

Appendix N:

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA**

DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Council of the Corporation of the City of Toronto and the
Board of Management for the Downtown Yonge Business Improvement Area

We have audited the statement of financial position for the Downtown Yonge Business Improvement Area as at December 31, 2012 and the statements of operations, changes in accumulated 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.

Auditors' 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 the Downtown Yonge Business Improvement Area as at December 31, 2012 and the results of its operations, change in accumulated surplus 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
March 8, 2013

Rosenswig McRae Thorpe LLP

Chartered Accountants
Licensed Public Accountants

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

	<u>2012</u>	<u>2011</u>
Current		
Cash and short-term investments (Note 3)	\$ 902,224	\$ 601,414
Accounts receivable		
City of Toronto - special charges (Note 4)	75,639	269,189
Other	99,373	166,297
Prepaid expenses	<u>15,813</u>	<u>39,961</u>
	1,093,049	1,076,861
Tangible capital assets (Note 5)	<u>2,296,770</u>	<u>2,309,536</u>
	<u>\$ 3,389,819</u>	<u>\$ 3,386,397</u>

LIABILITIES

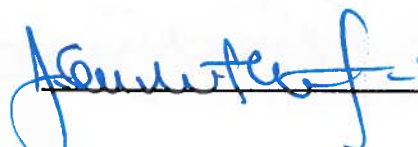
Current		
Accounts payable and accrued liabilities		
City of Toronto - other	\$ -	\$ 155,392
Other	93,749	134,077
Scholarship payable (Note 6)	<u>17,025</u>	<u>18,025</u>
	<u>110,774</u>	<u>307,494</u>

ACCUMULATED SURPLUS

Restricted surplus	2,296,770	2,309,536
Unrestricted surplus	<u>982,275</u>	<u>769,367</u>
	<u>3,279,045</u>	<u>3,078,903</u>
	<u>\$ 3,389,819</u>	<u>\$ 3,386,397</u>

Approved on behalf of the Board of Management:


_____, Chair


_____, Treasurer

See accompanying notes.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

DECEMBER 31, 2012

	2012		
	<u>Operating</u>	<u>Tangible Capital Assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 769,367	\$ 2,309,536	\$ 3,078,903
Annual surplus	200,142	-	200,142
Amortization	154,236	(154,236)	-
Purchase of tangible capital assets	<u>(141,470)</u>	<u>141,470</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 982,275</u>	<u>\$ 2,296,770</u>	<u>\$ 3,279,045</u>
	2011		
	<u>Operating</u>	<u>Tangible Capital Assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 477,444	\$ 2,080,856	\$ 2,558,300
Annual surplus	520,603	-	520,603
Amortization	153,139	(153,139)	-
Purchase of tangible capital assets	(430,445)	430,445	-
Loss on disposal of tangible capital assets	<u>48,626</u>	<u>(48,626)</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 769,367</u>	<u>\$ 2,309,536</u>	<u>\$ 3,078,903</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2012

	2012		2011
	Actual	Budget (Note 9)	Actual
Revenue			
City of Toronto - special charges	\$ 2,396,035	2,576,609	\$ 2,564,249
Other	182,855	3,045	28,464
Advertising and sponsorships	118,775	157,414	89,080
Interest income	7,723	7,000	11,050
Provincial grant	<u>-</u>	<u>-</u>	<u>2,085</u>
	<u>2,705,388</u>	<u>2,744,068</u>	<u>2,694,928</u>
Expenses			
Administration	547,289	491,925	456,304
Streetscape improvement - non-cost share	459,764	210,030	96,416
Winter magic program	384,130	468,660	508,537
Clean streets program	262,871	318,265	247,998
Provision for levies in appeals	230,570	217,593	191,242
Marketing	214,256	299,206	239,191
Member services and advocacy	199,847	231,866	203,320
Safe streets program	44,269	66,758	29,552
Capital expenditures - other	8,014	134,485	-
Streetscape improvement - cost share	-	305,280	-
Amortization	<u>154,236</u>	<u>-</u>	<u>153,139</u>
	<u>2,505,246</u>	<u>2,744,068</u>	<u>2,125,699</u>
Annual surplus before undernoted item	200,142	-	569,229
Loss on disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>48,626</u>
Annual surplus (Note 10)	<u>\$ 200,142</u>	<u>-</u>	<u>520,603</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Cash from operating activities		
Excess of revenue over expenditures for the year	\$ 200,142	\$ 520,603
Adjustments for:		
Amortization	154,236	153,139
Loss on disposal of tangible capital assets	<u>-</u>	<u>48,626</u>
	354,378	722,368
Changes in non-cash working capital:		
Accounts receivable		
Decrease (increase) in City of Toronto - special charges	193,550	(150,011)
Decrease (increase) in other	66,924	(79,031)
Decrease (increase) in prepaid expenses	24,148	(23,038)
Accounts payable and accrued liabilities		
Decrease in City of Toronto - other	(155,392)	(135,871)
(Decrease) increase in other	(40,328)	37,906
(Decrease) increase in scholarship fund	<u>(1,000)</u>	<u>18,025</u>
	<u>442,280</u>	<u>390,348</u>
Cash flows used in investing activities		
Purchases of tangible capital assets	<u>(141,470)</u>	<u>(430,445)</u>
Increase (decrease) in cash position	300,810	(40,097)
Cash and short-term investments, beginning of year	<u>601,414</u>	<u>641,511</u>
Cash and short-term investments, end of year	<u>\$ 902,224</u>	<u>\$ 601,414</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

