

**LIBERTY VILLAGE
BUSINESS IMPROVEMENT AREA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITOR'S REPORT

To the Council of the City of Toronto and the Board of Management for the Liberty Village Business Improvement Area:

Opinion

We have audited the financial statements of Liberty Village Business Improvement Area, which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in 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 Liberty Village Business Improvement Area as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB).

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 Liberty Village Business Improvement Area 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 the financial statements in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB), 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 the financial statements, management is responsible for assessing Liberty Village Business Improvement Area's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Liberty Village Business Improvement Area or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Liberty Village Business Improvement Area's financial reporting process.

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Independent Auditor's Report to the Members of Liberty Village Business Improvement Area *(continued)*

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 Liberty Village Business Improvement Area'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 Liberty Village Business Improvement Area'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 Liberty Village Business Improvement Area 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.

TORONTO, Ontario
May 23, 2019

Foley, Broderick LLP

Chartered Professional Accountants
Licensed Public Accountants

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

As at December 31, 2018

	2018	2017
Financial Assets		
Cash - Note 3	\$ 329,526	\$ 259,431
Short-term investments - Note 4	30,531	30,531
Accounts receivable		
City of Toronto - Special charges - Note 5	40,104	29,468
Other - Note 6	17,667	3,483
HST recoverable	3,225	37,355
	\$ 421,053	\$ 360,268
Liabilities		
Accounts payable and accrued liabilities - Note 7	\$ 9,292	\$ 16,710
Deferred revenue	5,085	-
	14,377	16,710
Net Financial Assets	406,676	343,558
Non-Financial Assets		
Tangible capital assets - Note 8	12,987	5,622
Accumulated Surplus	\$ 419,663	\$ 349,180

Approved on behalf of the Board of Management:

Graham Giles Director

Amuelo de la Vega Director

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA
Statement of Operations and Accumulated Surplus
For the Year ended December 31, 2018

	2018 Budget (Note 18)	2018 Actual	2017 Actual
Revenue			
City of Toronto - special charges - Note 9	\$ 332,024	\$ 332,024	\$ 308,565
TTC VIP Metropass program - Note 10	1,500,000	1,215,680	1,422,953
Grants, sponsorships and other - Note 11	70,000	80,297	93,316
	<u>1,902,024</u>	<u>1,628,001</u>	<u>1,824,834</u>
Expenditures			
Administration - Note 12	187,470	189,586	196,301
Amortization	-	2,749	4,426
Capital - Note 15	85,000	-	-
Design, improvements and maintenance - Note 13	49,000	26,344	27,440
Promotion, marketing and advertising - Note 14	141,000	122,740	145,229
Provision for (recovery of) uncollectable levies - Note 5	30,184	(1,090)	13,816
TTC VIP Metropasses - Note 10	1,500,000	1,217,189	1,427,834
	<u>1,992,654</u>	<u>1,557,518</u>	<u>1,815,046</u>
Surplus (deficit) for year	\$ (90,630)	\$ 70,483	\$ 9,788
Accumulated surplus at beginning of year	349,180	349,180	339,392
Accumulated surplus at end of year	<u>258,550</u>	<u>419,663</u>	<u>349,180</u>

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

For the Year ended December 31, 2018

	2018	2017
Balance at beginning of year	\$ 343,558	\$ 334,893
Surplus for the year	70,483	9,788
Acquisition of tangible capital assets	(10,114)	(5,549)
Amortization of tangible assets	2,749	4,426
Balance at end of year	\$ 406,676	\$ 343,558

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA**Statement of Cash Flows****For the Year ended December 31, 2018**

	2018	2017
Cash provided from (reduced by):		
Operating activities		
Surplus for the year	\$ 70,483	\$ 9,788
Items which do not involve cash:		
Amortization	2,749	4,426
	73,232	14,214
Changes in non-cash working capital:		
Accounts receivable - City of Toronto	(10,636)	21,214
Accounts receivable - other	(14,184)	3,755
HST recoverable	34,130	(15,133)
Accounts payable and accrued liabilities	(7,418)	4,224
Deferred revenue	5,085	-
	6,977	14,060
	80,209	28,274
Investing activity		
Purchase of tangible capital assets	(10,114)	(5,549)
Increase in cash during year	70,095	22,725
Cash at beginning of year	259,431	236,706
Cash at end of year	\$ 329,526	\$ 259,431

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2018

1. Establishment and Operations

The Liberty Village Business Improvement Area ("BIA") is established as a Business Improvement Area under the management and control of a Board of Management ("Board") appointed by Council of the City of Toronto.

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 based on an annual operating budget prepared by the Board and approved by Council under Section 220(17) of the Municipal Act, as amended.

2. Summary of Significant Accounting Policies

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

Revenue Recognition

The BIA receives special charges from its members which are levied and collected by the City of Toronto. It also receives cash donations and sponsorships from corporate and private donors and grants from local, provincial and federal governments for events and festivals. Revenue is being recorded upon the signing of contracts and when collection can be reasonably ascertained.

Short-term Investments

Short term investments are highly liquid financial instruments with original maturities greater than three months but less than one year and are classified as "short-term" investments. BIA classifies short-term investments as current assets and reports them at their fair market value.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Benches	-	5 years
Computers	-	3 years
Dufferin / Liberty Gateway	-	5 years

Contributed Services

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

Financial Instruments

Financial instruments are recorded at the approximate fair value.

