

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**DOWNTOWN YONGE BUSINESS
IMPROVEMENT AREA**

DECEMBER 31, 2017

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Rosenswig McRae Thorpe LLP

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

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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, 2017, 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, 2017 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 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

FINANCIAL ASSETS

	<u>2017</u>	<u>2016</u>
Cash (Note 3)	\$ 777,098	\$ 1,798,565
Investments (Note 4)	1,400,003	876,059
Accounts receivable		
City of Toronto - special charges (Note 5)	27,752	247,423
Other	<u>113,787</u>	<u>121,552</u>
	<u>2,318,640</u>	<u>3,043,599</u>

LIABILITIES

Accounts payable and accrued liabilities	97,652	578,813
Funds held in trust (Note 3)	131,489	158,416
Scholarship payable (Note 6)	<u>13,025</u>	<u>13,025</u>
	<u>242,166</u>	<u>750,254</u>
Net financial assets	<u>2,076,474</u>	<u>2,293,345</u>

NON FINANCIAL ASSETS

Tangible capital assets (Note 7)	1,630,311	1,752,288
Prepaid expenses	<u>18,928</u>	<u>33,841</u>
	<u>1,649,239</u>	<u>1,786,129</u>
Accumulated surplus (Note 8)	<u>\$ 3,725,713</u>	<u>\$ 4,079,474</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, 2017

	2017		2016
	Actual	Budget (Note 12)	
Revenue			
City of Toronto - special charges	\$ 2,661,424	2,661,425	\$ 2,596,939
Other income (Note 9)	155,287	60,000	106,500
Advertising and sponsorships	118,004	40,000	66,476
Grants	<u>5,390</u>	<u>20,000</u>	<u>-</u>
	<u>2,940,105</u>	<u>2,781,425</u>	<u>2,769,915</u>
Expenses			
Administration	\$ 1,086,019	1,083,870	\$ 1,047,134
Streetscape improvements	546,496	725,000	610,394
Maintenance	434,151	601,645	495,658
Festivals and events	432,755	475,000	490,946
Provision for levies in appeals	415,580	241,948	(66,400)
Promotion and advertising	256,888	250,000	243,900
Amortization	<u>121,977</u>	<u>-</u>	<u>137,841</u>
	<u>3,293,866</u>	<u>3,377,463</u>	<u>2,959,473</u>
Annual deficit (Note 15)	<u>\$ (353,761)</u>	<u>(596,038)</u>	<u>(189,558)</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual deficit	\$ (353,761)	\$ (189,558)
Amortization of tangible capital assets	121,977	137,841
Decrease (increase) in prepaid expense	<u>14,913</u>	<u>(19,494)</u>
Change in net financial assets	(216,871)	(71,211)
Net financial assets, beginning of year	<u>2,293,345</u>	<u>2,364,556</u>
Net financial assets, end of year	<u>\$ 2,076,474</u>	<u>\$ 2,293,345</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Cash from operating activities		
Annual deficit	\$ (353,761)	\$ (189,558)
Adjustments for:		
Amortization	<u>121,977</u>	<u>137,841</u>
	(231,784)	(51,717)
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable		
City of Toronto - special charges	219,671	(52,412)
Other	7,765	(30,979)
Decrease (increase) in prepaid expenses	14,913	(19,494)
(Decrease) increase in accounts payable and accrued liabilities	(481,161)	382,346
(Decrease) increase in amounts held in trust	<u>(26,927)</u>	<u>158,416</u>
	<u>(497,523)</u>	<u>386,160</u>
Cash flows from investing activities		
(Purchase) sale of investments	<u>(523,944)</u>	<u>87,626</u>
Increase in cash position	(1,021,467)	473,786
Cash, beginning of year	<u>1,798,565</u>	<u>1,324,779</u>
Cash, end of year	<u>\$ 777,098</u>	<u>\$ 1,798,565</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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) Other income - revenue is recognized when earned.**

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

In 2016, 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 Councilor. At year end, the funds held in trust related to this initiative was \$131,489 (2016 - \$158,416).

4. Investments

Investments consist of amounts invested in guarantee investment certificates (GICs). Interest on these investments range from 1.00% - 2.40%. The GICs have maturity dates ranging from May 2018 to October 2020.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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>2017</u>	<u>2016</u>
Total special charges outstanding	\$ 683,952	\$ 733,423
Less: Allowance for special charges in appeals	<u>(656,200)</u>	<u>(486,000)</u>
Special charges receivable	<u>\$ 27,752</u>	<u>\$ 247,423</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. During fiscal 2016 and 2017, no amounts were awarded from this fund and the previously existing agreement with Ryerson to award qualifying students has not been renewed as at December 31, 2017.

