

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

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

DECEMBER 31, 2018

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Rosenswig McRae Thorpe LLP

Chartered Professional Accountants
Associated worldwide with CPA Associates International, Inc.

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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:

Opinion

We have audited the financial statements of Toronto Entertainment 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.

Toronto, Canada
April 16, 2019

Rosensweig McKee Thorpe LLP

Chartered Professional Accountants
Licensed Public Accountants

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

FINANCIAL ASSETS

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Cash | \$ 1,021,827 | \$ 1,755,612 |
| Investments (Note 3) | 2,871,336 | 1,471,204 |
| Accounts receivable | | |
| City of Toronto - special charges (Note 4) | 40,761 | 55,435 |
| Other | <u>176,256</u> | <u>119,508</u> |
| | <u>4,110,180</u> | <u>3,401,759</u> |

LIABILITIES

| | | |
|--|------------------|------------------|
| Accounts payable and accrued liabilities | | |
| City of Toronto | 154,806 | 102,739 |
| Other | <u>157,446</u> | <u>129,209</u> |
| | <u>312,252</u> | <u>231,948</u> |
| Net financial assets | <u>3,797,928</u> | <u>3,169,811</u> |

NON FINANCIAL ASSETS

| | | |
|----------------------------------|---------------------|---------------------|
| Prepaid expenses | 9,700 | 12,282 |
| Tangible capital assets (Note 5) | <u>500,780</u> | <u>611,070</u> |
| | <u>510,480</u> | <u>623,352</u> |
| Accumulated surplus (Note 6) | <u>\$ 4,308,408</u> | <u>\$ 3,793,163</u> |

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, 2018**

| | <u>2018</u> | | <u>2017</u> |
|-----------------------------------|-------------------|----------------------------|--------------------|
| | <u>Actual</u> | <u>Budget</u> (Note 10) | |
| Revenue | | | |
| City of Toronto - special charges | \$ 2,891,798 | \$ 2,890,599 | \$ 2,142,669 |
| Interest income | 66,334 | 35,000 | 39,061 |
| Other income | <u>1,181</u> | <u>-</u> | <u>1,998</u> |
| | <u>2,959,313</u> | <u>2,925,599</u> | <u>2,183,728</u> |
| Expenses | | | |
| Streetscape improvements | 908,730 | 1,217,036 | 775,353 |
| Repairs and maintenance | 517,282 | 729,217 | 410,817 |
| Salaries and benefits | 330,067 | 473,525 | 356,437 |
| Provision for levies in appeals | 207,865 | 262,782 | 195,048 |
| Occupancy costs | 111,562 | 111,935 | 113,367 |
| Marketing and promotion | 148,579 | 277,141 | 90,055 |
| Professional fees | 34,737 | 56,556 | 33,879 |
| Meeting expenses | 19,928 | 12,450 | 13,329 |
| General office | 23,560 | 19,600 | 14,899 |
| Consultants | 11,906 | 78,690 | 6,740 |
| Insurance | 7,654 | 8,300 | 7,536 |
| Memberships | 5,000 | 5,000 | 5,000 |
| Interest and bank charges | 2,075 | 1,857 | 1,863 |
| Travel | 1,182 | 1,200 | 592 |
| Safety and security | - | 20,310 | - |
| Amortization | <u>113,941</u> | <u>-</u> | <u>182,792</u> |
| | <u>2,444,068</u> | <u>3,275,599</u> | <u>2,207,707</u> |
| Annual surplus (deficit) | <u>\$ 515,245</u> | <u>\$ (350,000)</u> | <u>\$ (23,979)</u> |

See accompanying notes.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2018

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Annual surplus | \$ 515,245 | \$ (23,979) |
| Acquisition of tangible capital assets | (3,651) | (72,956) |
| Amortization of tangible capital assets | 113,941 | 182,792 |
| Decrease in prepaid expenses | <u>2,582</u> | <u>-</u> |
| Change in net financial assets | 628,117 | 85,857 |
| Net financial assets, beginning of year | <u>3,169,811</u> | <u>3,083,954</u> |
| Net financial assets, end of year | <u>\$ 3,797,928</u> | <u>\$ 3,169,811</u> |