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LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of these financial statements in accordance with PSAB 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. Significant estimates include determining the useful lives of tangible capital assets for amortization, the allowance for uncollectible levies and accounts receivable and contingent liabilities. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Cash

Cash consists of:

	2018		2017
BMO - Operating account	\$ 108,068	\$	101,916
CIBC - Operating account	220,763		83,876
Funds in transit	695		73,639
	<u>\$ 329,526</u>	<u>\$</u>	<u>259,431</u>

4. Short-Term Investments

Short-term investments consist of cashable guaranteed investment certificates. These investments bear interest at the rate of 0.6% per annum and will be maturing in 2019.

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2018

5. City of Toronto - Special Charges

Special charges levied by the City of Toronto ("the 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 payable by the City are comprised of:

	2018		2017
Total special charges outstanding	\$ 66,104	\$	61,068
Less: allowance for uncollected special charges	(26,000)		(31,600)
	\$ 40,104	\$	29,468

The provision for (recover of) uncollected levies comprises of:

Special charges written-off	\$ 4,510	\$	7,016
Change in allowance for uncollected special charges	(5,600)		6,800
	\$ (1,090)	\$	13,816

6. Accounts Receivable - Other

Accounts receivable - other consists of:

	2018		2017
Sponsorship	\$ 10,789	\$	2,849
TTC Metropass VIP Program	6,878		634
	\$ 17,667	\$	3,483

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2018		2017
Accounts payable	\$ 3,823	\$	3,430
Accrued liabilities	5,469		11,867
Source deductions payable	-		1,413
	\$ 9,292	\$	16,710

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2018

8. Tangible Capital Assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Benches	\$ 40,203	\$ 27,216	\$ 12,987	\$ 4,994
Computers	5,550	5,550	-	628
	\$ 45,753	\$ 32,766	\$ 12,987	\$ 5,622

9. City of Toronto - Special Charges

Special charges revenue consists of:

	2018	2017
Special charges received	\$ 322,100	\$ 315,620
Special charges receivable (reduction in receivable)	9,924	(7,055)
	\$ 332,024	\$ 308,565

10. TTC VIP Metropass Program

The TTC VIP Metropass program was introduced by the BIA to provide monthly TTC metropasses to employees of the members of the Liberty Village BIA in order to:

- Attract new employees;
- Retain existing employees; and
- Promote the Liberty Village BIA as a green BIA

This program was introduced in 2011 and has grown significantly. In 2011, the BIA was selling approximately 173 passes monthly. In 2018, it was selling approximately 800 to 900 passes monthly.

The Toronto Transit Commission requires all employers to provide TTC metropasses at the same cost as was paid to the TTC. For this reason, the expenses were higher than the revenue collected due to bank charges amounting to \$1,509 (2017 - \$4,881). The other associated cost incurred by the BIA to administer the program, such as employee salaries and benefits, office supplies, and other overhead costs are included in administration expenses.

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2018

11. Grants, Sponsorship and Other Revenue

Grants, sponsorship and other revenue consist of:

	2018		2017
Donations and sponsorship	\$ 44,415	\$	40,000
Event revenue	24,335		36,253
Other	3,616		2,687
Retail/Restaurant	7,931		14,376
	\$ 80,297	\$	93,316

12. Administration

Administration expenses consist of:

	2018		2017
Accounting	\$ 9,017	\$	8,406
Audit fees	5,528		2,239
Bank charges	1,829		1,344
Conferences and seminars	199		668
Insurance	4,145		4,127
Meeting expenses (non-AGM)	2,130		5,657
Memberships and associations	8,053		5,000
Office	10,524		9,463
Rent	11,465		14,992
Salaries and benefits	136,260		142,383
Travel	436		496
Consultants	-		1,526
	\$ 189,586	\$	196,301

13. Design, Improvements and Maintenance

Design, improvements and maintenance expense consist of:

	2018		2017
Flowers and floral care	\$ 18,251	\$	10,355
Hydro	528		1,853
Repairs and maintenance	7,565		15,232
	\$ 26,344	\$	27,440

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2018

14. Promotion, Marketing and Advertising

Promotion, marketing and advertising expense consist of:

	2018	2017
Advertising	\$ 15,825	\$ 10,029
Festival - Give Me Liberty	56,371	66,554
Meeting expenses (AGM)	3,244	151
Other	18,496	42,363
Other event expenses	27,015	20,746
Website	1,789	1,705
Market research	-	3,681
	\$ 122,740	\$ 145,229

15. Capital Expenses

In order to finance major capital expenditures, the BIA annually budgets certain amounts and accumulates these amounts as operating surplus. Once adequate funds have accumulated, the BIA undertakes cost-shared capital improvement projects with the City. For this reason the actual expenses in a given year could significantly differ from the amount budgeted for the year. Any excess actual capital expenditures are financed out of the accumulated surplus.

16. Insurance

The Board is required to deposit with the 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. In addition, the BIA has insurance for director liability, office equipment and insurance coverage for theft of cash and TTC metropasses which could occur due to break-in.

17. Financial Instruments

The carrying value of the BIA's financial instruments approximate their fair values. The BIA is subject to an interest rate risk with respect to its investments; however, it is management's opinion that the BIA is not exposed to significant interest risk due to their short-term maturities.

18. Budget

Budget figures are provided for comparative purposes only and have not been subject to audit procedures.

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2018

19. Commitments

The Board, in co-operation with the City, has implemented cost-shared capital improvement projects on publicly owned property for several years. The projects are long-term in nature and are usually completed subsequent to the year of the Council of the City of Toronto's approval. The Board is committed to capital improvement projects of which the Board's share of \$39,104 (2017 - \$15,800) was outstanding as at December 31, 2018.