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TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

DECEMBER 31, 2013

CONTENTS

Rosenswig McRae Thorpe LLP
Chartered Accountants
Associated worldwide with CPA Associates International, Inc.

Michael Rosenswig
Jeff McRae
Lori Thorpe
David Westerveld
Tony Rosso

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 accompanying financial statements of Toronto Entertainment District Business Improvement Area, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, net financial assets and cash flows for the year then ended, and 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.

Auditors' 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 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, the financial statements present fairly, in all material respects, the financial position of Toronto Entertainment District Business Improvement Area as at December 31, 2013, and the results of its operations, net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Rosenswig McRae Thorpe LLP

Toronto, Canada
April 1, 2014

Chartered Accountants
Licensed Public Accountants

T 416 977 6600 F 416 977 5874 www.rmtca.ca
655 Bay Street, Suite 1101, Toronto, Ontario, Canada M5G 2K4

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

FINANCIAL ASSETS

	2013	2012
Cash	$ 974,626	$ 570,107
Investments (Note 3)	1,516,200	1,710,000
Accounts receivable		
City of Toronto - special charges (Note 4)	68,780	132,539
Other	107,873	59,612
	2,667,479	2,472,258

LIABILITIES

	2013	2012
Accounts payable and accrued liabilities		
City of Toronto	84,814	182,593
Other	166,640	68,120
	251,454	250,713
Net financial assets	2,416,025	2,221,545

NON FINANCIAL ASSETS

	2013	2012
Tangible capital assets (Note 5)	394,781	321,824
Prepaid expenses	7,583	4,943
	402,364	326,767
Accumulated surplus (Note 6)	$ 2,818,389	$ 2,548,312

Approved on behalf of the Board of Management:

____________________, Chair   ____________________, Treasurer

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013

	2013 Actual	2013 Budget (Note 10)	2012
Revenue			
City of Toronto - special charges	$ 1,915,131	$ 2,038,686	$ 2,001,595
Interest income	40,396	21,000	30,960
Other income	4,500	-	9,209
Advertising and sponsorships	-	6,000	8,000
	1,960,027	2,065,686	2,049,764
Expenses			
Streetscape - non cost share	562,381	778,169	238,358
Advertising, marketing and promotion	406,331	522,000	326,187
Administration	334,164	419,808	335,633
Provision for levies in appeals	262,547	183,709	128,146
Safety and security	69,600	162,000	70,532
Amortization	54,927	-	35,440
	1,689,950	2,065,686	1,134,296
Annual surplus	$ 270,077	$ -	$ 915,468

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2013

	2013	2012
Annual surplus	$ 270,077	$ 915,468
Acquisition of tangible capital assets	(127,884)	(271,300)
Amortization of tangible capital assets	54,927	35,440
Loss on disposal of tangible capital assets	-	511
Increase in prepaid expense	(2,640)	(1,652)
Change in net financial assets	194,480	678,467
Net financial assets, beginning of year	2,221,545	1,543,078
Net financial assets, end of year	$ 2,416,025	$ 2,221,545

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2013

	2013	2012
Cash from operating activities		
Excess of revenue over expenditures for the year	$ 270,077	915,468
Adjustments for:		
Amortization	54,927	35,440
Loss on disposal of tangible capital assets	-	511
	325,004	951,419
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable		
City of Toronto - special charges	63,759	(272,344)
Other	(48,261)	30,283
Increase in prepaid expenses	(2,640)	(1,652)
(Decrease) increase in accounts payable and accrued liabilities		
City of Toronto	(97,779)	182,593
Other	98,520	(7,972)
	338,603	882,327
Cash flows used in investing activities		
Redemption (purchase) of investments	193,800	(284,260)
Purchase of tangible capital assets	(127,884)	(271,300)
	65,916	(555,560)
Increase in cash position	404,519	326,767
Cash, beginning of year	570,107	243,340
Cash, end of year	$ 974,626	$ 570,107

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. Establishment of operations

The Toronto Entertainment District Business Improvement Area was designated as a business improvement area through 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 public sector accounting standards. The most significant of which are as follows:

a) Accrual basis of accounting

The BIA follows the accrual method of accounting for revenues and expenditures. 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.

