

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
DECEMBER 31, 2017**

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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, 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 Toronto Entertainment District Business Improvement Area as at December 31, 2017, 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 19, 2018

Chartered Professional Accountants
Licensed Public Accountants

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

FINANCIAL ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 1,755,612	\$ 1,314,112
Investments (Note 3)	1,471,204	1,466,864
Accounts receivable		
City of Toronto - special charges (Note 4)	55,435	505,786
Other	<u>119,508</u>	<u>80,900</u>
	<u>3,401,759</u>	<u>3,367,662</u>


LIABILITIES

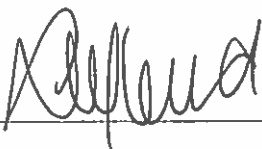
Accounts payable and accrued liabilities		
City of Toronto	102,739	149,203
Other	<u>129,209</u>	<u>134,505</u>
	<u>231,948</u>	<u>283,708</u>
Net financial assets	<u>3,169,811</u>	<u>3,083,954</u>

NON FINANCIAL ASSETS

Prepaid expenses	12,282	12,282
Tangible capital assets (Note 5)	<u>611,070</u>	<u>720,906</u>
	<u>623,352</u>	<u>733,188</u>
Accumulated surplus (Note 6)	<u>\$ 3,793,163</u>	<u>\$ 3,817,142</u>

Approved on behalf of the Board of Management:


_____, Chair


_____, Treasurer

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

**STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>		<u>2016</u>
	<u>Actual</u>	<u>Budget</u> (Note 10)	
Revenue			
City of Toronto - special charges	\$ 2,142,669	\$ 2,141,973	\$ 2,083,044
Interest income	39,061	-	28,379
Other income	<u>1,998</u>	<u>28,000</u>	<u>1,182</u>
	<u>2,183,728</u>	<u>2,169,973</u>	<u>2,112,605</u>
Expenses			
Streetscape improvements	775,353	819,466	949,001
Repairs and maintenance	410,817	257,100	122,447
Salaries and benefits	356,437	451,094	318,969
Provision for (recovery of) levies in appeals	195,048	194,725	(77,971)
Occupancy costs	113,367	107,872	108,191
Consultants	49,556	121,800	90,055
Professional fees	33,879	42,747	34,675
Marketing and promotion	33,116	380,879	92,945
General office	14,899	20,000	13,357
Safety and security	14,123	40,310	18,232
Meeting expenses	13,329	12,000	17,957
Insurance	7,536	8,523	7,431
Memberships	5,000	5,000	5,000
Interest and bank charges	1,863	1,600	1,624
Travel	592	1,200	420
Events	-	18,000	21,411
Amortization	<u>182,792</u>	<u>-</u>	<u>170,436</u>
	<u>2,207,707</u>	<u>2,482,316</u>	<u>1,894,180</u>
Annual surplus	<u>\$ (23,979)</u>	<u>\$ (312,343)</u>	<u>\$ 218,425</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus	\$ (23,979)	\$ 218,425
Acquisition of tangible capital assets	(72,956)	(65,062)
Amortization of tangible capital assets	182,792	170,436
Increase in prepaid expenses	<u>-</u>	<u>(2,227)</u>
Change in net financial assets	85,857	321,572
Net financial assets, beginning of year	<u>3,083,954</u>	<u>2,762,382</u>
Net financial assets, end of year	<u>\$ 3,169,811</u>	<u>\$ 3,083,954</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

STATEMENT OF CASH FLOWS

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Cash from operating activities		
Annual surplus	\$ (23,979)	218,425
Adjustment for:		
Amortization	<u>182,792</u>	<u>170,436</u>
	158,813	388,861
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable		
City of Toronto - special charges	450,351	(189,797)
Other	(38,608)	(19,870)
Increase in prepaid expenses	-	(2,227)
(Decrease) increase in accounts payable and accrued liabilities		
City of Toronto	(46,464)	139,385
Other	<u>(5,296)</u>	<u>65,323</u>
	<u>518,796</u>	<u>381,675</u>
Cash flows used in investing activities		
Purchase of investments	(4,340)	(211,314)
Purchase of tangible capital assets	<u>(72,956)</u>	<u>(65,062)</u>
	<u>(77,296)</u>	<u>(276,376)</u>
Increase in cash position	441,500	105,299
Cash, beginning of year	<u>1,314,112</u>	<u>1,208,813</u>
Cash, end of year	<u>\$ 1,755,612</u>	<u>\$ 1,314,112</u>

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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
DECEMBER 31, 2017**

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.

