Appendix AN:

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

FINANCIAL STATEMENTS

DECEMBER 31, 2012

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

DECEMBER 31, 2012

CONTENTS

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, 2012 and the statements of operations and 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 Toronto Entertainment District Business Improvement Area as at December 31, 2012 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.

Rosenswig McRae Thorpe LLP

Toronto, Canada
March 8, 2013

Chartered Accountants
Licensed Public Accountants

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

	2012	2011
Current		
Cash and cash equivalents (Note 3)	$ 1,170,107	$ 1,669,080
Accounts receivable		
City of Toronto - special charges (Note 4)	132,539	-
Other	59,612	89,895
Prepaid expenses	4,943	3,291
	1,367,201	1,762,266
Long-term investments (Note 3)	1,110,000	-
Tangible capital assets (Note 5)	321,824	86,475
	$ 2,799,025	$ 1,848,741

LIABILITIES

	2012	2011
Current		
Accounts payable and accrued liabilities		
City of Toronto - special charges (Note 4)	$ -	$ 139,805
City of Toronto	182,593	-
Other	68,120	76,092
	250,713	215,897

ACCUMULATED SURPLUS

	2012	2011
Restricted surplus	321,824	86,475
Unrestricted surplus	2,226,488	1,546,369
	2,548,312	1,632,844
	$ 2,799,025	$ 1,848,741

Approved on behalf of the Board of Management:

____________________, Chair ____________________, Treasurer

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

DECEMBER 31, 2012

	2012		
	Unrestricted Surplus	Restricted Surplus	Total
Accumulated surplus, beginning of year	$ 1,546,369	$ 86,475	$ 1,632,844
Annual surplus	915,468	-	915,468
Amortization	35,440	(35,440)	-
Loss on disposal of tangible capital assets	511	(511)	-
Purchase of tangible capital assets	(271,300)	271,300	-
Accumulated surplus, end of year	$ 2,226,488	$ 321,824	$ 2,548,312

	2011		
	Unrestricted Surplus	Restricted Surplus	Total
Accumulated surplus, beginning of year	$ 983,664	$ 36,710	$ 1,020,374
Annual surplus	612,470	-	612,470
Amortization	18,395	(18,395)	-
Purchase of tangible capital assets	(68,160)	68,160	-
Accumulated surplus, end of year	$ 1,546,369	$ 86,475	$ 1,632,844

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2012

	2012 Actual	2012 Budget (note 9)	2011
Revenue			
City of Toronto - special charges	$ 2,001,595	$ 1,899,419	$ 1,800,369
City of Toronto grants	-	-	226,000
Interest income	30,960	6,000	20,350
Other income	9,209	-	128,850
Advertising and sponsorships	8,000	-	-
	2,049,764	1,905,419	2,175,569
Expenses			
Administration	335,633	372,487	317,342
Advertising, marketing and promotion	326,187	522,018	389,262
Streetscape - non cost share	238,358	876,000	422,755
Provision for levies in appeals	128,146	298,314	356,007
Safety and security	70,532	136,600	59,338
Amortization	35,440	-	18,395
	1,134,296	2,205,419	1,563,099
Annual surplus	$ 915,468	$ (300,000)	$ 612,470

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2012

	2012	2011
Cash from operating activities		
Excess of revenue over expenditures for the year	$ 915,468	612,470
Adjustments for:		
Amortization	35,440	18,395
Loss on disposal of tangible capital assets	511	-
	951,419	630,865
Changes in non-cash working capital balances:		
Decrease (increase) in other	30,283	(31,469)
Increase in City of Toronto - special charges	(132,539)	-
Increase in prepaid expenses	(1,652)	-
Accounts payable and accrued liabilities		
Increase (decrease) in other	(7,972)	(87,874)
Decrease in City of Toronto - special charges	(139,805)	118,561
Increase in City of Toronto	182,593	-
	882,327	630,083
Cash flows used in investing activities		
Purchase of investments	(1,110,000)	-
Purchase of tangible capital assets	(271,300)	(68,160)
	(1,381,300)	(68,160)
(Decrease) increase in cash position	(498,973)	561,923
Cash and cash equivalents, beginning of year	1,669,080	1,107,157
Cash and cash equivalents, end of year	$ 1,170,107	$ 1,669,080

See accompanying notes.

1. Establishment of operations

The Toronto Entertainment District Business Improvement Area was designated as a business improvement area through By-Law 125-2008 enacted on January 30, 2008. 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 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 of accounting, 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 the payment of money.

b) Investments

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

2. Significant accounting policies (continued)

c) Revenue recognition

The BIA recognizes revenue as follows:

i) City of Toronto special charges - The City of Toronto levies special charges to land owners within the BIA boundaries through the property tax system. 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:

Streetscape fixtures	-	3-30 year straight-line
Holiday decor	-	3-5 year straight-line
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	-	over the remaining lease life

f) Services provided without charge by the City of Toronto and others are not recorded in these financial statements.

3. Cash and investments

	2012	2011
Cash	$ 570,107	$ 243,340
Cash equivalents	600,000	1,425,740
	1,170,107	1,669,080
Long-term investments	1,110,000	-
	$ 2,280,107	$ 1,669,080

The cash equivalents and long-term investments consist of amounts invested in guaranteed investment certificates (GIC) with maturity dates between March 2013 to June 2015 earning interest between 1.4% to 2.4%.

Included in long-term investments is a GIC for $10,000 held as collateral against the BIA visa card.

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 (owing) 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/(payable) from/(to) the City of Toronto are comprised of:

	2012	2011
Total special charges outstanding	$ 996,939	$ 708,595
Less: Allowance for special charges in appeals	(864,400)	(848,400)
Special charges receivable (payable)	$ 132,539	$ (139,805)

5. Tangible capital assets

	2012			2011
	Cost	Amortization	Net Book Value	Net Book Value
Streetscape fixtures	$ 304,683	$ 23,287	$ 281,395	$ 42,927
Holiday decor	31,771	4,955	26,815	17,711
Furniture and equipment	34,988	22,697	12,291	19,595
Computer equipment	17,860	16,953	907	4,554
Computer software	2,792	2,792	-	531
Marketing collateral	-	-	-	503
Leasehold improvements	1,190	774	416	654
	$ 393,284	$ 71,458	$ 321,824	$ 86,475

Tangible capital asset additions purchased during the year amounted to $271,300 (2011 - $68,160).

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, 2012 the BIA has a commitment outstanding relating to their 2012 capital improvement projects in the amount of $31,222 (2011 - nil).

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:

2013	18,837
2014	14,128
	$ 32,965

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.

8. Financial instruments

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash, 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. Long-term investments are recorded at cost.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of investments disclosed in note 3.

c) Liquidity risk

Liquidity risk is the risk that the BIA will encounter difficulties in meeting obligations associated with financial liabilities. The BIA manages its liquidity risk by maintaining sufficient readily available funds in order to meet its liquidity requirements at any point in time.

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 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 $235,860 ($49,765 - 2011) which contributed to the excess of revenue over expenditures for the year leaving a net surplus of $679,608 ($562,705 - 2011).

11. Comparative figures

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