7. Tangible capital assets

<u>Cost</u>	<u>2016</u>	<u>2017</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, 2017

7. Tangible capital assets (continued)

<u>Accumulated Amortization</u>	<u>2016</u>	<u>2017</u>		
	<u>Opening</u>	<u>Disposals</u>	<u>Amortization</u>	<u>Closing</u>
Streetscape fixtures	\$ 807,843	\$ -	\$ 87,426	\$ 895,269
Holiday decor	376,669	-	28,974	405,643
Leasehold improvements	112,512	-	2,748	115,260
Furniture and equipment	75,026	-	2,829	77,855
Computer equipment	<u>34,018</u>	<u>-</u>	<u>-</u>	<u>34,018</u>
	<u>\$1,406,068</u>	<u>\$ -</u>	<u>\$ 121,977</u>	<u>\$1,528,045</u>

<u>Net Book Value</u>	<u>2016</u>	<u>2017</u>
Streetscape fixtures	\$1,677,407	\$1,589,981
Holiday decor	62,066	33,092
Leasehold improvements	9,986	7,238
Furniture and equipment	<u>2,829</u>	<u>-</u>
	<u>\$1,752,288</u>	<u>\$1,630,311</u>

8. Accumulated surplus

	<u>2017</u>		
	<u>Unrestricted Operating</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 2,327,186	\$ 1,752,288	\$ 4,079,474
Annual deficit	(353,761)	-	(353,761)
Amortization	<u>121,977</u>	<u>(121,977)</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 2,095,402</u>	<u>\$ 1,630,311</u>	<u>\$ 3,725,713</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. Accumulated surplus (continued)

	2016		
	Unrestricted Operating	Invested in capital assets	Total
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>

9. Other income

Included in other income is \$75,506 of Section 37 funds received from the City to build a fence around a playground located within the BIA boundaries. The related cost of the fence has been recorded in Streetscape improvements.

10. 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, 2017 the BIA has \$1,200 (2016 - \$301,740) of outstanding commitments relating to ongoing capital improvement project to be completed in 2018.
- b) The BIA has contractual commitments to minimum annual operating payments for equipment and other contractual obligations as follows:

2018	\$ 99,906
2019	66,023
2020	63,578
2021	63,911
2022	<u>48,122</u>
	<u>\$ 341,540</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. 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.

12. 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.

13. 2017 Budget

The 2017 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 22, 2018.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

14. 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 (2016 - nil). The annual deficit without amortization of \$121,977 (2016 - 137,841) is \$231,784 (2016 - 51,717).

15. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Administration		
Salaries and benefits	\$ 784,823	\$ 733,763
Occupancy costs	120,748	118,237
Professional fees	58,299	48,224
Repairs and maintenance	39,145	36,093
Utilities	17,050	15,872
Memberships	14,474	12,792
Travel	11,684	38,857
General office	20,042	25,057
Insurance	9,026	4,599
Consultants	8,672	11,479
Interest and bank charges	<u>2,056</u>	<u>2,161</u>
	<u>1,086,019</u>	<u>1,047,134</u>
Festivals and events		
Programming	302,412	304,667
Advertising and promotion	69,306	149,305
Consultants	41,037	36,974
Salaries and benefits	<u>20,000</u>	<u>-</u>
	<u>432,755</u>	<u>490,946</u>
Maintenance		
Repairs and maintenance	214,348	234,832
Salaries and benefits	183,584	212,347
Occupancy costs	21,417	31,916
Utilities	14,224	16,186
Travel	<u>578</u>	<u>377</u>
	<u>434,151</u>	<u>495,658</u>

DOWNTOWN YONGE BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Promotion and advertising		
Consultants	109,546	113,851
Advertising and promotion	114,219	113,403
General office	22,219	10,304
Meetings	<u>10,904</u>	<u>6,342</u>
	<u>256,888</u>	<u>243,900</u>
Streetscape improvements	<u>546,496</u>	<u>610,394</u>
Provision for levies in appeals	<u>415,580</u>	<u>(66,400)</u>
Amortization	<u>121,977</u>	<u>137,841</u>
	<u>\$ 3,293,866</u>	<u>\$ 2,959,473</u>