

Appendix AK:

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

**TORONTO ENTERTAINMENT DISTRICT
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 Directors for the Toronto Entertainment District Business Improvement Area

We have audited the statement of financial position for the Toronto Entertainment District Business Improvement Area as at December 31, 2011 and the statements of operations and 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 Toronto Entertainment District Business Improvement Area as at December 31, 2011 and the results of its operations 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.

Toronto, Canada
April 10, 2012

Rosenswig McRae Thorpe LLP

Chartered Accountants
Licensed Public Accountants

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

ASSETS

	<u>2011</u>	<u>2010</u>
Current		
Cash and short-term investments (Note 3)	\$ 1,669,080	\$ 1,107,157
Accounts receivable	89,895	58,426
Prepaid expenses	<u>3,291</u>	<u>3,291</u>
	1,762,266	1,168,874
Tangible capital assets (Note 4)	<u>86,475</u>	<u>36,710</u>
	<u>\$ 1,848,741</u>	<u>\$ 1,205,584</u>


LIABILITIES


Current		
Accounts payable and accrued liabilities		
City of Toronto - special charges (Note 5)	\$ 139,805	\$ 21,243
Other	<u>76,092</u>	<u>163,967</u>
	<u>215,897</u>	<u>185,210</u>

ACCUMULATED SURPLUS

Restricted surplus	86,475	36,710
Unrestricted surplus	<u>1,546,369</u>	<u>983,664</u>
	<u>1,632,844</u>	<u>1,020,374</u>
	<u>\$ 1,848,741</u>	<u>\$ 1,205,584</u>

Approved on behalf of the Board of Management:


_____, Chair


_____, Treasurer

See accompanying notes.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

DECEMBER 31, 2011

	2011		
	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 983,664	\$ 36,710	\$ 1,020,374
Annual surplus	612,470	-	612,470
Amortization	18,395	(18,395)	-
Purchase of tangible capital assets	<u>(68,160)</u>	<u>68,160</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 1,546,369</u>	<u>\$ 86,475</u>	<u>\$ 1,632,844</u>

	2010		
	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 942,099	\$ 47,355	\$ 989,454
Annual surplus	30,920	-	30,920
Amortization	13,304	(13,304)	-
Purchase of tangible capital assets	<u>(2,659)</u>	<u>2,659</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 983,664</u>	<u>\$ 36,710</u>	<u>\$ 1,020,374</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>		<u>2010</u>
	<u>Actual</u>	<u>Budget</u> (note 9)	
Revenue			
City of Toronto - special charges	\$ 1,800,369	\$ 1,795,304	\$ 1,258,599
City of Toronto grants	226,000	6,900	976
Interest income	20,350	6,000	11,386
Other income	128,850	-	1,100
Donations and sponsorships	<u>-</u>	<u>1,000</u>	<u>-</u>
	<u>2,175,569</u>	<u>1,809,204</u>	<u>1,272,061</u>
Expenses			
Streetscape - non cost share	422,755	479,500	290,117
Advertising, marketing and promotion	389,262	522,018	412,624
Provision for levies in appeals	356,007	232,381	222,206
Administration	317,342	381,305	289,621
Safety and security	59,338	130,000	13,269
Streetscape - cost share	-	364,000	-
Amortization	<u>18,395</u>	<u>-</u>	<u>13,304</u>
	<u>1,563,099</u>	<u>2,109,204</u>	<u>1,241,141</u>
Annual surplus	<u>\$ 612,470</u>	<u>\$ (300,000)</u>	<u>\$ 30,920</u>

**TORONTO ENTERTAINMENT DISTRICT
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	\$ 612,470	30,920
Adjustment for:		
Amortization	<u>18,395</u>	<u>13,304</u>
	630,865	44,224
Changes in non-cash working capital balances:		
Increase in accounts receivable	(31,469)	(32,604)
Decrease in prepaid expenses	-	6,719
Accounts payable and accrued liabilities		
Increase in other	(87,874)	7,224
Decrease (increase) in City of Toronto - special charges	<u>118,561</u>	<u>(37,460)</u>
Cash flows provided by operating activities	<u>630,083</u>	<u>(11,897)</u>
Cash flows used in investing activities		
Purchase of tangible capital assets	<u>(68,160)</u>	<u>(2,659)</u>
Increase (decrease) in cash position	561,923	(14,556)
Cash and short-term investments, beginning of year	<u>1,107,157</u>	<u>1,121,713</u>
Cash and short-term investments, end of year	<u>\$ 1,669,080</u>	<u>\$ 1,107,157</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

1. Establishment of operations

The Toronto Entertainment District Business Improvement Area was designated as a business improvement area by By-Law 125-2008 enacted on January 30, 2008. 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 February 12, 2008.

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 of accounting, 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 the payment of money.

b) Investments

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

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

2. Significant accounting policies (continued)

c) 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.

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 BIA 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	-	5 year straight-line
Holiday decor	-	5 year straight-line
Furniture and equipment	-	5 year straight-line
Computer equipment	-	3 year straight-line
Computer software	-	3 year straight-line
Marketing collateral	-	5 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.**

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

3. Cash and short-term investments

	<u>2011</u>	<u>2010</u>
Cash	\$ 243,340	\$ 24,096
Short-term investments	<u>1,425,740</u>	<u>1,083,061</u>
	<u>\$ 1,669,080</u>	<u>\$ 1,107,157</u>

The short-term investments consist of amounts invested in term deposits. The rates of return being realized on the investments range from 1.2% to 1.9%.

4. Tangible capital assets

	2011			2010
	Cost	Amortization	Net Book Value	Net Book Value
Streetscape fixtures	\$ 46,830	\$ 3,903	\$ 42,927	\$ -
Holiday decor	18,322	611	17,711	-
Furniture and equipment	35,581	15,986	19,595	25,106
Computer equipment	17,860	13,306	4,554	8,539
Computer software	2,792	2,261	531	1,462
Marketing collateral	1,041	538	503	711
Leasehold improvements	<u>1,190</u>	<u>536</u>	<u>654</u>	<u>892</u>
	<u>\$ 123,616</u>	<u>\$ 37,141</u>	<u>\$ 86,475</u>	<u>\$ 36,710</u>

Tangible capital asset additions purchased during the year amounted to \$68,160 (2010 - \$2,659).

5. 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 (owing) 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 (payable) from (to) the City of Toronto are comprised of:

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

5. City of Toronto - special charges (continued)

	<u>2011</u>	<u>2010</u>
Total special charges outstanding	\$ 708,595	\$ 547,657
Less: Allowance for special charges in appeals	<u>(848,400)</u>	<u>(568,900)</u>
Special charges payable	<u>\$ (139,805)</u>	<u>\$ (21,243)</u>

6. Contractual commitments

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 had no such commitment outstanding relating to their 2011 capital improvement projects.

The BIA occupies a premises under a leasing agreement. Future minimum annual lease payments, exclusive of operating costs, under the operating lease are as follows:

2012	18,837
2013	18,837
2014	<u>14,128</u>
	<u>\$ 51,802</u>

7. 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.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

8. Financial instruments

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash and short-term investments, accounts receivable, prepaid expenses and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity of these instruments.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of short-term investments disclosed in note 3.

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 opinion of Rosenswig McRae Thorpe LLP dated April 10, 2012.