

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

FINANCIAL STATEMENTS

DECEMBER 31, 2010

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
DECEMBER 31, 2010**

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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

We have audited the statement of financial position for the Toronto Entertainment District Business Improvement Area as at December 31, 2010 and the statements of revenue, expenditures and operating surplus and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Toronto Entertainment District Business Improvement Area as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Toronto, Canada
April 21, 2011

Rosenswig McRae Thorpe LLP

Chartered Accountants
Licensed Public Accountants

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010**

ASSETS

	<u>2010</u>	<u>2009</u>
Current		
Cash and short-term investments (Note 3)	\$ 1,107,157	\$ 1,121,713
Accounts receivable	58,426	25,822
Prepaid expenses	<u>3,291</u>	<u>10,010</u>
	1,168,874	1,157,545
Tangible capital assets (Note 4)	<u>36,710</u>	<u>47,354</u>
	<u>\$ 1,205,584</u>	<u>\$ 1,204,899</u>

LIABILITIES

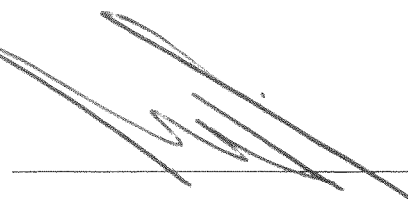
Current		
Accounts payable and accrued liabilities	\$ 163,967	\$ 156,742
City of Toronto - special charges (Note 5)	<u>21,243</u>	<u>58,703</u>
	<u>185,210</u>	<u>215,445</u>

ACCUMULATED SURPLUS

Restricted surplus	36,710	47,354
Unrestricted surplus	<u>983,664</u>	<u>942,100</u>
	<u>1,020,374</u>	<u>989,454</u>
	<u>\$ 1,205,584</u>	<u>\$ 1,204,899</u>

Approved on behalf of the Board of Management:


_____, Chair


_____, Treasurer

See accompanying notes.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

**STATEMENT OF REVENUE, EXPENDITURES AND OPERATING SURPLUS
YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>		<u>2009</u>
	<u>Actual</u>	<u>Budget</u> (note 9)	
Revenue			
City of Toronto - special charges	\$ 1,258,599	\$ 1,200,000	\$ 1,235,947
Interest income	11,386	6,000	8,628
Other income	1,100	-	-
Municipal grant	976	-	-
Advertising and sponsorships	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>1,272,061</u>	<u>1,206,000</u>	<u>1,254,575</u>
Expenditures			
Advertising, marketing and promotion	412,624	442,000	336,811
Streetscape - non cost share	290,117	80,000	117,737
Administration	289,621	352,934	248,274
Provision for levies in appeals	222,206	201,066	220,867
Safety and security	13,269	130,000	42,099
Streetscape - cost share	-	300,000	-
Amortization	<u>13,304</u>	<u>-</u>	<u>5,440</u>
	<u>1,241,141</u>	<u>1,506,000</u>	<u>971,228</u>
Excess of revenue over expenditures for the year	30,920	\$ <u>(300,000)</u>	283,347
Accumulated surplus, beginning of year	<u>989,454</u>		<u>706,107</u>
Accumulated surplus, end of year	<u>\$ 1,020,374</u>		<u>\$ 989,454</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF CASH FLOWS

DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Cash from operating activities		
Excess of revenue over expenditures for the year	\$ 30,920	283,347
Adjustment for:		
Amortization	<u>13,304</u>	<u>5,440</u>
	44,224	288,787
Changes in non-cash working capital balances:		
Increase in accounts receivable	(32,604)	(15,990)
Decrease (increase) in prepaid expenses	6,719	(5,902)
Accounts payable and accrued liabilities		
(Decrease) increase in other	7,224	127,147
(Decrease) increase in City of Toronto - special charges	<u>(37,460)</u>	<u>11,654</u>
Cash flows provided by operating activities	<u>(11,897)</u>	<u>405,696</u>
Cash flows used in investing activities		
Purchase of tangible capital assets	<u>(2,659)</u>	<u>(52,793)</u>
(Decrease) increase in cash position	(14,556)	352,903
Cash and short-term investments, beginning of year	<u>1,121,713</u>	<u>768,810</u>
Cash and short-term investments, end of year	<u>\$ 1,107,157</u>	<u>\$ 1,121,713</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2010

1. Establishment of operations

The Toronto Entertainment District Business Improvement Area was designated as a business improvement area by By-Law 125-2008 enacted on January 30, 2008. The appointment of members to a Board of Management ("Board") to manage and control 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

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

a) Accrual basis of accounting

Expenditures are recorded on the accrual basis, 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 payment of money.

b) Investments

Investments are considered held for trading. These investments are initially recorded at their fair value on the date of acquisition, plus related transaction costs. Investments are adjusted to fair value at each balance sheet date and the corresponding unrealized gains and losses are recorded on the income statement.

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DECEMBER 31, 2010

2. Significant accounting policies (continued)

c) Revenue recognition

The BIA recognizes revenue as follows:

- i) City of Toronto 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 Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the BIA may undertake in the future.

- 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:

Furniture and equipment	-	5 year straight-line.
Computer equipment	-	3 year straight-line.
Computer software	-	3 year straight-line.
Marketing collateral	-	5 year straight-line.
Leasehold improvements	-	5 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
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NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2010

3. Cash and short-term investments

	<u>2010</u>	<u>2009</u>
Cash	\$ 24,096	\$ 88,713
Short-term investments	<u>1,083,061</u>	<u>1,033,000</u>
	<u>\$ 1,107,157</u>	<u>\$ 1,121,713</u>

The short-term investments consist of amounts invested in a term deposits and a money market fund. The rates of return being realized on the investments range from 0.2% to 1.8%.

4. Tangible capital assets

	2010			2009
	Cost	Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 34,165	\$ 9,059	\$ 25,106	\$ 28,952
Computer equipment	16,267	7,728	8,539	13,961
Computer software	2,792	1,330	1,462	2,392
Marketing collateral	1,041	330	711	919
Leasehold improvements	<u>1,190</u>	<u>298</u>	<u>892</u>	<u>1,130</u>
	<u>\$ 55,455</u>	<u>\$ 18,745</u>	<u>\$ 36,710</u>	<u>\$ 47,354</u>

Tangible capital asset additions purchased in fiscal 2010 amounted to \$2,659.

5. 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 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:

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5. City of Toronto - special charges (continued)

	<u>2010</u>	<u>2009</u>
Total special charges outstanding	\$ 547,657	\$ 305,397
Less: Allowance for special charges in appeals	<u>(568,900)</u>	<u>(364,100)</u>
Special charges payable	<u>\$ (21,243)</u>	<u>\$ (58,703)</u>

6. Contractual commitments

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, 2010 the BIA had no such commitment outstanding relating to their 2010 capital improvement projects.

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:

2011	56,901
2012	56,901
2013	56,901
2014	<u>42,676</u>
	<u>\$ 213,379</u>

7. 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.

**TORONTO ENTERTAINMENT DISTRICT
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DECEMBER 31, 2010**

8. Financial instruments

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash and short-term 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 short-term investments disclosed in note 3.

9. 2010 Budget

The 2010 budget figures on the statement of revenue, expenditures and operating surplus are presented for information purposes only and are not commented on by the opinion of Rosenswig McRae Thorpe LLP dated April 21, 2011.

10. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.