

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**DECEMBER 31, 2016**

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# Rosenswig McRae Thorpe LLP

Chartered Professional Accountants  
Affiliated 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, 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 Toronto Entertainment District Business Improvement Area as at December 31, 2016, 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 22, 2017

Chartered Professional Accountants  
Licensed Public Accountants

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2016**

**FINANCIAL ASSETS**

	<u>2016</u>	<u>2015</u>
Cash	\$ 1,314,112	\$ 1,208,813
Investments (Note 3)	1,466,864	1,255,550
Accounts receivable		
City of Toronto - special charges (Note 4)	505,786	315,989
Other	<u>80,900</u>	<u>61,030</u>
	<u>3,367,662</u>	<u>2,841,382</u>


**LIABILITIES**

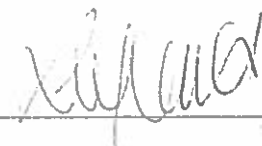
Accounts payable and accrued liabilities		
City of Toronto	149,203	9,818
Other	<u>134,505</u>	<u>69,182</u>
	<u>283,708</u>	<u>79,000</u>
Net financial assets	<u>3,083,954</u>	<u>2,762,382</u>

**NON FINANCIAL ASSETS**

Prepaid expenses	12,283	10,055
Tangible capital assets (Note 5)	<u>720,905</u>	<u>826,280</u>
	<u>733,188</u>	<u>836,335</u>
Accumulated surplus (Note 6)	<u>\$ 3,817,142</u>	<u>\$ 3,598,717</u>

Approved on behalf of the Board of Management:

  
\_\_\_\_\_. Chair

  
\_\_\_\_\_. Treasurer

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>		<u>2015</u>
	<u>Actual</u>	<u>Budget</u> (Note 10)	
Revenue			
City of Toronto - special charges	\$ 2,083,044	\$ 2,079,199	\$ 2,157,161
Interest income	28,379	25,000	34,079
Other income	<u>1,182</u>	<u>-</u>	<u>1,816</u>
	<u>2,112,605</u>	<u>2,104,199</u>	<u>2,193,056</u>
Expenses			
Streetscape improvements	949,001	980,433	629,052
Salaries and benefits	318,969	348,054	345,816
Repairs and maintenance	122,447	266,000	68,918
Occupancy costs	108,191	104,443	100,392
Marketing and promotion	92,945	413,000	289,690
Consultants	90,055	16,800	12,048
Professional fees	34,675	42,381	29,961
Events	21,411	13,000	20,036
Safety and security	18,232	40,310	3,605
Meeting expenses	17,957	38,000	33,800
General office	13,357	19,000	25,696
Insurance	7,431	7,926	7,336
Memberships	5,000	5,000	9,458
Interest and bank charges	1,624	1,528	1,641
Travel	420	1,100	7,101
Provision for (recovery of) levies in appeals	(77,971)	189,018	58,951
Amortization	<u>170,436</u>	<u>-</u>	<u>171,916</u>
	<u>1,894,180</u>	<u>2,485,993</u>	<u>1,815,417</u>
Annual surplus	\$ <u>218,425</u>	\$ <u>(381,794)</u>	\$ <u>377,639</u>

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**STATEMENT OF NET FINANCIAL ASSETS**

**DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Annual surplus	\$ 218,425	\$ 377,639
Acquisition of tangible capital assets	(65,062)	(70,832)
Amortization of tangible capital assets	170,436	171,916
(Increase) decrease in prepaid expenses	<u>(2,227)</u>	<u>5,218</u>
Change in net financial assets	321,572	483,941
Net financial assets, beginning of year	<u>2,762,382</u>	<u>2,278,441</u>
Net financial assets, end of year	<u>\$ 3,083,954</u>	<u>\$ 2,762,382</u>

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Cash from operating activities		
Annual surplus	\$ 218,425	377,639
Adjustment for:		
Amortization	<u>170,436</u>	<u>171,916</u>
	388,861	549,555
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable		
City of Toronto - special charges	(189,797)	(187,659)
Other	(19,870)	42,968
(Increase) decrease in prepaid expenses	(2,227)	5,218
Increase (decrease) in accounts payable and accrued liabilities		
City of Toronto	139,385	(258,855)
Other	<u>65,323</u>	<u>(5,660)</u>
	<u>381,675</u>	<u>145,567</u>
Cash flows used in investing activities		
Redemption of investments	(211,314)	(230,550)
Purchase of tangible capital assets	<u>(65,062)</u>	<u>(70,832)</u>
	<u>(276,376)</u>	<u>(301,382)</u>
Increase (decrease) in cash position	105,299	(155,815)
Cash, beginning of year	<u>1,208,813</u>	<u>1,364,628</u>
Cash, end of year	\$ <u><u>1,314,112</u></u>	\$ <u><u>1,208,813</u></u>

# **TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

### **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 Chartered Professional Accountants of Canada. The significant accounting policies are summarized as follows:

#### **a) Accrual basis of accounting**

The BIA follows the accrual method of accounting for revenues and expenses. Expenses 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**

p DECEMBER 31, 2016

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 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.

