

FINANCIAL STATEMENTS

For

YONGE-DUNDAS SQUARE

For the year ended

DECEMBER 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the board of directors of

YONGE-DUNDAS SQUARE AND THE CITY OF TORONTO

We have audited the accompanying financial statements of Yonge-Dundas Square, which comprise the statement of financial position as at December 31, 2016, statements of operations, change in net debt, 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.

Auditor's 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 auditor's 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 Yonge-Dundas Square as at December 31, 2016 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.




Chartered Professional Accountants
Licensed Public Accountants

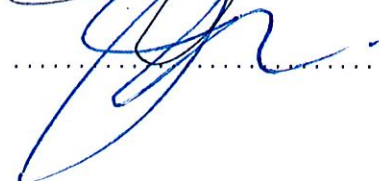
Toronto, Ontario
April 20, 2017.

YONGE-DUNDAS SQUARE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash	\$ 106,444	\$ 60,882
Accounts receivable - other (note 3)	<u>273,426</u>	<u>166,414</u>
	<u>379,870</u>	<u>227,296</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - other (note 4)	382,113	131,988
Due to City of Toronto - operating surplus (note 5)	3,993	91,210
Deferred revenue	<u>11,000</u>	<u>21,823</u>
	<u>397,106</u>	<u>245,021</u>
NET DEBT	<u>(17,236)</u>	<u>(17,725)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	17,233	17,722
Tangible capital assets (note 6)	<u>134,853</u>	<u>184,755</u>
	<u>152,086</u>	<u>202,477</u>
ACCUMULATED SURPLUS	<u>\$ 134,850</u>	<u>\$ 184,752</u>

Approved by the Board:

 Director

 Director

(See accompanying notes)

Welch LLP[®]

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YONGE-DUNDAS SQUARE
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016

	2016 <u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Revenue			
City of Toronto	\$ 389,365	\$ 387,266	\$ 393,297
Corporate sponsorship and contributions	245,000	-	245,000
Permit revenue	345,000	309,296	325,615
Event support revenue (schedule A)	1,060,000	1,778,613	1,352,246
Food and beverages	3,000	4,587	2,114
Rental income	145,000	180,264	147,672
Signage	140,000	244,308	210,294
Other revenue	7,150	11,802	4,304
	<u>2,334,515</u>	<u>2,916,136</u>	<u>2,680,542</u>
Expenses			
Event support	710,200	1,109,378	922,818
Marketing	213,288	197,588	182,860
Payroll	559,055	577,643	535,639
Seasonal contract employees	23,250	25,690	28,906
Maintenance	454,690	413,234	407,470
Security	196,950	192,306	186,913
Administration	177,082	382,930	221,612
Amortization	-	63,276	63,344
	<u>2,334,515</u>	<u>2,962,045</u>	<u>2,549,562</u>
Net revenue over expenses (expenses over revenues) before item below	<u>-</u>	(45,909)	130,980
Net payable to the City of Toronto (note 5)		<u>(3,993)</u>	<u>(91,210)</u>
Annual surplus (deficit)		(49,902)	39,770
Accumulated surplus, beginning of year		<u>184,752</u>	<u>144,982</u>
Accumulated surplus, end of year		<u>\$ 134,850</u>	<u>\$ 184,752</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
STATEMENT OF CHANGE IN NET DEBT
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Annual surplus (deficit)	\$ (49,902)	\$ 39,770
Acquisition of tangible capital assets	(13,374)	(103,117)
Amortization of tangible capital assets	63,276	63,344
Use of prepaid expenses	<u>489</u>	<u>7,858</u>
Decrease in net debt	489	7,855
Net debt, beginning of year	<u>(17,725)</u>	<u>(25,580)</u>
Net debt, end of year	<u>\$ (17,236)</u>	<u>\$ (17,725)</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (49,902)	\$ 39,770
Adjustments for:		
Amortization	<u>63,276</u>	<u>63,344</u>
	13,374	103,114
Non-cash charges to operations:		
Accounts receivable - other	(107,012)	(92,356)
Prepaid expenses	489	7,858
Accounts payable and accrued liabilities - other	250,125	(47,879)
Due to City of Toronto - operating surplus	(87,217)	87,611
Deferred revenue	<u>(10,823)</u>	<u>16,787</u>
Cash flows provided by operating activities	<u>58,936</u>	<u>75,135</u>
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(13,374)</u>	<u>(103,117)</u>
Cash flows used in capital transactions	<u>(13,374)</u>	<u>(103,117)</u>
INCREASE (DECREASE) IN CASH	45,562	(27,982)
CASH, BEGINNING OF YEAR	<u>60,882</u>	<u>88,864</u>
CASH, END OF YEAR	<u>\$ 106,444</u>	<u>\$ 60,882</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

1. NATURE OF OPERATIONS

The Yonge-Dundas Square (the "Square") is an event venue for the general public. The City of Toronto appointed a volunteer Board of Management to operate the Square. Yonge-Dundas Square is a city owned property. It was established in December of 2001 and its purpose is to attract additional retail and entertainment development to the Yonge-Dundas area. The Square commenced operations on January 1, 2003. The Organization is to pay net revenue to the City of Toronto.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Square follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable tangible capital assets are deferred and amortized over the life of the related tangible capital assets. Externally restricted contributions for tangible capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

All other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Tangible capital assets

Purchased tangible capital assets are recorded at cost and contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	3 years, straight line
Facilities equipment	5 to 10 years, straight line
Indoor furniture	5 years, straight line
Leasehold improvements	5 years, straight line
Outdoor furniture	3 years, straight line
Outdoor equipment	2 to 5 years, straight line

Financial instruments

Yonge-Dundas Square initially measures its financial assets and financial liabilities at fair value.