1. Establishment of operations

The Downtown Yonge Business Improvement Area was designated as a business improvement area through By-Law 27-2001 enacted on February 1, 2001. 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 June 28, 2001.

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 settled by payment of money.

b) 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.**

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

2. Significant accounting policies (continued)

c) Investments

Investments are recorded at cost which approximates their fair value on the date of acquisition, plus related transaction costs.

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 Company 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:

Streetscape fixtures	-	15 - 30 year straight-line
Computer equipment	-	3 year straight-line
Furniture and fixtures	-	3 - 5 year straight-line
Equipment	-	3 year straight-line
Holiday decor	-	3 - 10 year straight-line
Leasehold improvements	-	over the remaining lease life

3. Cash and short-term investments

	<u>2012</u>	<u>2011</u>
Cash	\$ 137,797	\$ 91,802
Short-term investments	<u>764,427</u>	<u>509,612</u>
	<u>\$ 902,224</u>	<u>\$ 601,414</u>

The short-term investments consist of amounts invested in a term deposits and investment savings accounts. The rate of returns being realized on the investments range from 1% - 1.65%.

Included in cash is \$10,000 held as collateral against the BIA visa card and is not available for current use.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

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 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>2012</u>	<u>2011</u>
Total special charges outstanding	\$ 1,844,439	\$ 1,904,089
Less: Allowance for special charges in appeals	<u>(1,768,800)</u>	<u>(1,634,900)</u>
Special charges receivable	<u>\$ 75,639</u>	<u>\$ 269,189</u>

5. Tangible capital assets

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Streetscape fixtures	\$2,445,543	\$ 453,738	\$1,991,805	2,035,685
Computer equipment	31,242	25,487	5,755	9,422
Furniture and fixtures	46,953	37,559	9,394	3,065
Equipment	17,840	10,025	7,815	13,761
Holiday decor	411,484	192,732	218,752	247,603
Leasehold improvements	<u>122,498</u>	<u>59,249</u>	<u>63,249</u>	<u>-</u>
	<u>\$3,075,560</u>	<u>\$ 778,790</u>	<u>\$2,296,770</u>	<u>\$2,309,536</u>

Tangible capital assets purchased during the year amounted to \$141,470 (2011 - \$430,445).

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

6. Scholarship payable

During the year, the BIA established a scholarship fund for university students enrolled in urban and regional planning programs with the funds received from the Yonge Street Business and Residents Association. In fiscal 2011, the BIA entered into an agreement with Ryerson University where they pledged \$5,000 over a period of five years to be awarded to qualifying students. During fiscal 2012, \$1,000 (2011 - \$1,000) was awarded from this fund.

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, 2012 the BIA has an outstanding commitment of \$71,062 (2011 - \$28,373) relating to ongoing capital improvement project to be completed in 2013.
- b) The Board has contractual commitments to minimum annual operating payments for equipment and other contractual obligations as follows:

2013	\$	99,683
2014		76,883
2015		54,083
2016		48,110
2017		<u>36,083</u>
	\$	<u>314,842</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.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

9. 2012 Budget

The 2012 budget figures on the statement of revenue, expenditures and operating surplus are presented for information purposes only and are not commented on by the independent audit opinion of Rosenswig McRae Thorpe LLP dated March 8, 2013.

10. 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 purchased and the amount of tangible capital assets amortized during the year was a deficit of \$12,766 (2011 - \$277,306 surplus) which contributed to the excess over revenue for the year leaving a net surplus of \$212,908 (2011 - \$291,923).