2. Significant accounting policies (continued)

   c) Revenue recognition

   The BIA recognizes revenue as follows:

   i) City of Toronto special charges - The City of Toronto levies special charges to land owners within the BIA boundaries through the property tax system. 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	-	3-30 year straight-line
Holiday decor	-	3-5 year straight-line
Furniture and equipment	-	5 year straight-line
Computer equipment	-	3 year straight-line
Computer software	-	3 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. Investments

Investments consist of amounts invested in guaranteed investment certificates (GIC) with maturity dates between April 2014 to June 2015 earning interest between 1.4% to 2.4%.

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 (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:

	2013	2012
Total special charges outstanding	$ 1,073,780	$ 996,939
Less: Allowance for special charges in appeals	(1,005,000)	(864,400)
Special charges receivable	$ 68,780	$ 132,539

5. Tangible capital assets

	2013			2012
	Cost	Amortization	Net Book Value	Net Book Value
Streetscape fixtures	$ 430,327	$ 61,619	$ 368,707	$ 281,395
Holiday decor	31,771	12,702	19,068	26,815
Furniture and equipment	34,988	29,750	5,238	12,291
Computer equipment	17,860	17,483	377	907
Computer software	5,031	3,818	1,213	-
Leasehold improvements	1,190	1,012	178	416
	$ 521,167	$ 126,384	$ 394,781	$ 321,824

Tangible capital asset additions purchased during the year amounted to $127,884 (2012 - $271,300).

6. Accumulated surplus

	2013		
	Unrestricted Surplus	Invested in capital assets	Total
Accumulated surplus, beginning of year	$ 2,226,488	$ 321,824	$ 2,548,312
Annual surplus	270,077	-	270,077
Amortization	54,927	(54,927)	-
Purchase of tangible capital assets	(127,884)	127,884	-
Accumulated surplus, end of year	$ 2,423,608	$ 394,781	$ 2,818,389

	2012		
	Unrestricted Surplus	Invested in capital assets	Total
Accumulated surplus, beginning of year	$ 1,546,369	$ 86,475	$ 1,632,844
Annual surplus	915,468	-	915,468
Amortization	35,440	(35,440)	-
Loss on disposal of tangible capital assets	511	(511)	-
Purchase of tangible capital assets	(271,300)	271,300	-
Accumulated surplus, end of year	$ 2,226,488	$ 321,824	$ 2,548,312

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, 2013 the BIA has a commitment outstanding relating to their 2013 capital improvement projects in the amount of $248,307 ($31,222 - 2012).

7. Contractual commitments (continued)

b) 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:

2014	$ 14,128

c) The BIA has committed $392,000 towards street design projects to commence in 2014.

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.

9. Financial instruments risks

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash, 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. Long-term investments are recorded at cost.

b) Interest rate risk

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

c) Liquidity risk

Liquidity risk is the risk that the BIA will encounter difficulties in meeting obligations associated with financial liabilities. The BIA manages its liquidity risk by maintaining sufficient readily available funds in order to meet its liquidity requirements at any point in time.

10. 2013 Budget

The 2013 budget figures on the statement of operations are presented for information purposes only and are not commented on by the opinion of Rosenswig McRae Thorpe LLP dated April 1, 2014.

11. 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 is $72,957. (2012 - $235,860) which contributed to the excess of revenue over expenditures. The surplus not invested in tangible capital assets for the year is $197,120 (2012 - $679,608).

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2013

	2013	2012
Advertising, marketing and promotion		
Marketing and promotion	$ 224,119	$ 183,628
Events	83,235	55,453
Salaries and benefits	78,682	74,813
Meeting expenses	20,295	12,293
	406,331	326,187
Administration		
Salaries and benefits	201,753	200,870
Occupancy costs	38,588	39,850
Professional fees	25,908	25,977
General office	15,573	14,552
Meetings	11,165	9,670
Consultants	9,810	18,912
Utilities	7,682	8,966
Insurance	6,619	6,297
Memberships	6,484	6,726
Travel	5,719	2,049
Advertising and promotion	3,529	530
Interest and bank charges	1,334	1,234
	334,164	335,633
Safety and security		
Salaries and benefits	40,572	37,129
Repairs and maintenance	23,689	18,352
Safety and security	5,339	15,051
	69,600	70,532
Streetscape improvements		
Streetscape improvement and maintenance	410,135	134,466
Consultants	93,190	2,219
Master plan and development costs	59,056	101,673
	562,381	238,358
Provision for levies in appeals	262,547	128,146
Amortization	54,927	35,440
	$ 1,689,950	$ 1,134,296