RE: EX6.20

Attachment 3: Draft 2018 Audited Financial Statements

CreateTO

Financial Statements

December 31, 2018

This page left intentionally blank.

CreateTO
Statement of Financial Position

(Canadian $)	Notes	December 31, 2018	December 31, 2017
		$	$
FINANCIAL ASSETS			
Cash and cash equivalents	5	**3,242,669**	-
Due from related parties	10a	**1,324,807**	-
Amounts receivable	6	**118,078**	-
Total financial assets		**4,685,554**	-
LIABILITIES			
Due to related parties	10b, 10c	**2,664,508**	-
Amounts payable and other liabilities	7	**2,562,055**	-
Total liabilities		**5,226,563**	-
NET DEBT		**(541,009)**	-
Non-financial assets			
Tangible and intangible capital assets	8	**425,305**	-
Prepaid expenses		**115,704**	-
Total non-financial assets		**541,009**	-
Accumulated surplus (deficit)		**-**	-

The accompanying notes are an integral part of these financial statements.

Approved by board:

Director

Director

CreateTO

Statement of Operations and Accumulated Surplus (Deficit)

Year ended December 31, 2018

(Canadian $)	Notes	Budget (unaudited) 2018	Actual 2018
		$	**$**
Revenue			
Management fees	9	**11,434,001**	**11,394,487**
Interest income		**-**	**38,165**
		11,434,001	**11,432,652**
Expenses			
Salaries and benefits		**9,028,101**	**9,243,782**
Office services		**647,604**	**689,521**
Office occupancy		**702,236**	**696,260**
Professional fees		**715,060**	**397,370**
Marketing and promotion		**341,000**	**227,705**
Amortization		**-**	**178,014**
		11,434,001	**11,432,652**
Surplus (loss) for the year		**-**	**-**
Accumulated surplus (deficit), beginning of year		**-**	**-**
Accumulated surplus (deficit), end of year		**-**	**-**

The accompanying notes are an integral part of these financial statements.

CreateTO
Statement of Change in Net Debt
Year ended December 31, 2018

(Canadian $)	Notes	Budget (unaudited) 2018	Actual 2018
			$
Surplus (loss) for the year		-	-
Acquisition of tangible and intangible capital assets	8	-	**(603,319)**
Amortization of tangible and intangible capital assets	8	-	**178,014**
		-	**(425,305)**
Acquisition of prepaid expenses		-	**(625,587)**
Use of prepaid expenses		-	**509,883**
		-	**(115,704)**
Change in net debt for the year		-	**(541,009)**
Net debt, beginning of year		-	-
Net debt, end of year		-	**(541,009)**

The accompanying notes are an integral part of these financial statements.

CreateTO

Statement of Cash Flows

Year ended December 31, 2018

(Canadian $)	Notes	**2018**
		$
Cash provided by (used in)		
OPERATING ACTIVITIES		
Surplus (loss) for the year		**-**
Items not involving cash		
Deferred lease inducement		**(78,372)**
Amortization	8	**178,014**
Change in other working capital items		
Prepaid expenses		**(115,704)**
Due from related parties		**(1,324,807)**
Amounts receivable		**(118,078)**
Due to related parties		**2,664,508**
Accounts payable and other liabilities		**2,640,427**
Total operating activities		**3,845,988**
CAPITAL ACTIVITIES		
Acquisition of tangible and intangible capital assets	8	**(603,319)**
Total capital activities		**(603,319)**
Increase in cash and cash equivalents		**3,242,669**
Cash and cash equivalents, beginning of year		**-**
Cash and cash equivalents, end of year		**3,242,669**

Supplementary cash flow information	
Interest received during the year	**34,672**

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

CreateTO is an agency of the City of Toronto (the City), formerly known as Toronto Realty Agency, established by the decision of City Council at its meeting on May 24, 25 and 26, 2017. City Council adopted a new City Municipal Code Chapter 215 under the City of Toronto Act, 2006 to form CreateTO to manage the City's real estate portfolio, develop City buildings and lands for municipal purposes and deliver client focused real estate solutions to City divisions, agencies and corporations. It commenced operations effective January 1, 2018.

CreateTO is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada). The address of its registered office is 200 King Street West, Suite 200, Toronto, Ontario, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for local governments as defined by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

b) Basis of presentation

CreateTO has been identified as an other government organization and accordingly prepares its financial statements in accordance with PSAS. The financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is CreateTO's functional currency. All values are rounded to the nearest dollar, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis. The accounting policies set out below have been applied consistently in all material respects. Changes in standards effective for the current year as well as for future accounting periods are described in Note 3, New Accounting standards and Note 4, Future Accounting Policy Changes. A summary of the significant accounting policies is as follows:

c) Revenue recognition

Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes measurable and collection is reasonably assured.

