

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

DECEMBER 31, 2015

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Rosenswig McRae Thorpe LLP

Chartered Professional Accountants
Associated worldwide with CPA Associates International, Inc.

Michael Rosenswig
Jeff McRae
Lori Thorpe
Tony Rosso
Lorraine Varga

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 accompanying financial statements of Toronto Entertainment District Business Improvement Area, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, the financial statements present fairly, in all material respects, the financial position of Toronto Entertainment District Business Improvement Area as at December 31, 2015, and the results of its operations, net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Rosenswig McRae Thorpe LLP

Toronto, Canada
March 3, 2016

Chartered Professional Accountants
Licensed Public Accountants

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

FINANCIAL ASSETS

	<u>2015</u>	<u>2014</u>
Cash	\$ 1,208,813	\$ 1,364,628
Investments (Note 3)	1,255,550	1,025,000
Accounts receivable		
City of Toronto - special charges (Note 4)	315,989	128,330
Other	<u>61,030</u>	<u>103,998</u>
	<u>2,841,382</u>	<u>2,621,956</u>


LIABILITIES

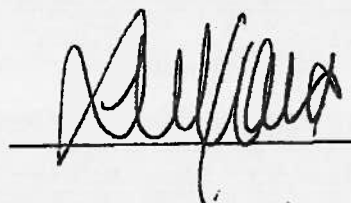
Accounts payable and accrued liabilities		
City of Toronto	9,818	268,673
Other	<u>69,182</u>	<u>74,842</u>
	<u>79,000</u>	<u>343,515</u>
Net financial assets	<u>2,762,382</u>	<u>2,278,441</u>

NON FINANCIAL ASSETS

Prepaid expenses	10,055	15,273
Tangible capital assets (Note 5)	<u>826,280</u>	<u>927,364</u>
	<u>836,335</u>	<u>942,637</u>
Accumulated surplus (Note 6)	<u>\$ 3,598,717</u>	<u>\$ 3,221,078</u>

Approved on behalf of the Board of Management:

 Chair

 Treasurer

See accompanying notes.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>		<u>2014</u>
	<u>Actual</u>	<u>Budget</u> (Note 10)	
Revenue			
City of Toronto - special charges	\$ 2,157,161	\$ 2,017,923	\$ 1,960,744
Interest income	34,079	17,000	34,500
Other income	<u>1,816</u>	<u>-</u>	<u>1,429</u>
	<u>2,193,056</u>	<u>2,034,923</u>	<u>1,996,673</u>
Expenses			
Streetscape	629,052	2,264,833	509,432
Administration	423,224	439,434	387,619
Advertising, marketing and promotion	411,566	522,000	399,712
Safety and security	120,708	140,702	81,984
Provision for levies in appeals	58,951	183,448	103,425
Amortization	<u>171,916</u>	<u>-</u>	<u>111,812</u>
	<u>1,815,417</u>	<u>3,550,417</u>	<u>1,593,984</u>
Annual surplus	<u>\$ 377,639</u>	<u>\$ (1,515,494)</u>	<u>\$ 402,689</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 377,639	\$ 402,689
Acquisition of tangible capital assets	(70,832)	(644,395)
Amortization of tangible capital assets	171,916	111,812
Decrease (increase) in prepaid expense	<u>5,218</u>	<u>(7,690)</u>
Change in net financial assets	483,941	(137,584)
Net financial assets, beginning of year	<u>2,278,441</u>	<u>2,416,025</u>
Net financial assets, end of year	<u>\$ 2,762,382</u>	<u>\$ 2,278,441</u>

See accompanying notes.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF CASH FLOWS

DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Cash from operating activities		
Annual surplus	\$ 377,639	402,689
Adjustments for:		
Amortization	<u>171,916</u>	<u>111,812</u>
	549,555	514,501
 Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable		
City of Toronto - special charges	(187,659)	(59,550)
Other	42,968	3,875
Decrease (increase) in prepaid expenses	5,218	(7,690)
Increase (decrease) in accounts payable and accrued liabilities		
City of Toronto	(258,855)	183,859
Other	<u>(5,660)</u>	<u>(91,798)</u>
	<u>145,567</u>	<u>543,197</u>
 Cash flows used in investing activities		
(Redemption) acquisition of investments	(230,550)	491,200
Purchase of tangible capital assets	<u>(70,832)</u>	<u>(644,395)</u>
	<u>(301,382)</u>	<u>(153,195)</u>
 (Decrease) increase in cash position	(155,815)	390,002
 Cash, beginning of year	<u>1,364,628</u>	<u>974,626</u>
 Cash, end of year	<u>\$ 1,208,813</u>	<u>\$ 1,364,628</u>

See accompanying notes.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

The financial statements of the BIA are prepared by management in accordance with Canadian public sector accounting standards ("CPSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Professional Accountants. The significant accounting policies are summarized as follows:

a) Accrual basis of accounting

The BIA follows the accrual method of accounting for revenues and expenditures. 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.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

3. Investments

Investments consist of amounts invested in guaranteed investment certificates (GIC) with maturity dates between April 2016 to October 2018 earning interest between 0.9% to 2.1%.

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 from the City of Toronto are comprised of:

	<u>2015</u>	<u>2014</u>
Total special charges outstanding	\$ 768,089	\$ 1,133,330
Less: Allowance for special charges in appeals	<u>(452,100)</u>	<u>(1,005,000)</u>
Special charges receivable	<u>\$ 315,989</u>	<u>\$ 128,330</u>

5. Tangible capital assets

	2015		2014	
	Cost	Amortization	Net Book Value	Net Book Value
Streetscape fixtures	\$1,046,436	\$ 299,592	\$ 746,844	\$ 829,985
Leasehold improvements	51,485	9,727	41,758	47,598
Furniture and equipment	75,650	43,118	32,532	35,460
Holiday decor	31,771	28,194	3,577	11,323
Computer equipment	12,546	10,977	1,569	2,905
Computer software	<u>5,031</u>	<u>5,031</u>	<u>-</u>	<u>93</u>
	<u>\$1,222,919</u>	<u>\$ 396,639</u>	<u>\$ 826,280</u>	<u>\$ 927,364</u>

Tangible capital asset additions purchased during the year amounted to \$70,832 (2014 - \$644,395).

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

6. Accumulated surplus

	<u>2015</u>		
	<u>Unrestricted Surplus</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 2,293,714	\$ 927,364	\$ 3,221,078
Annual surplus	377,639	-	377,639
Amortization	171,916	(171,916)	-
Purchase of tangible capital assets	<u>(70,832)</u>	<u>70,832</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 2,772,437</u>	<u>\$ 826,280</u>	<u>\$ 3,598,717</u>

	<u>2014</u>		
	<u>Unrestricted Surplus</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 2,423,608	\$ 394,781	\$ 2,818,389
Annual surplus	402,689	-	402,689
Amortization	111,812	(111,812)	-
Purchase of tangible capital assets	<u>(644,395)</u>	<u>644,395</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 2,293,714</u>	<u>\$ 927,364</u>	<u>\$ 3,221,078</u>

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, 2015 the BIA has a commitment outstanding relating to their 2015 capital improvement projects in the amount of \$333,899 (2014 - \$60,126).

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

7. Contractual commitments (continued)

b) 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:

2016	\$	51,125
2017		53,579
2018		56,033
2019		58,487
2020 and thereafter		<u>102,659</u>
	\$	<u>321,883</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.

9. Financial instruments risks

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash, 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 investments disclosed in note 3.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

9. Financial instruments risks (continued)

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.

10. 2015 Budget

The 2015 budget figures on the statement of operations are presented for information purposes only and are not commented on by the opinion of Rosenswig McRae Thorpe LLP dated March 3, 2016.

11. 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 amortized and the amount of tangible capital assets purchased during the year is \$101,084 (2014 - (\$532,583)) which contributed to the annual surplus. The amount of surplus not invested in tangible capital assets for the year is \$478,723 (2014 - the amount above the surplus invested in tangible capital assets was \$129,894).

