

AU7.2 Appendix AO

Appendix AO

Foley, Broderick LLP

CHARTERED ACCOUNTANTS

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May 11, 2020

Board of Management
Liberty Village Business Improvement Area
67 Mowat Avenue
Suite 104
Toronto, Ontario
M6K 3E3

Re: Liberty Village Business Improvement Area

Dear Members of the Board of Management:

We have been appointed to audit the financial statements of Liberty Village Business Improvement Area for the year ended December 31, 2019. Our engagement letter dated March 6, 2020 sets out the terms of our appointment as auditors of Liberty Village Business Improvement Area. We issue this report to assist in your review of the financial statements.

Our responsibilities as auditors are to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Canadian auditing standards require that auditors of 'listed entities' confirm their independence to those charged with governance. Liberty Village Business Improvement Area is not a 'listed entity'; however, we advise that we are not aware of any relationships that may reasonably be thought to bear on our independence as auditors.

We have substantially completed our audit of Liberty Village Business Improvement Area's financial statements in accordance with Canadian generally accepted auditing standards, and plan to release our independent auditors' report, to be dated as of the date of approval of the financial statements by the Board of Management, subject to completion of the following procedures:

- Completion of subsequent events review to the date of the independent auditors' report.
- Receipt of management representation letter.

Our audit approach is based upon an assessment of risk – firstly, the risk of material misstatement occurring (including misstatement as a result of fraud and error), and, secondly, the risk that Liberty Village Business Improvement Area's internal controls will not prevent or detect a material misstatement.

As part of our audit, we obtained a sufficient understanding of the operations and internal control structure to plan the audit. Based upon our knowledge of Liberty Village Business Improvement Area obtained during the course of the current and prior years' audit examinations and audit experience over the years conducting examinations of organizations of similar size and scope, we established a general audit strategy that relies primarily on substantive verification procedures, which include analytical review, overall verification and vouching of balances and transactions, with a limited reliance on internal controls.

Areas of particular audit emphasis and substantive audit work included:

- Purchases, payables and disbursements;
- Levy revenues, donations, sponsorships and other revenues in order to assess the proper recognition of revenue; and
- Administration, promotion, marketing, and advertising expenses.

The materiality level which is the basis of our audit work and testing takes into account both quantitative and qualitative factors. We set our preliminary materiality level at \$ 8,500, or approximately 2% of 2019 revenues.

Significant findings identified during the course of our audit for the 2019 fiscal year are outlined below:

Misstatements and proposed audit adjustments:

Please see attached for proposed audit adjustments to the accounts as a result of the audit process. These adjustments are reflected in the draft audited financial statements presented for your review.

Misstatements, other than trivial errors, not recorded by management:

An invoice for \$ 1,584 was received in 2019 from Agile Talent Solutions Inc. The invoice was not recorded in fiscal year 2019, however was recorded and paid in fiscal year 2020.

Misstatements that may cause future financial statements to be materially misstated:

None, the above misstatement will be resolved in fiscal year 2020.

Significant or unusual transactions:

None.

Significant matters affecting the preparation of the financial statements and financial statement disclosures:

None.

Fraud or illegal or possibly illegal acts, other than ones considered inconsequential:

We did not identify any:

- Matters raising questions regarding the honesty and integrity of management.
- Fraud or suspected fraud involving management, employees or others.
- Illegal or possibly illegal acts.

Please advise if you have any knowledge of fraud or suspected fraud that should be brought to our attention.

Material weaknesses in internal control:

None.

Related party transactions:

None.

Accounting policies:

Significant accounting policies are described in Note 2 to the financial statements. There are no material balances or transactions involving significant management judgements or estimates.

Other matters:

None.

Dealings with management:

We received good cooperation from management and employees throughout the audit process.

There were no significant difficulties encountered while performing the audit.

We had no disagreements with management.

All auditing, accounting and presentation issues were resolved to our satisfaction.

We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

This communication is prepared solely for your information and is not intended for any other purpose.

Yours very truly,



John J. Broderick

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**LIBERTY VILLAGE
BUSINESS IMPROVEMENT AREA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019, 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, 2019, 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 6, 2020

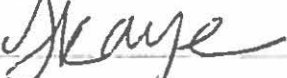

Foley, Broderick LLP

Chartered Professional Accountants
Licensed Public Accountants

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA
Statement of Financial Position
As at December 31, 2019

	2019	2018
Financial Assets		
Cash - Note 3	\$ 387,523	\$ 329,526
Accounts receivable		
City of Toronto - Special charges - Note 4	17,075	40,104
Other - Note 5	564	17,667
HST recoverable	21,906	3,225
Short-term investments	-	30,531
	\$ 427,068	\$ 421,053
Liabilities		
Accounts payable and accrued liabilities - Note 6	\$ 18,863	\$ 9,292
Deferred revenue	-	5,085
	18,863	14,377
Net Financial Assets	408,205	406,676
Non-Financial Assets		
Prepaid expenses	1,840	-
Tangible capital assets - Note 7	21,560	12,987
	23,400	12,987
Accumulated Surplus	\$ 431,605	\$ 419,663

Approved on behalf of the Board of Management:

 Director
 Director

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA**Statement of Operations and Accumulated Surplus****For the Year ended December 31, 2019**