- 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	-	3-30 year straight-line
Leasehold 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, 2017

3. Investments

Investments consist of amounts invested in guaranteed investment certificates (GIC) with maturity dates between July 2018 to August 2020 earning interest between 1.5% to 1.9%. Included in long-term investments is a GIC for \$15,500 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>2017</u>	<u>2016</u>
Total special charges outstanding	\$ 477,235	\$ 753,286
Less: Allowance for special charges in appeals	<u>(421,800)</u>	<u>(247,500)</u>
Special charges receivable	<u>\$ 55,435</u>	<u>\$ 505,786</u>

5. Tangible capital assets

	<u>2016</u>	<u>2017</u>		
<u>Cost</u>	<u>Opening</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing</u>
Streetscape fixtures	\$1,064,670	\$ 69,788	\$ -	\$1,134,458
Leasehold improvements	51,485	-	-	51,485
Furniture and equipment	75,650	-	(4,881)	70,769
Computer equipment	12,546	3,168	-	15,714
Holiday decor	31,771	-	-	31,771
Computer software	<u>5,031</u>	<u>-</u>	<u>-</u>	<u>5,031</u>
	<u>\$1,241,153</u>	<u>\$ 72,956</u>	<u>\$ (4,881)</u>	<u>\$1,309,228</u>

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

5. Tangible capital assets (continued)

	<u>2016</u>		<u>2017</u>	
<u>Accumulated Amortization</u>	<u>Opening</u>	<u>Disposals</u>	<u>Amortization</u>	<u>Closing</u>
Streetscape fixtures	\$ 402,025	\$ -	\$ 166,170	\$ 568,195
Leasehold improvements	17,075	-	7,357	24,432
Furniture and equipment	52,031	(4,881)	8,725	55,875
Computer equipment	12,314	-	540	12,854
Holiday decor	31,771	-	-	31,771
Computer software	<u>5,031</u>	<u>-</u>	<u>-</u>	<u>5,031</u>
	<u>\$ 520,247</u>	<u>\$ (4,881)</u>	<u>\$ 182,792</u>	<u>\$ 698,158</u>

<u>Net Book Value</u>	<u>2016</u>	<u>2017</u>
Streetscape fixtures	\$ 662,645	\$ 566,263
Leasehold improvements	34,410	27,053
Furniture and equipment	23,619	14,894
Computer equipment	232	2,860
Holiday decor	-	-
Computer software	<u>-</u>	<u>-</u>
	<u>\$ 720,906</u>	<u>\$ 611,070</u>

Tangible capital asset additions purchased during the year amounted to \$72,956 (2016 - \$65,062). Fully amortized furniture and equipment that are no longer in use of \$4,881 were written off during the year.

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

6. Accumulated surplus

	<u>2017</u>		
	<u>Unrestricted Surplus</u>	<u>Invested in capital assets</u>	<u>Total</u>
Accumulated surplus, beginning of year	\$ 3,096,236	\$ 720,906	\$ 3,817,142
Annual surplus	(23,979)	-	(23,979)
Amortization	182,792	(182,792)	-
Purchase of tangible capital assets	<u>(72,956)</u>	<u>72,956</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 3,182,093</u>	<u>\$ 611,070</u>	<u>\$ 3,793,163</u>

	<u>2016</u>		
	<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>

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, 2017 the BIA has a commitment outstanding relating to their 2017 capital improvement projects in the amount of \$108,991 (2016 - \$273,603).

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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:

2018	\$	56,033
2019		58,487
2020		60,941
2021		<u>41,718</u>
	\$	<u>217,179</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, 2017**

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. 2017 Budget

The 2017 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 19, 2018.

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 \$109,836 (2016 - 105,374) which contributed to the annual surplus. The amount of surplus not invested in tangible capital assets for the year is \$85,857 (2016 - \$323,799).

**TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA**

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Streetscape improvements		
Streetscape improvement and maintenance	\$ 775,353	\$ 929,294
Consultants	-	12,063
Master plan and development costs	<u>-</u>	<u>7,644</u>
	<u>775,353</u>	<u>949,001</u>
Administration		
Salaries and benefits	221,386	211,129
Occupancy costs	100,564	95,661
Professional fees	33,879	34,675
General office	14,899	13,357
Utilities	12,803	12,530
Insurance	7,536	7,431
Consultants	6,740	90,055
Meeting expenses	5,735	9,707
Memberships	5,000	5,000
Interest and bank charges	1,863	1,624
Travel	<u>592</u>	<u>420</u>
	<u>410,997</u>	<u>481,589</u>
Advertising, marketing and promotion		
Salaries and benefits	107,009	61,536
Marketing and promotion	33,116	92,945
Meeting expenses	7,594	8,250
Events	<u>-</u>	<u>21,411</u>
	<u>147,719</u>	<u>184,142</u>
Maintenance		
Repairs and maintenance	410,817	122,447
Consultants	42,816	-
Salaries and benefits	28,042	46,304
Safety and security	<u>14,123</u>	<u>18,232</u>
	<u>495,798</u>	<u>186,983</u>
Provision for levies in appeals	<u>195,048</u>	<u>(77,971)</u>
Amortization	<u>182,792</u>	<u>170,436</u>
	<u>\$ 2,207,707</u>	<u>\$ 1,894,180</u>