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Streetscape improvements		
Streetscape improvement and maintenance	579,568	362,831
Master plan and development costs	38,106	30,880
Consultants	<u>11,378</u>	<u>115,721</u>
	<u>629,052</u>	<u>509,432</u>
Administration		
Salaries and benefits	213,758	213,200
Occupancy costs	91,303	61,687
Professional fees	29,961	33,751
General office	25,696	27,029
Meetings	15,833	8,155
Consultants	12,048	14,151
Memberships	9,458	6,483
Utilities	9,089	8,924
Insurance	7,336	7,292
Travel	7,101	2,824
Interest and bank charges	1,641	1,758
Advertising and promotion	<u>-</u>	<u>2,365</u>
	<u>423,224</u>	<u>387,619</u>
Advertising, marketing and promotion		
Marketing and promotion	\$ 289,689	\$ 234,029
Salaries and benefits	83,873	84,271
Events	20,036	62,402
Meeting expenses	<u>17,968</u>	<u>19,010</u>
	<u>411,566</u>	<u>399,712</u>
Safety and security		
Repairs and maintenance	68,918	30,544
Salaries and benefits	48,186	44,831
Safety and security	<u>3,604</u>	<u>6,609</u>
	<u>120,708</u>	<u>81,984</u>
Provision for levies in appeals	<u>58,951</u>	<u>103,425</u>
Amortization	<u>171,916</u>	<u>111,812</u>
	<u>\$ 1,815,417</u>	<u>\$ 1,593,984</u>

STATE OF CALIFORNIA

DEPARTMENT OF REVENUE

SALES TAX

SALES TAX RETURN

DATE	DESCRIPTION	AMOUNT	TAX	TOTAL
1-1-78	SALES	100.00	2.00	102.00
1-15-78	SALES	200.00	4.00	204.00
1-31-78	SALES	300.00	6.00	306.00
2-1-78	SALES	400.00	8.00	408.00
2-15-78	SALES	500.00	10.00	510.00
2-28-78	SALES	600.00	12.00	612.00
3-1-78	SALES	700.00	14.00	714.00
3-15-78	SALES	800.00	16.00	816.00
3-31-78	SALES	900.00	18.00	918.00
4-1-78	SALES	1000.00	20.00	1020.00
4-15-78	SALES	1100.00	22.00	1122.00
4-30-78	SALES	1200.00	24.00	1224.00
5-1-78	SALES	1300.00	26.00	1326.00
5-15-78	SALES	1400.00	28.00	1428.00
5-31-78	SALES	1500.00	30.00	1530.00
6-1-78	SALES	1600.00	32.00	1632.00
6-15-78	SALES	1700.00	34.00	1734.00
6-30-78	SALES	1800.00	36.00	1836.00
7-1-78	SALES	1900.00	38.00	1938.00
7-15-78	SALES	2000.00	40.00	2040.00
7-31-78	SALES	2100.00	42.00	2142.00
8-1-78	SALES	2200.00	44.00	2244.00
8-15-78	SALES	2300.00	46.00	2346.00
8-31-78	SALES	2400.00	48.00	2448.00
9-1-78	SALES	2500.00	50.00	2550.00
9-15-78	SALES	2600.00	52.00	2652.00
9-30-78	SALES	2700.00	54.00	2754.00
10-1-78	SALES	2800.00	56.00	2856.00
10-15-78	SALES	2900.00	58.00	2958.00
10-31-78	SALES	3000.00	60.00	3060.00
11-1-78	SALES	3100.00	62.00	3162.00
11-15-78	SALES	3200.00	64.00	3264.00
11-30-78	SALES	3300.00	66.00	3366.00
12-1-78	SALES	3400.00	68.00	3468.00
12-15-78	SALES	3500.00	70.00	3570.00
12-31-78	SALES	3600.00	72.00	3672.00
TOTAL		36000.00	720.00	36720.00