	2019 Budget (Note 16)	2019 Actual	2018 Actual
Revenue			
City of Toronto - special charges - Note 8	\$ 348,327	\$ 348,327	\$ 332,024
Grants, sponsorships and other - Note 9	100,000	68,121	80,297
TTC VIP Metropass program	1,375,000	-	1,215,680
	<u>1,823,327</u>	<u>416,448</u>	<u>1,628,001</u>
Expenditures			
Administration - Note 10	198,081	199,665	189,586
Amortization	-	4,433	2,749
Capital - Note 13	175,000	-	-
Design, improvements and maintenance - Note 11	37,000	44,632	26,344
Promotion, marketing and advertising - Note 12	173,000	134,686	122,740
Provision for non-capital assets	-	7,814	-
Provision for (recovery of) uncollectable levies - Note 4	31,666	13,276	(1,090)
TTC VIP Metropasses	1,375,000	-	1,217,189
	<u>1,989,747</u>	<u>404,506</u>	<u>1,557,518</u>
Surplus (deficit) for year	(166,421)	11,942	70,483
Accumulated surplus at beginning of year	333,495	419,663	349,180
Accumulated surplus at end of year	\$ 167,074	\$ 431,605	\$ 419,663

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

For the Year ended December 31, 2019

	2019	2018
Balance at beginning of year	\$ 406,676	\$ 343,558
Surplus for the year	11,942	70,483
Acquisition of tangible capital assets	(13,006)	(10,114)
Amortization of tangible assets	4,433	2,749
Prepaid expenses	(1,840)	-
Balance at end of year	\$ 408,205	\$ 406,676

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA**Statement of Cash Flows****For the Year ended December 31, 2019**

	2019	2018
Cash provided from (reduced by):		
Operating activities		
Surplus for the year	\$ 11,942	\$ 70,483
Items which do not involve cash:		
Amortization	4,433	2,749
	16,375	73,232
Changes in non-cash working capital:		
Accounts receivable - City of Toronto	23,029	(10,636)
Accounts receivable - other	17,103	(14,184)
HST recoverable	(18,681)	34,130
Short-term investments	30,531	-
Accounts payable and accrued liabilities	9,571	(7,418)
Deferred revenue	(5,085)	5,085
Prepaid expenses	(1,840)	-
	54,628	6,977
	71,003	80,209
Investing activity		
Purchase of tangible capital assets	(13,006)	(10,114)
Increase in cash during year	57,997	70,095
Cash at beginning of year	329,526	259,431
Cash at end of year	\$ 387,523	\$ 329,526

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2019

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, 2019

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:

	2019	2018
BMO - Operating account	\$ 387,523	\$ 108,068
CIBC - Operating account	-	220,763
Funds in transit	-	696
	<u>\$ 387,523</u>	<u>\$ 329,527</u>

4. 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:

	2019	2018
Total special charges outstanding	\$ 41,975	\$ 66,104
Less: allowance for uncollected special charges	(24,900)	(26,000)
	<u>\$ 17,075</u>	<u>\$ 40,104</u>

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

Special charges written-off	\$ 14,376	\$ 4,510
Change in allowance for uncollected special charges	(1,100)	(5,600)
	<u>\$ 13,276</u>	<u>\$ (1,090)</u>

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2019

5. Accounts Receivable - Other

Accounts receivable - other consists of:

	2019		2018	
Sponsorship	\$	564	\$	10,789
TTC Metropass VIP Program		-		6,878
	\$	564	\$	17,667

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2019		2018	
Accounts payable	\$	15,171	\$	3,823
Accrued liabilities		3,692		5,469
	\$	18,863	\$	9,292

7. Tangible Capital Assets

	Cost		Accumulated amortization		2019 Net book value		2018 Net book value	
Benches	\$	53,209	\$	31,649	\$	21,560	\$	12,987
Computers		5,550		5,550		-		-
	\$	58,759	\$	37,199	\$	21,560	\$	12,987

8. City of Toronto - Special Charges

Special charges revenue consists of:

	2019		2018	
Special charges received	\$	357,703	\$	322,100
Special charges receivable (reduction in receivable)		(9,376)		9,924
	\$	348,327	\$	332,024

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2019

9. Grants, Sponsorship and Other Revenue

Grants, sponsorship and other revenue consist of:

	2019	2018
Donations and sponsorship	\$ 20,000	\$ 44,415
Event revenue	27,632	24,335
Other	13,084	3,616
Retail/Restaurant	7,406	7,931
	\$ 68,122	\$ 80,297

10. Administration

Administration expenses consist of:

	2019	2018
Accounting	\$ 7,591	\$ 9,017
Audit fees	4,500	5,528
Bank charges	1,991	1,829
Consultants	57,402	-
Insurance	4,483	4,145
Meeting expenses (non-AGM)	3,137	2,130
Memberships and associations	5,051	8,053
Office	13,042	10,524
Rent	15,260	11,465
Salaries and benefits	85,939	136,260
Travel	1,269	436
Conferences and seminars	-	199
	\$ 199,665	\$ 189,586

11. Design, Improvements and Maintenance

Design, improvements and maintenance expense consist of:

	2019	2018
Flowers and floral care	\$ 14,991	\$ 18,251
Hydro	508	528
Repairs and maintenance	29,133	7,565
	\$ 44,632	\$ 26,344

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

For the Year ended December 31, 2019

12. Promotion, Marketing and Advertising

Promotion, marketing and advertising expense consist of:

	2019		2018
Advertising	\$ 14,229	\$	15,825
Festival - Give Me Liberty	52,671		56,371
Market research	16,812		-
Meeting expenses (AGM)	233		3,244
Other	25,051		18,496
Other event expenses	21,285		27,015
Website	4,405		1,789
	\$ 134,686	\$	122,740

13. 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.

14. 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 which could occur due to break-in.

15. Financial Instruments

The carrying value of the BIA's financial instruments approximate their fair values. It is management's opinion that the BIA is not exposed to significant risk through its financial instruments.

16. 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, 2019

17. 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 \$82,440 (2018 - \$39,104) was outstanding as at December 31, 2019.