- c) 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
Leaschold improvements	-	over the remaining lease life
Furniture and equipment	-	5 year straight-line
Computer equipment	-	3 year straight-line
Holiday decor	-	3-5 year straight-line
Computer software	-	3 year straight-line

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

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**3. Investments**

Investments consist of amounts invested in guaranteed investment certificates (GIC) with maturity dates between April 2017 to April 2019 earning interest between 1.5% to 2.1%. Included in long-term investments is a GIC for \$15,360 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 from the City of Toronto are comprised of:

	<u>2016</u>	<u>2015</u>
Total special charges outstanding	\$ 753,286	\$ 768,089
Less: Allowance for special charges in appeals	<u>(247,500)</u>	<u>(452,100)</u>
Special charges receivable	<u>\$ 505,786</u>	<u>\$ 315,989</u>

**5. 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	\$1,046,436	\$ 65,062	\$ (46,829)	\$1,064,669
Leasehold improvements	51,485	-	-	51,485
Furniture and equipment	75,650	-	-	75,650
Computer equipment	12,546	-	-	12,546
Holiday decor	31,771	-	-	31,771
Computer software	<u>5,031</u>	<u>-</u>	<u>-</u>	<u>5,031</u>
	<u>\$1,222,919</u>	<u>\$ 65,062</u>	<u>\$ (46,829)</u>	<u>\$1,241,152</u>

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**5. 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	\$ 299,592	\$ (46,829)	\$ 149,262	\$ 402,025
Leasehold improvements	9,727	-	7,348	17,075
Furniture and equipment	43,118	-	8,913	52,031
Computer equipment	10,977	-	1,337	12,314
Holiday decor	28,194	-	3,577	31,771
Computer software	<u>5,031</u>	<u>-</u>	<u>-</u>	<u>5,031</u>
	<u>\$ 396,639</u>	<u>\$ (46,829)</u>	<u>\$ 170,437</u>	<u>\$ 520,247</u>

	<u>2015</u>	<u>2016</u>
<u>Net Book Value</u>		
Streetscape fixtures	\$ 746,844	\$ 662,644
Leasehold improvements	41,758	34,410
Furniture and equipment	32,533	23,619
Computer equipment	1,568	232
Holiday decor	<u>3,577</u>	<u>-</u>
	<u>\$ 826,280</u>	<u>\$ 720,905</u>

Tangible capital asset additions purchased during the year amounted to \$65,062 (2015 - \$70,832). Fully amortized streetscape fixtures that are no longer in use of \$46,928 were written off.

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**6. Accumulated surplus**

	2016		
	<u>Unrestricted Surplus</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 2,772,437	\$ 826,280	\$ 3,598,717
Annual surplus	218,425	-	218,425
Amortization	170,436	(170,436)	-
Purchase of tangible capital assets	<u>(65,062)</u>	<u>65,062</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 3,096,236</u>	<u>\$ 720,906</u>	<u>\$ 3,817,142</u>

	2015		
	<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>

**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, 2016 the BIA has a commitment outstanding relating to their 2016 capital improvement projects in the amount of \$273,603 (2015 - \$333,899).

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**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:

2017	\$	53,579
2018		56,033
2019		58,487
2020		60,941
2021		<u>41,718</u>
	\$	<u>270,758</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, 2016**

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. 2016 Budget

The 2016 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 22, 2017.

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 \$105,374 (2015 - 101,084) which contributed to the annual surplus. The amount of surplus not invested in tangible capital assets for the year is \$370,627 (2015 - \$478,723).

**TORONTO ENTERTAINMENT DISTRICT  
BUSINESS IMPROVEMENT AREA**

**SCHEDULE OF EXPENSES  
YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Streetscape improvements		
Streetscape improvement and maintenance	\$ 929,294	\$ 579,568
Consultants	12,063	11,378
Master plan and development costs	<u>7,644</u>	<u>38,106</u>
	<u>949,001</u>	<u>629,052</u>
Administration		
Salaries and benefits	211,129	213,758
Occupancy costs	95,661	91,303
Consultants	90,055	12,048
Professional fees	34,675	29,961
General office	13,357	25,696
Utilities	12,530	9,089
Meeting expenses	9,707	15,833
Insurance	7,431	7,336
Memberships	5,000	9,458
Interest and bank charges	1,624	1,641
Travel	<u>420</u>	<u>7,101</u>
	<u>481,589</u>	<u>423,224</u>
Advertising, marketing and promotion		
Marketing and promotion	92,945	289,689
Salaries and benefits	61,536	83,873
Events	21,411	20,036
Meeting expenses	<u>8,250</u>	<u>17,968</u>
	<u>184,142</u>	<u>411,566</u>
Safety and security		
Repairs and maintenance	122,447	68,918
Salaries and benefits	46,304	48,186
Safety and security	<u>18,232</u>	<u>3,604</u>
	<u>186,983</u>	<u>120,708</u>
Provision for levies in appeals	<u>(77,971)</u>	<u>58,951</u>
Amortization	<u>170,436</u>	<u>171,916</u>
	<u>\$ 1,894,180</u>	<u>\$ 1,815,417</u>

