

**DOWNTOWN YONGE BUSINESS  
IMPROVEMENT AREA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**DOWNTOWN YONGE BUSINESS  
IMPROVEMENT AREA**

**DECEMBER 31, 2011**

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**INDEPENDENT AUDITORS' REPORT**

To the Council of the Corporation of the City of Toronto and the  
Board of Management for the Downtown Yonge Business Improvement Area

We have audited the statement of financial position for the Downtown Yonge Business Improvement Area as at December 31, 2011 and the statements of operations, changes in accumulated surplus and cash flows for the year then ended.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of 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 auditors' 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.

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Downtown Yonge Business Improvement Area as at December 31, 2011 and the results of its operations, change in accumulated surplus and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

*Rosenswig McRae Thorpe LLP*

Toronto, Canada  
March 15, 2012

Chartered Accountants  
Licensed Public Accountants

# DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

### ASSETS

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| <b>Current</b>                             |                     |                     |
| Cash and short-term investments (Note 3)   | \$ 601,414          | \$ 641,511          |
| Accounts receivable                        |                     |                     |
| City of Toronto - special charges (Note 4) | 269,189             | 119,178             |
| Other                                      | 166,297             | 87,266              |
| Prepaid expenses                           | <u>39,961</u>       | <u>16,923</u>       |
|  | 1,076,861           | 864,878             |
| Tangible capital assets (Note 5)           | <u>2,309,536</u>    | <u>2,080,856</u>    |
|  | <u>\$ 3,386,397</u> | <u>\$ 2,945,734</u> |


### LIABILITIES

|  |                |                |
|--|----------------|----------------|
| <b>Current</b>                           |                |                |
| Accounts payable and accrued liabilities |                |                |
| City of Toronto - other                  | \$ 155,392     | \$ 291,263     |
| Other                                    | 134,077        | 96,171         |
| Scholarship payable (Note 6)             | <u>18,025</u>  | <u>-</u>       |
|  | <u>307,494</u> | <u>387,434</u> |

### ACCUMULATED SURPLUS

|                      |                     |                     |
|----------------------|---------------------|---------------------|
| Restricted surplus   | 2,309,536           | 2,080,856           |
| Unrestricted surplus | <u>769,367</u>      | <u>477,444</u>      |
|                      | <u>3,078,903</u>    | <u>2,558,300</u>    |
|                      | <u>\$ 3,386,397</u> | <u>\$ 2,945,734</u> |

Approved on behalf of the Board of Management:

per:  , Chair

 , Treasurer

See accompanying notes.

## DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

### STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

DECEMBER 31, 2011

|   | 2011              |                            |                     |
|---|-------------------|----------------------------|---------------------|
|   | Operating         | Tangible<br>Capital Assets | Total               |
| Accumulated surplus, beginning of year      | \$ 477,444        | \$ 2,080,856               | \$ 2,558,300        |
| Annual surplus                              | 520,603           | -                          | 520,603             |
| Amortization                                | 153,139           | (153,139)                  | -                   |
| Purchase of tangible capital assets         | (430,445)         | 430,445                    | -                   |
| Loss on disposal of tangible capital assets | <u>48,626</u>     | <u>(48,626)</u>            | <u>-</u>            |
| Accumulated surplus, end of year            | <u>\$ 769,367</u> | <u>\$ 2,309,536</u>        | <u>\$ 3,078,903</u> |
|   | 2010              |                            |                     |
|   | Operating         | Tangible<br>Capital Assets | Total               |
| Accumulated surplus, beginning of year      | \$ 384,088        | \$ 1,937,351               | \$ 2,321,439        |
| Annual surplus                              | 236,861           | -                          | 236,861             |
| Amortization                                | 157,339           | (157,339)                  | -                   |
| Purchase of tangible capital assets         | <u>(300,844)</u>  | <u>300,844</u>             | <u>-</u>            |
| Accumulated surplus, end of year            | <u>\$ 477,444</u> | <u>\$ 2,080,856</u>        | <u>\$ 2,558,300</u> |

# DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

## STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

|   | 2011              |                    | 2010             |
|---|-------------------|--------------------|------------------|
|   | Actual            | Budget<br>(Note 9) | Actual           |
| <b>Revenue</b>                              |                   |                    |                  |
| City of Toronto - special charges           | \$ 2,564,249      | 2,440,591          | \$ 2,378,531     |
| Advertising and sponsorships                | 89,080            | 41,000             | 17,621           |
| Other                                       | 28,464            | 24,536             | 50,976           |
| Interest income                             | 11,050            | 7,000              | 6,754            |
| Grants                                      | <u>2,085</u>      | <u>5,000</u>       | <u>66,701</u>    |
|   | <u>2,694,928</u>  | <u>2,518,127</u>   | <u>2,520,583</u> |
| <b>Expenses</b>                             |                   |                    |                  |
| Winter magic program                        | 508,537           | 560,633            | 506,798          |
| Administration                              | 456,304           | 467,805            | 454,224          |
| Clean streets program                       | 247,998           | 283,072            | 267,944          |
| Marketing                                   | 239,191           | 207,428            | 161,691          |
| Member services and advocacy                | 203,320           | 236,250            | 236,633          |
| Provision for levies in appeals             | 191,242           | 217,595            | 328,311          |
| Streetscape improvement - non-cost share    | 96,416            | 169,000            | 139,932          |
| Safe streets program                        | 29,552            | 67,619             | 30,850           |
| Streetscape improvement - cost share        | -                 | 308,725            | -                |
| Amortization                                | <u>153,139</u>    | <u>-</u>           | <u>157,339</u>   |
|   | <u>2,125,699</u>  | <u>2,518,127</u>   | <u>2,283,722</u> |
| Annual surplus before undernoted item       | \$ 569,229        | -                  | 236,861          |
| Loss on disposal of tangible capital assets | <u>48,626</u>     | <u>-</u>           | <u>-</u>         |
| Annual surplus (Note 10)                    | <u>\$ 520,603</u> | <u>-</u>           | <u>236,861</u>   |

# DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

## STATEMENT OF CASH FLOWS

DECEMBER 31, 2011

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Cash from operating activities                           |                   |                   |
| Excess of revenue over expenditures for the year         | \$ 520,603        | \$ 236,861        |
| Adjustment for:  |                   |                   |
| Amortization   | 153,139           | 157,339           |
| Loss on disposal of tangible capital assets              | <u>48,626</u>     | <u>-</u>          |
|  | 722,368           | 394,200           |
| Changes in non-cash working capital:                     |                   |                   |
| Accounts receivable                                      |                   |                   |
| (Increase) decrease in City of Toronto - special charges | (150,011)         | (79,181)          |
| (Increase) decrease in other                             | (79,031)          | 10,853            |
| (Increase) decrease in prepaid expenses                  | (23,038)          | 6,585             |
| Accounts payable and accrued liabilities                 |                   |                   |
| (Decrease) increase in City of Toronto - other           | (135,871)         | 25,323            |
| Increase (decrease) in other                             | 37,906            | (16,430)          |
| Increase in scholarship fund                             | <u>18,025</u>     | <u>-</u>          |
| Cash flows provided from operating activities            | <u>390,348</u>    | <u>341,350</u>    |
| Cash flows used in investing activities                  |                   |                   |
| Purchases of tangible capital assets                     | <u>(430,445)</u>  | <u>(300,844)</u>  |
| (Decrease) increase in cash position                     | (40,097)          | 40,506            |
| Cash and short-term investments, beginning of year       | <u>641,511</u>    | <u>601,005</u>    |
| Cash and short-term investments, end of year             | <u>\$ 601,414</u> | <u>\$ 641,511</u> |

# DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 1. Establishment of operations

The Downtown Yonge Business Improvement Area was designated as a business improvement area by By-Law 27-2001 enacted on February 1, 2001. The appointment of members to a Board of Management ("Board") to manage the Business Improvement Area ("BIA") was approved by Council of the City of Toronto on June 28, 2001.

The Board is entrusted with the improvements, beautification and maintenance of municipally owned lands, buildings and structures in the area, together with the promotion of the area as a business or shopping area. Funding is provided by property owners of the BIA who are levied a special charge, through property tax billings, based on an annual operating budget prepared by the Board and approved by Council as required by Section 220 (17) of the Municipal Act, as amended.

### 2. Significant accounting policies

These financial statements are the representation of management and have been prepared in accordance with the Canadian generally accepted accounting principles for local governments as prescribed by the Canadian Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"), the most significant of which are as follows:

#### a) Accrual basis of accounting

Expenditures are recorded on the accrual basis, whereby they are reflected in the financial statements in the period in which they have been incurred, whether or not such transaction have been finally settled by payment of money.

#### b) Revenue recognition

The BIA recognizes revenue as follows:

- i) City of Toronto special charges - revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.
- ii) Advertising, sponsorship and grants - revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- iii) Interest and other income - revenue is recognized when earned.



# DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 2. Significant accounting policies (continued)

#### c) Investments

Investments are recorded at cost which approximates their fair value on the date of acquisition, plus related transaction costs.

#### d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future.

#### e) Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated at a rate that, in the opinion of management, allocates the cost of such assets over their estimated useful lives. The BIA records amortization using the following annual rates and methods:

|                        |   |                               |
|------------------------|---|-------------------------------|
| Streetscape fixtures   | - | 15 - 30 year straight-line    |
| Computer equipment     | - | 3 year straight-line          |
| Furniture and fixtures | - | 5 year straight-line          |
| Equipment              | - | 3 year straight-line          |
| Holiday decor          | - | 5 - 10 year straight-line     |
| Leasehold improvements | - | over the remaining lease life |

#### f) Services provided without charge by the City of Toronto and others are not recorded in these financial statements.