CreateTO receives management fees from the City of Toronto Economic Development Corporation (operating as Toronto Port Lands Company (TPLC)) and Build Toronto Inc. (BT) which are used to fund its operations.

d) Financial instruments

PSAS allows an entity to classify its financial instruments as either fair value or amortized cost. Currently, CreateTO does not classify any financial instruments at fair value. The following summarizes its classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Due from related parties	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Due from related parties	Financial liabilities	Amortized cost
Amounts payable and other liabilities	Financial liabilities	Amortized cost

PS3450, Financial Instruments, requires disclosure of a three-level hierarchy for fair value measurement based on the transparency of inputs to the valuation of a financial asset or financial liability as at the financial statement date. The three levels are defined as follows:

Level 1 – fair value is based on quoted market prices in markets for identical financial assets or financial liabilities. Level 1 financial assets generally include equity investments traded in an active market.

Level 2 - fair value is based on observable inputs, either directly or indirectly, other than quoted prices included within Level 1.

Level 3 - fair value is based on non-observable market data inputs.

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, CreateTO uses observable inputs, and when all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

e) Impairment of financial assets

At each reporting date, CreateTO assesses whether there is objective evidence that a financial asset is impaired.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of operations.

f) Cash and cash equivalent

Cash and cash equivalents represents cash on hand and funds on deposit with a major financial institution.

g) Tangible and intangible capital assets

Tangible and intangible capital assets are non-financial assets that are not available to discharge existing liabilities and are held for use in the operations. They include leasehold improvements, office equipment, computer equipment and software licenses. They are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the tangible or intangible capital asset.

Amortization is provided on a basis designed to amortize the costs of the assets over their expected useful lives as follows:

Type of assets	Amortization policy
Leasehold improvements	Straight-line over the term of the lease
Office equipment	5 years straight-line
Computer equipment and software licenses	3 to 5 years straight-line

Used tangible and intangible assets purchased from BT are amortized over their remaining lives. New computer equipment is amortized over a period of five years.

Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end.

Tangible and intangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The amount of the loss is recognized in surplus (loss). The carrying amount is reduced by the impairment loss directly. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

h) Employee Future Benefit Plans

CreateTO makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer pension plan, on behalf of most of its employees. The 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. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, CreateTO does not recognize any share of the OMERS pension surplus or deficit.

i) Use of estimates

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Estimates are based on the information available at the date of preparation and reviewed annually to reflect new information as it is available. Measurement uncertainty exists in the financial statements primarily related to impairment of amounts receivable and tangible and intangible capital assets. Actual results could differ from those estimates.

3. NEW ACCOUNTING STANDARDS

This is the first period of financial reporting by CreateTO and it adopted the PSAS that are effective in the reporting period.

4. FUTURE ACCOUNTING POLICY CHANGES

a) PS 3450, Financial instruments (PS 3450)

PSAB issued a new standard for financial instruments that is effective for governments with fiscal years beginning on or after April 1, 2019. PS 3450 establishes new standards on recognition, measurement and disclosure requirements for financial instruments and the presentation of associated gains and losses, as well as related consequential amendments. Management does not believe the adoption of this standard will have a material impact to its financial statements.

5. CASH AND CASH EQUIVALENTS

CreateTO's cash and cash equivalents are comprised solely of cash in its operating account.

6. AMOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
	$	$
HST refund	**114,585**	-
Accrued interest receivable	**3,493**	-
Amounts receivable	**118,078**	-

7. AMOUNTS PAYABLE AND OTHER LIABILITIES

	Notes	**December 31, 2018**	December 31, 2017
		$	$
Trade payables - general		**912,762**	-
Trade accruals		**163,876**	-
Payroll accruals		**1,367,828**	-
Total payables and accrued liabilities		**2,444,466**	-
Deferred lease inducement - 200 King Street West (a)	10b, 11	**117,589**	-
		2,562,055	-

a) The deferred lease inducement relates to an office lease that was assigned over from BT effective January 1, 2018.

8. TANGIBLE AND INTANGIBLE CAPITAL ASSETS

	Cost	**Accumulated amortization**	**December 31, 2018**
	$	**$**	**$**
Leasehold improvements	**200,105**	**(70,824)**	**129,281**
Office equipment	**22,545**	**(4,608)**	**17,937**
Computer equipment	**345,053**	**(89,554)**	**255,499**
Software licenses	**35,616**	**(13,028)**	**22,588**
	603,319	**(178,014)**	**425,305**
De-recognition	**(18,957)**	**18,957**	**-**
	584,362	**(159,057)**	**425,305**

Reconciliation of tangible and intangible capital assets is set out below:

	Notes	**December 31, 2018**	December 31, 2017
		$	$
Balance - beginning of year		**-**	-
Transfer from BT (a)	10b	**385,664**	-
Additions		**217,655**	-
Amortization		**(178,014)**	-
Balance - end of year		**425,305**	-

a) Used tangible and intangible assets with carrying value of $385,664 were purchased from BT during the year and are being amortized over their remaining lives.

