

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA**

DECEMBER 31, 2016

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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 Management for the Downtown Yonge Business Improvement Area:

We have audited the accompanying financial statements of Downtown Yonge Business Improvement Area, which comprise the statement of financial position as at December 31, 2016, 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 the Downtown Yonge Business Improvement Area as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Rosenswig McRae Thorpe LLP

Toronto, Canada
March 23, 2017

Chartered Professional Accountants
Licensed Public Accountants

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

FINANCIAL ASSETS

	<u>2016</u>	<u>2015</u>
Cash (Note 3)	\$ 1,798,565	\$ 1,324,779
Investments (Note 4)	876,059	963,685
Accounts receivable		
City of Toronto - special charges (Note 5)	247,423	195,011
Other	<u>121,552</u>	<u>90,573</u>
	<u>3,043,599</u>	<u>2,574,048</u>

LIABILITIES


Accounts payable and accrued liabilities	578,813	196,467
Funds held in trust (Note 3)	158,416	-
Scholarship payable (Note 6)	<u>13,025</u>	<u>13,025</u>
	<u>750,254</u>	<u>209,492</u>
Net financial assets	<u>2,293,345</u>	<u>2,364,556</u>

NON FINANCIAL ASSETS

Tangible capital assets (Note 7)	1,752,288	1,890,129
Prepaid expenses	<u>33,841</u>	<u>14,347</u>
	<u>1,786,129</u>	<u>1,904,476</u>
Accumulated surplus (Note 8)	<u>\$ 4,079,474</u>	<u>\$ 4,269,032</u>

Approved on behalf of the Board of Management:

 , Chair

 , Treasurer

See accompanying notes.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	2016		2015
	Actual	Budget (Note 11)	
Revenue			
City of Toronto - special charges	\$ 2,596,939	2,583,899	\$ 2,510,947
Other	92,021	87,450	93,572
Advertising and sponsorships	66,476	75,000	38,309
Interest income	14,479	10,000	20,279
Grants	-	45,000	31,000
	<u>2,769,915</u>	<u>2,801,349</u>	<u>2,694,107</u>
Expenses			
Salaries and benefits	946,112	993,820	969,943
Streetscape improvements	710,081	1,009,180	241,846
Events	308,786	383,500	440,156
Marketing and promotion	264,258	232,000	297,309
Repairs and maintenance	171,614	167,270	145,737
Consultants	162,303	148,961	108,794
Occupancy costs	150,153	143,820	145,820
Professional fees	48,224	46,000	52,284
Travel	38,857	23,700	26,118
Utilities	32,058	24,886	27,140
General office	18,420	26,150	17,163
Meeting expenses	17,614	17,000	16,263
Memberships	12,792	13,000	23,010
Insurance	4,599	6,913	8,393
Interest and bank charges	2,161	2,250	2,152
Provision for levies in appeals	(66,400)	234,900	145,707
Amortization	<u>137,841</u>	<u>-</u>	<u>137,326</u>
	<u>2,959,473</u>	<u>3,473,350</u>	<u>2,805,161</u>
Annual deficit (Note 13)	\$ <u>(189,558)</u>	<u>(672,001)</u>	<u>(111,054)</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Annual deficit	\$ (189,558)	\$ (111,054)
Amortization of tangible capital assets	137,841	137,326
(Increase) decrease in prepaid expense	<u>(19,494)</u>	<u>17,882</u>
Change in net financial assets	(71,211)	44,154
Net financial assets, beginning of year	<u>2,364,556</u>	<u>2,320,402</u>
Net financial assets, end of year	<u>\$ 2,293,345</u>	<u>\$ 2,364,556</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Cash from operating activities		
Annual deficit	\$ (189,558)	\$ (111,054)
Adjustments for:		
Amortization	<u>137,841</u>	<u>137,326</u>
	(51,717)	26,272
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable		
City of Toronto - special charges	(52,412)	482,129
Other	(30,979)	(25,371)
(Increase) decrease in prepaid expenses	(19,494)	17,882
Increase in accounts payable and accrued liabilities	382,346	105,304
Increase in amounts held in trust	158,416	-
Decrease in scholarship fund	<u>-</u>	<u>(2,000)</u>
	<u>386,160</u>	<u>604,216</u>
Cash flows from investing activities		
Sale of investments	<u>87,626</u>	<u>625,415</u>
Increase in cash position	473,786	1,229,631
Cash, beginning of year	<u>1,324,779</u>	<u>95,148</u>
Cash, end of year	<u>\$ 1,798,565</u>	<u>\$ 1,324,779</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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

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

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, 2016

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 CPSAS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

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

3. Cash

During the year, the BIA received funds from the City of Toronto for a special project for Culture, Art and Recreation Programs in Ward 27. The funds are allocated to local programs and projects in consultation with the Ward 27 Councillor. At year end, the funds held in trust related to this initiative was \$158,416.

4. Investments

Investments consist of amounts invested in guarantee investment certificates (GICs). Interest on these investments range from 1.35% - 1.90%. The GICs have maturity dates ranging from August 2017 to October 2019.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 BIA records special charges receivable net of an allowance for uncollected amounts. The special charges receivable from the City of Toronto are comprised of:

	<u>2016</u>	<u>2015</u>
Total special charges outstanding	\$ 733,423	\$ 897,211
Less: Allowance for special charges in appeals	<u>(486,000)</u>	<u>(702,200)</u>
Special charges receivable	<u>\$ 247,423</u>	<u>\$ 195,011</u>

6. Scholarship payable

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 2016, no amount (2015 - \$2,000) was awarded from this fund and the agreement has not been renewed as at December 31, 2016.