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2018

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Cash from operating activities | | |
| Annual surplus | \$ 515,245 | (23,979) |
| Adjustment for: | | |
| Amortization | <u>113,941</u> | <u>182,792</u> |
| | 629,186 | 158,813 |
| Changes in non-cash working capital balances: | | |
| Decrease (increase) in accounts receivable | | |
| City of Toronto - special charges | 14,674 | 450,351 |
| Other | (56,748) | (38,608) |
| Decrease in prepaid expenses | 2,582 | - |
| Increase (decrease) in accounts payable and accrued liabilities | | |
| City of Toronto | 52,067 | (46,464) |
| Other | <u>28,237</u> | <u>(5,296)</u> |
| | <u>669,998</u> | <u>518,796</u> |
| Cash flows used in investing activities | | |
| Purchase of investments | (1,400,132) | (4,340) |
| Purchase of tangible capital assets | <u>(3,651)</u> | <u>(72,956)</u> |
| | <u>(1,403,783)</u> | <u>(77,296)</u> |
| (Decrease) increase in cash position | (733,785) | 441,500 |
| Cash, beginning of year | <u>1,755,612</u> | <u>1,314,112</u> |
| Cash, end of year | <u>\$ 1,021,827</u> | <u>\$ 1,755,612</u> |

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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 Chartered Professional Accountants of Canada. The significant accounting policies are summarized as follows:

a) Accrual basis of accounting

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

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

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 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.

- 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 |
| Leasehold improvements | - | over the remaining lease life |
| Furniture and equipment | - | 5 year straight-line |
| Computer equipment | - | 3 year straight-line |
| Holiday decor | - | 3-5 year straight-line |
| Computer software | - | 3 year straight-line |

- 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, 2018

3. Investments

Investments consist of amounts invested in guaranteed investment certificates (GIC) with maturity dates between April 2019 to December 2021 earning interest between 1.2% to 3.1%.

Included in long-term investments is a GIC for \$15,632 held as collateral against the BIA Visa card (2017 - \$15,500).

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 from the City of Toronto are comprised of:

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Total special charges outstanding | \$ 628,961 | \$ 477,235 |
| Less: Allowance for special charges in appeals | <u>(588,200)</u> | <u>(421,800)</u> |
| Special charges receivable | <u>\$ 40,761</u> | <u>\$ 55,435</u> |

5. Tangible capital assets

| | 2017 | 2018 | | |
|-------------------------|--------------------|------------------|------------------|--------------------|
| <u>Cost</u> | <u>Opening</u> | <u>Additions</u> | <u>Disposals</u> | <u>Closing</u> |
| Streetscape fixtures | \$1,134,458 | \$ - | \$ - | \$1,134,458 |
| Leasehold improvements | 51,485 | - | - | 51,485 |
| Furniture and equipment | 70,769 | - | - | 70,769 |
| Computer equipment | 15,714 | 3,651 | - | 19,365 |
| Holiday decor | 31,771 | - | - | 31,771 |
| Computer software | <u>5,031</u> | <u>-</u> | <u>-</u> | <u>5,031</u> |
| | <u>\$1,309,228</u> | <u>\$ 3,651</u> | <u>\$ -</u> | <u>\$1,312,879</u> |

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. Tangible capital assets (continued)

| | <u>2017</u> | | <u>2018</u> | |
|---------------------------------|-------------------|------------------|---------------------|-------------------|
| <u>Accumulated Amortization</u> | <u>Opening</u> | <u>Disposals</u> | <u>Amortization</u> | <u>Closing</u> |
| Streetscape fixtures | \$ 568,195 | \$ - | \$ 96,702 | \$ 664,897 |
| Leasehold improvements | 24,432 | - | 7,357 | 31,789 |
| Furniture and equipment | 55,875 | - | 8,725 | 64,600 |
| Computer equipment | 12,854 | - | 1,157 | 14,011 |
| Holiday decor | 31,771 | - | - | 31,771 |
| Computer software | <u>5,031</u> | <u>-</u> | <u>-</u> | <u>5,031</u> |
| | <u>\$ 698,158</u> | <u>\$ -</u> | <u>\$ 113,941</u> | <u>\$ 812,099</u> |

| <u>Net Book Value</u> | <u>2017</u> | <u>2018</u> |
|-------------------------|-------------------|-------------------|
| Streetscape fixtures | \$ 566,263 | \$ 469,561 |
| Leasehold improvements | 27,053 | 19,696 |
| Furniture and equipment | 14,894 | 6,169 |
| Computer equipment | <u>2,860</u> | <u>5,354</u> |
| | <u>\$ 611,070</u> | <u>\$ 500,780</u> |

