticket sales		118	286	-	-	404
Deferred capital contributions	(a),(c)	2,343	25,698	-	(23,662)	4,379
Total liabilities		3,392	29,693	-	(22,849)	10,236
Net effect of merger		(122)	4,013	-	(7,728)	(3,837)

a) In connection with the merger, management identified a capital asset held by TCA that should have been transferred to the City in a prior year. Accordingly, the capital asset and related unamortized deferred capital contributions were not transferred to CTT on January 1, 2018.

b) Pursuant to an agreement with the City, the artwork held by TCA was transferred to the City for no consideration effective January 1, 2018. As a result, the artwork was not transferred to CTT on January 1, 2018.

c) In connection with the merger, management identified a capital reserve fund between TCA and the City that should not be included in the accounts of TCA. As a result, the reserve fund liability and related amount owing from the City were not transferred to CTT on January 1, 2018.

(in thousands of dollars)

15 COVID-19

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. TO Live's operations rely, to a certain extent, on free movement of goods, services and capital within Canada, which has been significantly restricted as a result of the COVID-19 pandemic. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the Board's operations in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada. Such further developments could have a material adverse effect on the Board's operations, financial condition, results of operations and cash flows.

With the government imposed restrictions as a result of the COVID-19 pandemic, the Board closed its performance facilities in March 2020 and, consequently, all performances since then have been cancelled and/or postponed resulting in significant reductions in revenues and operating cash flows in 2020. As an agency of the City, the Board is dependent on continued funding from the City to fund any operating deficits including receipt of the annual subsidy amount from the City totalling $5.6 million for the year ended December 31, 2020. The Board received additional amounts totalling $2.3 million from the City in April 2020 and May 2020 to fund short-term operating cash flow deficiencies and is currently in discussions with the City in regards to additional funding required for the duration of the year to fund the operations of the Board. The Board has made significant reductions in workforce subsequent to year-end as well as reduced other costs to match this decline in revenue and mitigate its impact on cash flows.

Further developments related to the economy in Canada, which were unforeseen as at March 31, 2020, could have a further adverse effect on the Board. The ultimate impact of COVID-19 on the Board may not be fully known for an extended period of time.