7. Tangible capital assets

	<u>2015</u>	<u>2016</u>		
<u>Cost</u>	<u>Opening</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing</u>
Streetscape fixtures	\$2,485,250	\$ -	\$ -	\$2,485,250
Holiday decor	438,735	-	-	438,735
Leasehold improvements	122,498	-	-	122,498
Furniture and equipment	77,855	-	-	77,855
Computer equipment	<u>34,018</u>	<u>-</u>	<u>-</u>	<u>34,018</u>
	<u>\$3,158,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,158,356</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

7. Tangible capital assets (continued)

	<u>2015</u>	<u>2016</u>		
<u>Accumulated Amortization</u>	<u>Opening</u>	<u>Disposals</u>	<u>Amortization</u>	<u>Closing</u>
Streetscape fixtures	\$ 720,243	\$ -	\$ 87,600	\$ 807,843
Holiday decor	342,183	-	34,486	376,669
Leasehold improvements	99,196	-	13,316	112,512
Furniture and equipment	72,587	-	2,439	75,026
Computer equipment	<u>34,018</u>	<u>-</u>	<u>-</u>	<u>34,018</u>
	<u>\$1,268,227</u>	<u>\$ -</u>	<u>\$ 137,841</u>	<u>\$1,406,068</u>

	<u>2015</u>	<u>2016</u>
<u>Net Book Value</u>		
Streetscape fixtures	\$1,765,007	\$1,677,407
Holiday decor	96,552	62,066
Leasehold improvements	23,302	9,986
Furniture and equipment	<u>5,268</u>	<u>2,829</u>
	<u>\$1,890,129</u>	<u>\$1,752,288</u>

8. Accumulated surplus

	<u>2016</u>		
	<u>Unrestricted Operating</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 2,378,903	\$ 1,890,129	\$ 4,269,032
Annual deficit	(189,558)	-	(189,558)
Amortization	<u>137,841</u>	<u>(137,841)</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 2,327,186</u>	<u>\$ 1,752,288</u>	<u>\$ 4,079,474</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

8. Accumulated surplus (continued)

	2015		
	Unrestricted Operating	Invested in capital assets	Total
Accumulated surplus, beginning of year	\$ 2,352,631	\$ 2,027,455	\$ 4,380,086
Annual surplus	(111,054)	-	(111,054)
Amortization	<u>137,326</u>	<u>(137,326)</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 2,378,903</u>	<u>\$ 1,890,129</u>	<u>\$ 4,269,032</u>

9. 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, 2016 the BIA has \$301,740 (2015 - \$nil) of outstanding commitments relating to ongoing capital improvement project to be completed in 2017.
- b) The BIA has contractual commitments to minimum annual operating payments for equipment and other contractual obligations as follows:

2017	\$ 84,454
2018	36,972
2019	<u>2,772</u>
	<u>\$ 124,198</u>

The BIA's premise is up for renewal in 2017. As at the audit report date, the BIA is in the process of negotiating the renewal.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

10. 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. 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 4.

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.

11. Insurance

The BIA 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.

12. 2016 Budget

The 2016 budget figures on the statement of operations are presented for information purposes only and are not commented on by the independent audit opinion of Rosenswig McRae Thorpe LLP dated March 23, 2017.

13. Annual deficit

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. No capital assets were purchased this year (2015 - nil). The annual deficit without amortization of \$137,841 (2015 - \$137,326) is \$51,717 (2015 - \$26,272 surplus).

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Administration		
Salaries and benefits	\$ 733,763	\$ 733,497
Occupancy costs	118,237	115,515
Professional fees	48,224	52,284
Travel	38,857	26,118
Repairs and maintenance	36,093	36,830
Utilities	15,872	14,943
General office	13,785	11,868
Memberships	12,792	23,010
Consultants	11,479	12,236
Insurance	4,599	8,393
Interest and bank charges	<u>2,161</u>	<u>2,152</u>
	<u>1,035,862</u>	<u>1,036,846</u>
Events		
Programming	304,667	435,566
Advertising and promotion	149,305	174,995
Consultants	<u>36,974</u>	<u>24,985</u>
	<u>490,946</u>	<u>635,546</u>
Clean streets		
Repairs and maintenance	234,832	232,274
Salaries and benefits	212,347	187,238
Occupancy costs	31,916	30,305
Utilities	16,186	12,196
Travel	<u>377</u>	<u>668</u>
	<u>495,658</u>	<u>462,681</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Member services and advocacy		
Consultants	113,851	71,574
Advertising and promotion	70,485	69,824
Meetings	17,614	16,263
General office	<u>10,304</u>	<u>11,333</u>
	<u>212,254</u>	<u>168,994</u>
Provision for levies in appeals	<u>(66,400)</u>	<u>145,707</u>
Streetscape improvements - non-cost share	<u>422,285</u>	<u>111,146</u>
Marketing		
Marketing and promotion	42,919	51,042
Salaries and benefits	<u>-</u>	<u>49,208</u>
	<u>42,919</u>	<u>100,250</u>
Capital expenditures - other	<u>1,317</u>	<u>6,665</u>
Streetscape improvements - cost share	<u>186,791</u>	<u>-</u>
Amortization	<u>137,841</u>	<u>137,326</u>
	<u>\$ 2,959,473</u>	<u>\$ 2,805,161</u>

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