The Square subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to the City of Toronto.

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Employee pension plan

The Square has adopted the following policies with respect to employee benefit plan. The City of Toronto offers a multiemployer defined benefit pension plan to the Square's eligible employees. Due to the nature of the Plan, the Square does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multiemployer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining useful life of its tangible capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and in any future years affected.

3. OTHER RECEIVABLES

	<u>2016</u>	<u>2015</u>
Signage receivable	\$ 191,318	\$ 152,881
Other	<u>82,108</u>	<u>13,533</u>
	<u>\$ 273,426</u>	<u>\$ 166,414</u>

The receivable for Signage includes an amount of \$169,307 (2015 - \$135,293) which is based on the Square's advertising reaching a predetermined threshold and may not repeat in future years.

4. OTHER PAYABLES

	<u>2016</u>	<u>2015</u>
Client deposits	\$ 20,000	\$ 20,000
Accruals	42,872	6,646
HST Payable	24,784	20,025
Trade	<u>294,456</u>	<u>85,317</u>
	<u>\$ 382,112</u>	<u>\$ 131,988</u>

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2016

5. OPERATING SURPLUS DUE TO THE CITY OF TORONTO

The amount due to the City of Toronto consists of the following:

	<u>2016</u>	<u>2015</u>
Balance payable, beginning of year	\$ 91,210	\$ 3,599
Current year's operating surplus (deficit)	(45,909)	130,980
Current year's tangible capital assets net purchase	(13,374)	(103,117)
Current year's amortization	<u>63,276</u>	<u>63,344</u>
Net revenue payable to the City of Toronto	95,203	94,806
Paid during the current year	<u>(91,210)</u>	<u>(3,596)</u>
Balance payable, end of year	\$ <u>3,993</u>	\$ <u>91,210</u>

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer equipment	\$ 29,165	\$ 28,191	\$ 29,165	\$ 26,465
Facilities equipment	160,778	82,248	152,158	55,853
Indoor furniture	29,338	22,385	29,338	16,590
Leasehold improvements	42,907	34,325	42,907	25,744
Outdoor furniture	51,631	46,305	49,877	43,022
Outdoor equipment	<u>167,544</u>	<u>133,056</u>	<u>164,544</u>	<u>115,560</u>
	481,363	\$ 346,510	467,989	\$ 283,234
Accumulated amortization	<u>346,510</u>		<u>283,234</u>	
	\$ <u>134,853</u>		\$ <u>184,755</u>	

7. EMPLOYEE PENSION PLAN

The Square makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its eligible employees. This Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$44,562 in 2016 (2015 - \$37,405).

The most recent actuarial valuation of the OMERS plan available at this time was as at December 31, 2016, and indicates the Plan is not fully funded and the plan's December 31, 2016 financial statements indicate a deficit of \$3.379 billion (less an additional \$5.72 billion of deferred gains that must be recognized over the next four years). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Square's contributions accounted for 0.0024% of the Plan's total employer contributions. Additional contributions, if any, required to address the Square's proportionate share of the deficit will be expensed during the period incurred.

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2016

8. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Square's financial instruments.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Square will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities.

The Square manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Square believes its overall liquidity risk to be minimal as the Square's financial assets are considered to be highly liquid.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Square's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

Credit risk

The Square is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Square's maximum exposure to credit risk represents the sum of the carrying value of its cash, short term investments and accounts receivable. The Square's cash is with a Canadian chartered bank and as a result management believes the risk of loss to be remote.

The Square provides credit to its customers in the normal course of operations. It carries out, on a continuing basis, a review of outstanding amounts and maintains provisions for estimated uncollectible accounts. Approximately 70% of the Square's accounts receivable at year-end is from one customer.

Management believes that the Square's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Changes in risk

There have been no significant changes in the Square's risk exposures from the prior year.

9. COMMITMENTS

Yonge-Dundas Square has entered into an agreement to lease office premises until December 31, 2018. In addition the Square has entered into an operating lease for equipment ending March 23, 2017. The minimum lease payments for both agreements is as follows:

2017	\$ 30,314
2018	27,734

YONGE-DUNDAS SQUARE
SCHEDULE OF EVENT SUPPORT REVENUE
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Event support revenue		
Electrician	\$ 72,391	\$ 29,520
Security	248,612	269,034
AV technician	151,788	105,096
Custodial	74,623	57,026
Sound	101,978	103,080
Logistic and staging	393,362	278,366
Equipment rental	670,469	463,736
Utilities	<u>65,390</u>	<u>46,388</u>
	<u>\$ 1,778,613</u>	<u>\$ 1,352,246</u>