

**FINANCIAL STATEMENTS**

**For**

**YONGE-DUNDAS SQUARE**

**For the year ended**

**DECEMBER 31, 2018**

## **INDEPENDENT AUDITOR'S REPORT**

To the board of directors of

### **YONGE-DUNDAS SQUARE AND THE CITY OF TORONTO**

#### *Opinion*

We have audited the accompanying financial statements of Yonge-Dundas Square, which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the statement of financial position of Yonge-Dundas Square as at December 31, 2018 and the results of its operations, its changes in net debt and its 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 Yonge-Dundas Square 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 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 the financial statements, management is responsible for assessing Yonge-Dundas Square's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Yonge-Dundas Square'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 Yonge-Dundas Square'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 Yonge-Dundas Square'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 Yonge-Dundas Square 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.





Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
March 28, 2019.

**YONGE-DUNDAS SQUARE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 133,928	\$ 140,283
Accounts receivable	86,473	320,858
Due from City of Toronto - operating deficit (note 3)	<u>24,711</u>	<u>16,952</u>
	<u>245,112</u>	<u>478,093</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	203,229	342,343
Deferred revenue (note 4)	29,898	135,322
Customer deposits	<u>19,068</u>	<u>15,034</u>
	<u>252,195</u>	<u>492,699</u>
<b>NET DEBT</b>	<u>(7,083)</u>	<u>(14,606)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	7,080	14,603
Tangible capital assets (note 5)	<u>144,221</u>	<u>170,601</u>
	<u>151,301</u>	<u>185,204</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 144,218</u>	<u>\$ 170,598</u>

Approved by the Board:

  
..... Director  
  
..... Director

(See accompanying notes)

**YONGE-DUNDAS SQUARE**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2018**

	2018 <u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
<b>Revenue</b>			
Event support revenue (schedule A)	\$ 1,660,000	\$ 1,488,571	\$ 1,441,100
Signage (note 4)	467,495	603,281	206,561
Corporate sponsorship and contributions (note 4 and 8)	500,000	514,285	504,529
Rental income	150,000	296,141	262,509
Permit revenue	320,000	183,060	233,224
Food and beverages	4,000	2,731	2,453
City of Toronto	-	-	377,387
Other revenue	5,000	61,025	2,493
	<u>3,106,495</u>	<u>3,149,094</u>	<u>3,030,256</u>
<b>Expenses</b>			
Event support	1,050,000	1,051,194	919,499
Payroll	708,780	752,227	615,009
Maintenance	568,080	461,970	492,030
Administration	267,841	340,226	362,501
Security	213,794	293,357	202,255
Marketing (note 8)	298,000	238,185	279,699
Amortization	-	63,026	69,004
Seasonal contract employees	-	-	75,456
	<u>3,106,495</u>	<u>3,200,185</u>	<u>3,015,453</u>
<b>Net revenue over expenses (expenses over revenue) before item below</b>	<u>\$ -</u>	(51,091)	14,803
<b>Net receivable from the City of Toronto (note 3)</b>		<u>24,711</u>	<u>20,945</u>
<b>Annual surplus (deficit)</b>		(26,380)	35,748
<b>Accumulated surplus, beginning of year</b>		<u>170,598</u>	<u>134,850</u>
<b>Accumulated surplus, end of year</b>		<u>\$ 144,218</u>	<u>\$ 170,598</u>

(See accompanying notes)

**YONGE-DUNDAS SQUARE**  
**STATEMENT OF CHANGES IN NET DEBT**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Annual surplus (deficit)</b>	\$ (26,380)	\$ 35,748
Acquisition of tangible capital assets	(36,646)	(104,752)
Amortization of tangible capital assets	63,026	69,004
Use of prepaid expenses	<u>7,523</u>	<u>2,630</u>
Decrease in net debt	7,523	2,630
<b>Net debt, beginning of year</b>	<u>(14,606)</u>	<u>(17,236)</u>
<b>Net debt, end of year</b>	<u>\$ (7,083)</u>	<u>\$ (14,606)</u>

(See accompanying notes)

**YONGE-DUNDAS SQUARE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ (26,380)	\$ 35,748
Adjustment for amortization	<u>63,026</u>	<u>69,004</u>
	36,646	104,752
Non-cash charges to operations:		
Accounts receivable	234,385	(47,432)
Prepaid expenses	7,523	2,630
Accounts payable and accrued liabilities	(139,114)	(39,770)
Due from City of Toronto - operating deficit	(7,759)	(20,945)
Deferred revenue	(105,424)	135,322
Customer deposits	<u>4,034</u>	<u>4,034</u>
	<u>30,291</u>	<u>138,591</u>
 <b>CASH FLOWS USED IN CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	<u>(36,646)</u>	<u>(104,752)</u>
 <b>INCREASE (DECREASE) IN CASH</b>	(6,355)	33,839
 <b>CASH, BEGINNING OF YEAR</b>	<u>140,283</u>	<u>106,444</u>
 <b>CASH, END OF YEAR</b>	<u>\$ 133,928</u>	<u>\$ 140,283</u>

(See accompanying notes)

**YONGE-DUNDAS SQUARE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**1. NATURE OF OPERATIONS**

The Yonge-Dundas Square (the "Square") is an event venue for the general public. The City of Toronto appointed a volunteer Board of Management to operate the Square. The Square is a city owned property. It was established in December of 2001 and its purpose is to attract additional retail and entertainment development to the Yonge-Dundas area. The Square commenced operations on January 1, 2003.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board.

*Revenue recognition*

The Square follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

All other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection. Amounts received for future services are deferred until the service is provided. Specifically, sponsorship, signage and rental income are recognized ratably over the terms indicated in the agreements. Permits, event support and food and beverage are recognized once the event has occurred.

