



Grant Thornton

March 6, 2013

Board of Directors
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To the Members of the Board of Yonge-Dundas Square,

We are pleased to report that we have now substantially completed our audit of financial statements of Yonge-Dundas Square for the year ended December 31, 2012. The results of these audits are included in this letter.

Status of the audit

The following items need to be addressed/ completed before the release of our audit report:

1. Approval of the financial statements by the board of directors; and
2. Receipt of signed management representation letter;
3. Receipt of the legal confirmation letter;
4. Receipt of the bank confirmation;

Our responsibility

Our function as auditors of Yonge-Dundas Square is to report to the directors by expressing an opinion on whether the financial statements are free from material misstatement and present fairly the financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards. We conducted our audits in accordance with Canadian generally accepted auditing standards. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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. Our audit was designed to provide reasonable but not absolute assurance that there are no misstatements in the financial statements resulting from fraud because fraud is usually accompanied by acts designed to conceal its existence.

The audit of the financial statements does not relieve management of those charged with governance of their responsibilities. Our audit was undertaken on a risk based approach; more audit effort is directed in areas where there is a higher risk of material misstatement.

Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

5. Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to Yonge-Dundas Square; and
6. Confirming the independence of our engagement team members.

In accordance with the *Canadian Institute of Chartered Accountants (CICA) Handbook* Section 260.17, we advise that we are independent of Yonge-Dundas Square.

Internal control

The primary objective of an audit is to express an opinion on the financial statements. To meet this objective, we obtained an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement. In making those risk assessments, we considered internal control 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 internal control.

During the course of performing our audit, we did not identify areas for improvement in internal control.

Fraud and illegal acts

Our inquiries of management did not reveal any fraud or illegal acts. Furthermore, nothing has come to our attention that indicates any director, officer or senior employee may have an interest that is in conflict with their responsibilities to Yonge-Dundas Square.

Legal or regulatory issues

Our audit procedures included an enquiry of legal counsel regarding legal contingencies. Furthermore, our audit procedures included consideration of any regulatory issues that affect the operation or financial reporting framework of the entity. Pending the results of the legal letter, there were no legal matters reported by legal counsel that require disclosure in the financial statements.

Additional services

We did not provide any services in addition to providing an audit opinion.

Significant new accounting policies

There were no significant new accounting policies noted in the year. The entity followed the Public Sector Accounting (PSA) Handbook in the prior year. The name of the framework, Canadian public sector accounting standards, replaces the term 'Canadian generally accepted accounting principles' in 2012.

Summary of misstatements

Our audit identified the adjusted and unadjusted non-trivial misstatements, see attached Adjusting Journal Entry (AJE) schedule and Passed Adjusting Journal Entry (PAJE) schedule.

A non-trivial unadjusted misstatement noted during the course of last year's audit continues to affect the Square's financial statements. During last year's audit work, we identified a capital asset addition that we felt was recorded as a repair expense in error. Had the entry been recorded, the net book value of the capital asset in 2012 would have been \$3,755. Thus, we believe an unadjusted misstatement of \$3,755 exists as of December 31, 2012.

We have discussed and requested that management correct the unadjusted misstatement. Management has concluded that this misstatement will not be corrected because management has elected to consider the entire fabric canopy as a repair since it is susceptible to wind damage and thus requires frequent replacement. The effect of the fabric canopy purchase in 2011 is not material to the 2012 financial statements of Yonge-Dundas Square.

Cooperation during the audit

We report that we received cooperation from management and the employees of Yonge-Dundas Square. To our knowledge, we were provided access to all necessary records and other documentation and any issues that arose as a result of our audit were discussed with management and have been resolved to our satisfaction.

Consultations with other accountants

To our knowledge, management did not seek the advice or opinion of other external accountants on financial reporting or accounting matters.

Accounting and auditing standards

The following recent changes in accounting and auditing standards will impact future financial reporting. Under the Public Sector Accounting (PSA) Handbook, Yonge-Dundas Square qualifies as a government not-for-profit organization (GNFPO). The following areas affect this type of organization:

Public Sector Accounting Board – [updated December 31, 2012]	Effective date	Management assessment of applicability
<p>Introduction to Public Sector Accounting (PSA) Handbook</p> <p>The revised introduction to PSA Handbook directs the frameworks applicable to governments, government business enterprises (GBEs), other government organizations (OGOs) and government not-for-profit organizations (GNFPOs).</p>	<p>GBEs are required to follow the timeline for PAEs; that is, they are required to adopt IFRS for fiscal years beginning on or after January 1, 2011.</p>	