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

6. Accumulated surplus

| | 2018 | | | |
|---|---------------------------------|--|---------------------------------------|---------------------|
| | <u>Unrestricted surplus</u> | <u>Internally restricted surplus</u> | <u>Invested in capital assets</u> | <u>Total</u> |
| Accumulated surplus, beginning of year | \$ 1,196,200 | \$ 1,985,893 | \$ 611,070 | \$ 3,793,163 |
| Annual surplus | 519,321 | (4,076) | - | 515,245 |
| Amortization | 113,941 | - | (113,941) | - |
| Purchase of tangible capital assets | <u>(3,651)</u> | <u>-</u> | <u>3,651</u> | <u>-</u> |
| Accumulated surplus, end of year | <u>\$ 1,825,811</u> | <u>\$ 1,981,817</u> | <u>\$ 500,780</u> | <u>\$ 4,308,408</u> |

| | 2017 | | | |
|---|-------------------------|-------------------------------------|-------------------------------|---------------------|
| | Unrestricted surplus | Internally restricted surplus | Invested in capital assets | Total |
| Accumulated surplus, beginning of year | \$ 1,096,236 | \$ 2,000,000 | \$ 720,906 | \$ 3,817,142 |
| Annual deficit | (9,872) | (14,107) | - | (23,979) |
| Amortization | 182,792 | - | (182,792) | - |
| Purchase of tangible capital assets | <u>(72,956)</u> | <u>-</u> | <u>72,956</u> | <u>-</u> |
| Accumulated surplus, end of year | <u>\$ 1,196,200</u> | <u>\$ 1,985,893</u> | <u>\$ 611,070</u> | <u>\$ 3,793,163</u> |

The board of directors has internally restricted a reserve for John Street lighting and services.

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, 2018 the BIA has \$276,683 (2017 - \$108,991) of commitments outstanding relating to their ongoing capital improvement projects to be completed in 2019.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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:

| | | |
|------|----|----------------|
| 2019 | \$ | 58,487 |
| 2020 | | 60,941 |
| 2021 | | <u>41,718</u> |
| | \$ | <u>161,146</u> |

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, 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 investments disclosed in Note 3.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

9. Financial instruments risks (continued)

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. 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 April 16, 2019.

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 amortized and the amount of tangible capital assets purchased during the year is \$110,290 which reduced the annual surplus (2017 - \$109,836). The amount of surplus not invested in tangible capital assets for the year is \$625,535 (2017 - \$85,857).

12. Comparative figures

Prior year figures have been restated to conform with current year presentation.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2018

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Streetscape improvements and maintenance | \$ <u>908,730</u> | \$ <u>775,353</u> |
| Administration | | |
| Salaries and benefits | 240,389 | 221,386 |
| Occupancy costs | 100,893 | 100,564 |
| Professional fees | 34,737 | 33,879 |
| General office | 23,560 | 14,899 |
| Consultants | 11,906 | 6,740 |
| Utilities | 10,669 | 12,803 |
| Insurance | 7,654 | 7,536 |
| Meeting expenses | 7,175 | 5,735 |
| Memberships | 5,000 | 5,000 |
| Interest and bank charges | 2,075 | 1,863 |
| Travel | <u>1,182</u> | <u>592</u> |
| | <u>445,240</u> | <u>410,997</u> |
| Advertising, marketing and promotion | | |
| Salaries and benefits | 24,923 | 107,009 |
| Marketing and promotion | 132,933 | 75,932 |
| Meeting expenses | 12,753 | 7,594 |
| Events | <u>15,646</u> | <u>14,123</u> |
| | <u>186,255</u> | <u>204,658</u> |
| Maintenance | | |
| Repairs and maintenance | 517,282 | 410,817 |
| Salaries and benefits | <u>64,755</u> | <u>28,042</u> |
| | <u>582,037</u> | <u>438,859</u> |
| Provision for levies in appeals | <u>207,865</u> | <u>195,048</u> |
| Amortization | <u>113,941</u> | <u>182,792</u> |
| | <u>\$ 2,444,068</u> | <u>\$ 2,207,707</u> |