

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA
DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Council of the Corporation of the City of Toronto, the
Board of Management and Members of the Toronto Financial District Business Improvement Area:

Opinion

We have audited the financial statements of Toronto Financial District Business Improvement Area ("the BIA"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 are independent of the BIA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

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

Those charged with governance are responsible for overseeing the BIA'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 BIA'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 BIA'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 BIA 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.

Rosenswig McRae Thorpe LLP

ROSENWIG MCRAE THORPE LLP

March 20, 2019

36 Toronto Street, Suite 800

Toronto, Ontario

M5C 2C5

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

	<u>2018</u>	<u>2017</u>
Cash	\$ 254,678	\$ 650,215
Investments (Note 3)	950,000	600,000
Accounts receivable		
City of Toronto - special charges (Note 4)	314,752	6,842
Other	<u>38,083</u>	<u>71,943</u>
	<u>1,557,513</u>	<u>1,329,000</u>

LIABILITIES

Accounts payable and accrued liabilities	<u>100,260</u>	<u>240,379</u>
Net financial assets	<u>1,457,253</u>	<u>1,088,621</u>

NON FINANCIAL ASSETS

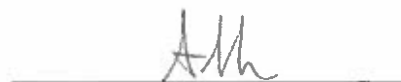
Prepaid expenses	<u>26,761</u>	<u>17,765</u>
Accumulated surplus (Note 5)	<u>\$ 1,484,014</u>	<u>\$ 1,106,386</u>

Accumulated surplus is comprised of:

Unrestricted surplus	\$ 1,084,014	\$ 706,386
Restricted surplus (Note 5)	<u>400,000</u>	<u>400,000</u>
	<u>\$ 1,484,014</u>	<u>\$ 1,106,386</u>

Approved on behalf of the Board of Management:

 _____, Chair

 _____, Treasurer

See accompanying notes.

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA**

**STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018**

	2018		2017
	<u>Actual</u>	<u>Budget</u>	
		Unaudited (Note 9)	
Revenue			
City of Toronto - special charges	\$ 1,622,087	\$ 1,611,795	\$ 1,635,439
Interest income	10,217	7,125	7,963
Other income	<u>2,880</u>	<u>-</u>	<u>3,327</u>
	<u>1,635,184</u>	<u>1,618,920</u>	<u>1,646,729</u>
 Expenses			
Administration	417,053	418,339	406,968
Streetscape - non cost share	362,150	511,219	629,405
Advocacy and urban realm	351,666	408,097	323,729
Communications	214,716	231,384	223,060
Streetscape - cost share	2,060	-	70,141
(Recovery of) provision for levies in appeals (Note 4)	<u>(90,090)</u>	<u>146,527</u>	<u>212,482</u>
	<u>\$ 1,257,556</u>	<u>1,715,566</u>	<u>\$ 1,865,785</u>
 Annual surplus (deficit)	 <u>\$ 377,628</u>	 <u>\$ (96,646)</u>	 <u>\$ (219,056)</u>

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA
STATEMENT OF NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Annual surplus (deficit)	\$ 377,628	\$ (219,056)
Increase in prepaid expense	<u>(8,996)</u>	<u>(12,460)</u>
Change in net financial assets	368,632	(231,516)
Net financial assets, beginning of year	<u>1,088,621</u>	<u>1,320,137</u>
Net financial assets, end of year	<u>\$ 1,457,253</u>	<u>\$ 1,088,621</u>

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Cash from operating activities:		
Excess of expenditures over revenue for the year	\$ 377,628	\$ (219,056)
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable		
- City of Toronto - special charges	(307,910)	177,539
- Other	33,860	(8,799)
Increase in prepaid expenses	(8,996)	(12,460)
(Decrease) increase in accounts payable and accrued liabilities	<u>(140,119)</u>	<u>3,314</u>
	<u>(45,537)</u>	<u>(59,462)</u>
Cash flows used in investing activities		
(Purchase) maturity of investments	<u>(350,000)</u>	<u>300,000</u>
(Decrease) increase in cash	(395,537)	240,538
Cash, beginning of year	<u>650,215</u>	<u>409,677</u>
Cash, end of year	<u>\$ 254,678</u>	<u>\$ 650,215</u>

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. Establishment of operations

The Toronto Financial District Business Improvement Area was designated as a business improvement area by By-Law 1126-2011 enacted on September 22, 2011. 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 November 9, 2011.