### 3. Cash and short-term investments

|                        | <u>2011</u>       | <u>2010</u>       |
|------------------------|-------------------|-------------------|
| Cash                   | \$ 91,802         | \$ 69,260         |
| Short-term investments | <u>509,612</u>    | <u>572,251</u>    |
|                        | <u>\$ 601,414</u> | <u>\$ 641,511</u> |

The short-term investments consist of amounts invested in a term deposits. The rate of returns being realized on the investments range from 1.4% - 1.45%.

Included in cash is \$10,000 held as collateral against the BIA visa card and is not available for current use.

# DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 4. City of Toronto - special charges

Special charges levied by the City of Toronto ("City") are collected and remitted to the Board by the City. The total special charges outstanding consist of amounts collected by the City not yet remitted to the Board and amounts uncollected by the City.

The Board records special charges receivable net of an allowance for uncollected amounts. The special charges receivable from the City of Toronto are comprised of:

|  | <u>2011</u>        | <u>2010</u>        |
|--|--------------------|--------------------|
| Total special charges outstanding              | \$ 1,904,089       | \$ 1,762,678       |
| Less: Allowance for special charges in appeals | <u>(1,634,900)</u> | <u>(1,643,500)</u> |
| Special charges receivable                     | <u>\$ 269,189</u>  | <u>\$ 119,178</u>  |

### 5. Tangible capital assets

|                        | 2011               |                   | 2010               |                    |
|------------------------|--------------------|-------------------|--------------------|--------------------|
| Cost                   | Amortization       | Net Book Value    | Net Book Value     |                    |
| Streetscape fixtures   | \$2,406,787        | \$ 371,102        | \$2,035,685        | 1,874,250          |
| Computer equipment     | 28,969             | 19,547            | 9,422              | 3,434              |
| Furniture and fixtures | 36,017             | 32,952            | 3,065              | 6,843              |
| Equipment              | 17,840             | 4,079             | 13,761             | 4,496              |
| Holiday decor          | 388,557            | 140,954           | 247,603            | 180,649            |
| Leasehold improvements | <u>55,920</u>      | <u>55,920</u>     | <u>-</u>           | <u>11,184</u>      |
|                        | <u>\$2,934,090</u> | <u>\$ 624,554</u> | <u>\$2,309,536</u> | <u>\$2,080,856</u> |

Tangible capital assets purchased during the year amounted to \$430,445 (\$300,844 - 2010). Included in streetscape fixtures are purchases of approximately \$84,000 that have not been amortized as they were not in use at year end. During the year, the BIA disposed of holiday decor with an original cost of \$186,000 for proceeds of nil. A loss of \$48,600 has been recognized on the statement of operations and accumulated surplus.

# DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 6. Scholarship payable

During the year, the BIA established a scholarship fund for university students enrolled in urban and regional planning programs with the funds received from the Yonge Street Business and Residents Association. The BIA entered into an agreement with Ryerson University where they have pledged \$5,000 over a period of five years to be awarded to qualifying students.

### 7. Contractual commitments

- a) The Board, in co-operation with the City, agrees to annual cost-shared capital improvement projects on publicly owned property. The projects are long-term in nature and are usually completed subsequent to the year of Council's approval. As at December 31, 2011 the BIA has an outstanding commitment of \$28,373 relating to ongoing capital improvement project to be completed in 2012.
- b) The Board has contractual commitments to minimum annual operating payments for equipment and other contractual obligations as follows:

|      |    |                |
|------|----|----------------|
| 2012 | \$ | 53,766         |
| 2013 | \$ | 53,310         |
| 2014 | \$ | 30,510         |
| 2015 |    | <u>7,710</u>   |
|      | \$ | <u>145,296</u> |

The lease agreement for the BIA's premise is up for renewal in 2012. Subsequent to year end the BIA has entered into negotiations to extend its lease term and to expand their premise by approximately 900 square feet.

### 8. Insurance

The Board is required to deposit with the City Treasurer, City of Toronto, insurance policies indemnifying the City against public liability and property damage in respect of the activities of the Board. Insurance coverage providing \$5,000,000 for each occurrence or accident has been obtained by the Board, through the City of Toronto.

# **DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

### **9. 2011 Budget**

The 2011 budget figures on the statement of revenue, expenditures and operating surplus are presented for information purposes only and are not commented on by the independent audit opinion of Rosenswig McRac Thorpe LLP dated March 15, 2012.

### **10. Annual surplus**

The City of Toronto requires the BIA to budget tangible capital assets as annual expenditures. Through the year as assets are purchased they are capitalized and amortized over their useful lives. The difference between tangible capital assets purchased and the amount of tangible capital assets amortized during the year was \$277,306 (\$143,503 - 2010) which contributed to the excess over revenue for the year leaving a net surplus of \$291,923 (\$93,363 - 2010).