Public Sector Accounting Board – [updated December 31, 2012]	Effective date	Management assessment of applicability
<p>GBEs should apply the standards applicable to publicly accountable enterprises (PAEs). OGOs are presumed to apply PSA Handbook but where these standards do not meet the needs of the users OGO's should assess whether IFRS would be a more appropriate framework. GNFPOs have the option to apply either the PSA Handbook including sections PS 4200 to PS 4270 or the CICA PSA Handbook without sections PS 4200 to PS 4270.</p>	<p>Note: Rate regulated GBE's have been given a deferral until fiscal years beginning on or after January 1, 2014</p> <p>GNFPO's accounting choice is effective for fiscal periods beginning on or after January 1, 2012.</p> <p>Early adoption is permitted.</p>	
<p>Accounting standards that apply to GNFPOs</p> <p>Effective for fiscal periods beginning on or after January 1, 2012, GNFPOs will have the option to use either the PSA Handbook with sections PS 4200 to PS 4270 or without those sections. The sections are as follows and apply only to GNFPOs:</p> <ul style="list-style-type: none"> • PS 4200 <i>Financial statement presentation by not-for-profit organizations</i>; • PS 4210 <i>Contributions – revenue recognition</i>; • PS 4220 <i>Contributions receivable</i>; • PS 4230 <i>Capital assets held by not-for-profit organizations</i>; • PS 4240 <i>Collections held by not-for-profit organizations</i>; • PS 4250 <i>Reporting controlled and related entities by not-for-profit organizations</i>; • PS 4260 <i>Disclosure of related party transactions by not-for-profit organizations</i>; and • PS 4270 <i>Disclosure of allocated expenses by not-for-profit organizations</i>. 	<p>Fiscal periods beginning on or after January 1, 2012.</p> <p>Early adoption is permitted.</p>	
<p>Section 3450 Financial instruments, Section 2601 Foreign currency translation and Section 1201 Financial statement presentation</p> <p>PS 3450 <i>Financial instruments</i> is a new section that establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.</p> <p>PS 2601 <i>Foreign currency translation</i> revises and replaces Section PS 2600 <i>Foreign currency translation</i>.</p> <p>PS 1201 <i>Financial statement presentation</i> revises and replaces Section PS 1200 <i>Financial statement presentation</i>.</p> <p>PS 3041 <i>Portfolio investments</i> revises and replaces Section PS 3040 <i>Portfolio investments</i>.</p> <p>The issuance of these new sections also includes consequential amendments to</p> <ul style="list-style-type: none"> • <i>Introduction to accounting standards that apply only to government not-for-profit organizations</i> • PS 1000 <i>Financial statement concepts</i> • PS 1100 <i>Financial statement objectives</i> • PS 2125 <i>First-time adoption by government organizations</i> • PS 2500 <i>Basic principles of consolidation</i> 	<p>The new requirements are all required to be applied at the same time.</p> <p>For governments, the sections are effective for fiscal years beginning on or after April 1, 2015.</p> <p>For government organizations, the sections are effective for fiscal years beginning on or after April 1, 2012.</p> <p>Earlier adoption is permitted.</p>	

Public Sector Accounting Board – [updated December 31, 2012]	Effective date	Management assessment of applicability
<ul style="list-style-type: none"> • PS 2510 <i>Additional areas of consolidation</i> • PS 3050 <i>Loans receivable</i> • PS 3060 <i>Government partnerships</i> • Section PS 3070 <i>Investments in government business enterprises</i> • PS 3230 <i>Long-term debt</i> • PS 3310 <i>Loan guarantees</i> • PS 4200 <i>Financial statement presentation by not-for-profit organizations</i> <p>PSG-6 <i>Including results of organizations and partnerships applying fair value measurement was withdrawn as a result of the issuance of these sections.</i></p>		
<p>Section 3260 Liability for contaminated sites</p> <p>This Section establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites. The Section does not deal with tangible capital asset retirement obligations, liabilities associated with the disposal or sale of a tangible capital asset and acquisition/betterment costs for tangible capital assets that are less than the future economic benefits.</p> <p>An entity will be required to recognize a liability if they have contamination at a site that exceeds an environmental standard, the entity is responsible/accepts responsibility, the entity expects to have to give up future economic benefits and the amount can be reasonably estimated. If an entity cannot reasonably estimate the amount, they must still provide disclosures concerning the liability.</p>	<p>This section applies to fiscal years beginning on or after April 1, 2014.</p> <p>Earlier adoption is encouraged.</p>	

Yours sincerely,
Grant Thornton LLP



Donnie Morris, C.A.
Principal

cc: Taylor Raths and Sue Kilbride

Yonge-Dundas Square
 Year End: December 31, 2012
 Adjusting Journal Entries
 Date: 01/01/2012 To 12/31/2012

AJE

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
1	12/31/2012	Office Furniture & Equipment	1820	42-1-1			1,154.44	
1	12/31/2012	Accum. Amort. -Furn. & Equip.	1825	42-1-1		462.79		
1	12/31/2012	LOSS ON DISPOSAL OF ASSETS	5698	42-1-1		691.65		
		To correct disposal entry of Office Furniture and Equipment						
2	12/31/2012	A/P (net revenue) City of Toronto	2101GT	42-1			241,024.00	
2	12/31/2012	Revenue Returned to City	3561GT	42-1		241,024.00		
		To record net revenue payable to the city.						
						242,178.44	242,178.44	
		Net Income (Loss)	277,047.73					

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Yonge-Dundas Square
 Year End: December 31, 2012
 Passed journal entries
 Date: 01/01/2012 To 12/31/2012

PAJE

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
3	12/31/2012	Outdoor Equipment	1860	PY PAJE 1		7,510.00		
3	12/31/2012	Accum.Amort-Outdoor Equipment	1865	PY PAJE 1			3,755.00	
3	12/31/2012	Surplus/(Loss) - Previous Year	3560	PY PAJE 1			7,510.00	
3	12/31/2012	AMORTIZATION	5687	PY PAJE 1		3,755.00		
NBV as of 2012 year end of control station push button addition to Canopy that should have been capitalized in 2011 when purchased. Recorded as a 2011 expense.								
						11,265.00	11,265.00	
Net Income (Loss)			273,292.73					