The BIA promotes economic development in the financial district and strives to ensure that the financial district is connected, well-maintained, integrated, and accessible. 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

The financial statements of the BIA are prepared by management in accordance with Canadian public sector accounting standards ("CPSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Chartered Professional Accountants. The significant accounting policies are summarized 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) Revenue recognition

City of Toronto special charges revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Interest income is recognized when earned.

c) Use of estimates

The preparation of financial statements in conformity with CPSAS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. Significant accounting policies (continued)

d) Investments

Investments are recorded at cost which approximates their fair value on the date of acquisition.

e) Cost-share expenditures

The Board, in co-operation with the City, agrees to cost-shared capital improvement projects on publicly owned property. The projects are long-term in nature and are usually incorporated in a multi-year tender by the city. The BIAs share of the cost are not invoiced by the City until contracts are closed. The BIA accrues the costs in the financial statements when the invoices are received from the City. These amounts are identified in Note 7.

3. Investments

Investments consist of a guaranteed investment certificate earning interest of 2.06% annually and matured February 2019. Subsequent to this maturity, a new GIC was purchased for \$700,000 earning interest of 2.15% maturing April 2019.

4. City of Toronto - special charges

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

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

	<u>2018</u>	<u>2017</u>
Total special charges outstanding	\$ 514,952	\$ 360,242
Less: Allowance for special charges in appeals	<u>(200,200)</u>	<u>(353,400)</u>
Special charges receivable	<u>\$ 314,752</u>	<u>\$ 6,842</u>

The City set up an allowance of \$153,200 (2017 - \$180,700) for uncollectable amounts. The City also wrote off \$63,110 (2017 - \$31,782) in levies during the year.

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. Restricted surplus

The Board has internally restricted \$400,000 as a reserve for operations.

6. Insurance

The BIA 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 \$10,000,000 for each occurrence or accident has been obtained by the Board, through the City of Toronto.

7. Contractual commitments

- a) As at December 31, 2018 the BIA had no estimated commitments outstanding relating to their 2018 cost-shared capital improvement projects expenditures (2017 - \$1,550).
- b) The BIA has contractual commitments to minimum annual operating payments for equipment and other contractual obligations as follows:

2019	\$	90,060
2020		46,260
2021		<u>12,500</u>
	\$	<u><u>148,820</u></u>

- c) The BIA has a long-term retention bonus plan for the Executive Director. The amount is not payable under the plan before a pre-determined date. The cost associated with the retention bonus is recognized evenly over the period to the pre-determined date in the income statement.

8. Financial instruments risks

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash, 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.

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. Financial instruments risks (continued)

b) 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.

9. 2018 Budget

The 2018 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 March 20, 2019.

**TORONTO FINANCIAL DISTRICT
BUSINESS IMPROVEMENT AREA**

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 498,624	\$ 513,742
Streetscape - non-cost share	362,150	629,405
Public realm	122,321	128,017
Marketing and promotion	72,272	69,403
Advocacy	72,200	45,035
Occupancy costs	56,131	54,252
Utilities	37,344	29,223
Research	32,112	30,000
Meeting expenses	25,013	27,069
Travel	19,992	9,263
Professional fees	14,231	14,336
Consultants	12,360	10,035
General office	7,497	6,799
Memberships	7,331	10,101
Insurance	4,220	4,285
Streetscape - cost share	2,060	70,141
Interest and bank charges	1,788	2,197
(Recovery of) provision for levies in appeals	<u>(90,090)</u>	<u>212,482</u>
	<u>\$ 1,257,556</u>	<u>\$ 1,865,785</u>