9. MANAGEMENT FEES

	Notes	December 31, 2018
		$
BT	10b	**7,634,306**
TPLC	10c	**3,760,181**
		11,394,487

Pursuant to service agreements established between CreateTO with each of BT and TPLC, effective January 1, 2018, BT and TPLC engaged CreateTO to provide management services for a mutually agreed upon fee. The services include accounting, risk management, tax, finance, record keeping, financial statement preparation and audit support, legal services; treasury functions; regulatory compliance; information systems; executive management, corporate and other centralized services, and any other services mutually agreed between the two parties. This is an annual arrangement which will be automatically renewed on each anniversary date unless either party terminates it.

10. RELATED PARTIES

The relationship and transactions between CreateTO and the City, and other related parties are detailed below:

Related parties	Relationship
City of Toronto	parent
City of Toronto Economic Development Corporation (operating as Toronto Port Lands Company (TPLC))	same parent
Build Toronto Inc. (BT)	same parent
Ontario Municipal Employees Retirement System (OMERS)	post-employment benefit plan

a) The City of Toronto

The statement of financial position includes the following balances related to the City:

	December 31, 2018	December 31, 2017
	$	$
Due from related parties	**1,324,807**	-

During the year ended December 31, 2018, pursuant to agreements between CreateTO and the City, some of their staff were on secondment to each other, this arrangement resulted in a net shared staffing costs of $284,472 due to the City which is offset by recoverable development costs incurred by CreateTO on behalf of the City.

CreateTO had transactions with the City in its ordinary course of business throughout the year ended December 31, 2018. Net expenses of $284,472 mentioned above passed through the statement of operations.

b) Build Toronto Inc.

The statement of financial position includes the following balances related to BT:

	December 31, 2018	December 31, 2017
	$	$
Due to related parties	**(1,664,311)**	-

The balance is comprised of the 2019 first quarter advance from BT offset by other reimbursable costs due from the related party.

Effective January 1, 2018, BT assigned its office lease at 200 King Street West with the related deferred lease inducement of $195,961, and sold all of its capital assets to CreateTO at carrying value of $385,664 (Note 8).

CreateTO had transactions with BT in its ordinary course of business throughout the year ended December 31, 2018. Transactions, both revenue and expenses with BT, which passed through the statement of operations were as follows:

	Notes	**December 31, 2018**
		$
Management fees	9	**7,634,306**

c) Toronto Port Lands Corporation

The statement of financial position includes the following balances related to TPLC:

	December 31, 2018	December 31, 2017
	$	$
Due to related parties	**(1,000,197)**	-

The balance is comprised of the 2019 first quarter advance from TPLC offset by other reimbursable costs due from the related party.

CreateTO had transactions with TPLC in its ordinary course of business throughout the year ended December 31, 2018. Transactions, both revenue and expenses with TPLC, which passed through the statement of operations were as follows:

	Notes	**December 31, 2018**
		$
Management fees	9	**3,760,181**

d) Post-employment benefit plan

All of CreateTO's permanent employees participate in a pension plan through OMERS. CreateTO makes contributions to OMERS, which is a multi-employer pension plan, on behalf of its employees. The 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.

Employees and employers contribute jointly to the plan. Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. The plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual entities participating in the plan and therefore CreateTO does not recognize any share of the OMERS pension surplus or deficit. CreateTO's current service contributions to the OMERS pension plan for the year ended December 31, 2018, which are expensed, totalled $755,920 and are included in salaries and employee benefits expense in the statement of operations.

11. COMMITMENTS AND CONTINGENCIES

a) Operating leases

Future minimum annual lease payments on the 200 King Street West office are as follows:

	$
2019	310,750
2020	155,375
	466,125

The 200 King Street West office lease that BT had with its landlord was assigned to CreateTO effective January 1, 2018. During the year December 31, 2018, CreateTO incurred $310,750 in minimum lease payments plus common area maintenance costs and property taxes of $418,241, with respect to the lease of the office premise, and operating lease payments of $28,550 for office equipment, which have been included its operating expenses.

12. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

a) Credit risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2018, CreateTO's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, due from related parties and amounts receivables.

Cash and cash equivalents are invested with a major financial institution, due from related parties are owing from other City entities and amounts receivable are immaterial, and are therefore each are assessed as low risk.

b) 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. CreateTO has low interest rate risk as it does not hold any debt and its bank account's interest income, although affected by the fluctuation of prime interest rate, is insignificant.

c) Liquidity risk

Liquidity risk is the risk that CreateTO could be unable to settle or meet commitments as they come due. Management believes the liquidity risk of CreateTO is low.

13. ECONOMIC DEPENDENCE

CreateTO earned all of its revenues during the year ended December 31, 2018 from two related parties, BT and TPLC (note 9).