*Tangible capital assets*

Purchased tangible capital assets are recorded at cost and contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	3 years
Facilities equipment	5 to 10 years
Indoor furniture	5 years
Leasehold improvements	5 years
Outdoor furniture	3 years
Outdoor equipment	2 to 5 years

*Financial instruments*

The Square initially measures its financial assets and financial liabilities at fair value.

The Square subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to the City of Toronto.



**YONGE-DUNDAS SQUARE**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Non-monetary transactions*

Non-monetary transactions are measured at the more reliable of the fair value of the asset given up and the fair value of the asset received unless the transaction lacks commercial substance or the transaction is an exchange of a product held for sale in the ordinary course of business, in which case the transaction is measured at the carrying amount of the asset given up.

*Employee pension plan*

The Square's eligible employees are members of a multi-employer defined benefit pension plan offered by the City of Toronto. Due to the nature of the Plan, the Square does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

*Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining useful life of its tangible capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and in any future years affected.

**3. OPERATING SURPLUS DUE FROM THE CITY OF TORONTO**

The amount due from the City of Toronto consists of the following:

	<u>2018</u>	<u>2017</u>
Balance (receivable) payable, beginning of year	\$ (16,952)	\$ 3,993
Current year's operating surplus (deficit)	(51,091)	14,803
Current year's tangible capital assets net purchase	(36,646)	(104,752)
Current year's amortization	<u>63,026</u>	<u>69,004</u>
Net receivable from the City of Toronto for current year	<u>(24,711)</u>	<u>(20,945)</u>
Received during the current year	<u>16,952</u>	<u>-</u>
Balance receivable, end of year	\$ (24,711)	\$ (16,952)

**YONGE-DUNDAS SQUARE**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**4. DEFERRED REVENUE**

Deferred revenue consists of the following activities:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 135,322	\$ -
Add: Sponsorship fee received	500,000	500,000
Less: Sponsorship fee recognized	(514,285)	(471,429)
Add: Signage fee received	400,000	250,000
Less: Signage fee recognized	<u>(491,139)</u>	<u>(143,249)</u>
Balance, end of year	<u>\$ 29,898</u>	<u>\$ 135,322</u>

**5. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer equipment	\$ 51,478	\$ 39,318	\$ 42,107	\$ 32,106
Facilities equipment	222,581	141,243	196,730	108,718
Indoor furniture	29,338	29,338	29,338	28,041
Leasehold improvements	42,907	42,907	42,907	42,907
Outdoor furniture	76,360	63,267	74,935	53,959
Outdoor equipment	<u>200,099</u>	<u>162,469</u>	<u>200,099</u>	<u>149,784</u>
	622,763	\$ 478,542	586,116	\$ 415,515
Accumulated amortization	<u>478,542</u>		<u>415,515</u>	
	<u>\$ 144,221</u>		<u>\$ 170,601</u>	

**6. EMPLOYEE PENSION PLAN**

The Square makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan (the "Plan"), on behalf of most of its eligible employees. This Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$61,590 in 2018 (2017 - \$45,825).

The most recent actuarial valuation of the OMERS plan available at this time was as at December 31, 2018, and indicates the Plan is in a surplus position and the plan's December 31, 2018 financial statements indicate a net deficit of \$2.79 billion (a deficit of \$4.191 billion netted against unrecognized investment returns of \$1.401 billion that will be recognized over the next four years). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. The Square's contributions accounts for an insignificant portion of the Plan's total employer contributions. Additional contributions, if any, required to address the Square's proportionate share of the deficit will be expensed during the period incurred.

**YONGE-DUNDAS SQUARE**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**7. FINANCIAL INSTRUMENTS**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Square's financial instruments.

*Liquidity risk*

Liquidity risk refers to the adverse consequence that the Square will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities. The Square manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Square believes its overall liquidity risk to be minimal as the Square's financial assets are considered to be highly liquid.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Square's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

*Credit risk*

The Square is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Square's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. The Square's cash is deposited with a Canadian chartered bank and as a result management believes the risk of loss to be remote. The Square provides credit to its customers in the normal course of operations.

Management believes that the Square's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

*Changes in risk*

There have been no significant changes in the Square's risk exposures from the prior year.

**8. NON-MONETARY TRANSACTION**

In 2017, the Square had an agreement in place with a media company to obtain advertising services. In exchange, the Square provided the media company with promotion and marketing opportunities. The non-monetary portion of the transaction was valued at \$33,100, measured at the fair market value of the services received, which was included in corporate sponsorship and contribution revenue and marketing expense in the statement of operations. This transaction did not recur in 2018.

**9. COMMITMENTS**

The Square has entered into an operating lease for office premises ending December 2023, and an operating lease for equipment ending April 2019. The total minimum lease payments for both agreements for the remaining years are as follows:

2019	\$	35,595
2020		33,876
2021		30,871
2022		33,677
2023		32,687

In addition, the Square has committed to \$70,719 of expenditures relating to purchase of a new event software system. The amount had been paid subsequent to year end.

**YONGE-DUNDAS SQUARE**  
**SCHEDULE OF EVENT SUPPORT REVENUE**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Event support revenue</b>		
Electrician	\$ 35,461	\$ 41,582
Security	307,239	298,575
AV technician	78,883	107,707
Custodial	55,398	64,734
Sound	78,460	104,011
Logistic and staging	312,633	329,616
Equipment rental	420,409	472,920
Utilities	18,715	21,955
Digital event services	<u>181,373</u>	<u>-</u>
	<u>\$ 1,488,571</u>	<u>\$ 1,441,100</u>