

FINANCIAL STATEMENTS
For
YONGE-DUNDAS SQUARE
For the year ended
DECEMBER 31, 2017

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, 2017, statements of operations, changes 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

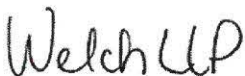
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2017 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.



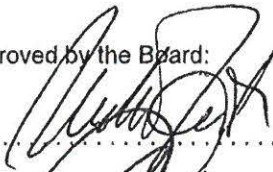

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 22, 2018.

YONGE-DUNDAS SQUARE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 140,283	\$ 106,444
Accounts receivable	320,858	273,426
Due from City of Toronto - operating deficit (note 3)	<u>16,952</u>	<u>-</u>
	<u>478,093</u>	<u>379,870</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	342,343	382,113
Due to City of Toronto - operating surplus (note 3)	-	3,993
Deferred revenue (note 4)	135,322	-
Customer deposits	<u>15,034</u>	<u>11,000</u>
	<u>492,699</u>	<u>397,106</u>
NET DEBT	<u>(14,606)</u>	<u>(17,236)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	14,603	17,233
Tangible capital assets (note 5)	<u>170,601</u>	<u>134,853</u>
	<u>185,204</u>	<u>152,086</u>
ACCUMULATED SURPLUS	<u>\$ 170,598</u>	<u>\$ 134,850</u>

Approved by the Board:


 Director

 Director

(See accompanying notes)

YONGE-DUNDAS SQUARE
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017

	2017 <u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Revenue			
City of Toronto	\$ 377,166	\$ 377,387	\$ 387,266
Corporate sponsorship and contributions (note 4 and 8)	245,000	504,529	45,750
Permit revenue	345,000	233,224	309,296
Event support revenue (schedule A)	1,070,000	1,441,100	1,778,613
Food and beverages	3,000	2,453	4,587
Rental income	146,140	262,509	180,264
Signage (note 4)	160,000	206,561	244,308
Other revenue	<u>6,000</u>	<u>2,493</u>	<u>11,802</u>
	<u>2,352,306</u>	<u>3,030,256</u>	<u>2,961,886</u>
Expenses			
Event support	695,501	919,499	1,109,378
Marketing (note 8)	215,670	279,699	243,338
Payroll	577,844	615,009	577,643
Seasonal contract employees	24,157	75,456	25,690
Maintenance	454,844	492,030	413,234
Security	196,950	202,255	192,306
Administration	187,340	362,501	382,930
Amortization	<u>-</u>	<u>69,004</u>	<u>63,276</u>
	<u>2,352,306</u>	<u>3,015,453</u>	<u>3,007,795</u>
Net revenue over expenses (expenses over revenues) before item below	<u>-</u>	14,803	(45,909)
Net receivable from (payable to) the City of Toronto (note 3)		<u>20,945</u>	<u>(3,993)</u>
Annual surplus (deficit)		35,748	(49,902)
Accumulated surplus, beginning of year		<u>134,850</u>	<u>184,752</u>
Accumulated surplus, end of year		<u>\$ 170,598</u>	<u>\$ 134,850</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus (deficit)	\$ 35,748	\$ (49,902)
Acquisition of tangible capital assets	(104,752)	(13,374)
Amortization of tangible capital assets	69,004	63,276
Use of prepaid expenses	<u>2,630</u>	<u>489</u>
Decrease (increase) in net debt	2,630	489
Net debt, beginning of year	<u>(17,236)</u>	<u>(17,725)</u>
Net debt, end of year	<u>\$ (14,606)</u>	<u>\$ (17,236)</u>

(See accompanying notes)

**YONGE-DUNDAS SQUARE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 35,748	\$ (49,902)
Adjustment for amortization	<u>69,004</u>	<u>63,276</u>
	104,752	13,374
Non-cash charges to operations:		
Accounts receivable	(47,432)	(107,012)
Prepaid expenses	2,630	489
Accounts payable and accrued liabilities	(39,770)	250,125
Due to/from City of Toronto - operating surplus/deficit	(20,945)	(87,217)
Deferred revenue	135,322	-
Customer deposits	<u>4,034</u>	<u>(10,823)</u>
Cash flows provided by operating activities	<u>138,591</u>	<u>58,936</u>
CASH FLOWS FROM (USED IN) CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(104,752)</u>	<u>(13,374)</u>
INCREASE IN CASH	33,839	45,562
CASH, BEGINNING OF YEAR	<u>106,444</u>	<u>60,882</u>
CASH, END OF YEAR	<u>\$ 140,283</u>	<u>\$ 106,444</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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. The 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 Square is to repay 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.

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.

All other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection. Amounts received for future services are deferred until the service is provided. Specifically, sponsorship, signage and rental income are recognized ratably over the terms indicated in the agreements. Permits, event support and food and beverage are recognized once the event has occurred.

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
Facilities equipment	5 to 10 years
Indoor furniture	5 years
Leasehold improvements	5 years
Outdoor furniture	3 years
Outdoor equipment	2 to 5 years

Financial instruments

The 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, 2017

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

Non-monetary transactions

Non-monetary transactions are measured at the more reliable of the fair value of the asset given up and the fair value of the asset received unless the transaction lacks commercial substance or the transaction is an exchange of a product held for sale in the ordinary course of business, in which case the transaction is measured at the carrying amount of the asset given up.

Employee pension plan

The Square's eligible employees are members of a multi-employer defined benefit pension plan offered by the City of Toronto. 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 multi-employer 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. OPERATING SURPLUS DUE TO (FROM) THE CITY OF TORONTO

The amount due to (from) the City of Toronto consists of the following:

	<u>2017</u>	<u>2016</u>
Balance payable, beginning of year	\$ 3,993	\$ 91,210
Current year's operating surplus (deficit)	14,803	(45,909)
Current year's tangible capital assets net purchase	(104,752)	(13,374)
Current year's amortization	<u>69,004</u>	<u>63,276</u>
Net (receivable from) payable to the City of Toronto for current year	<u>(20,945)</u>	<u>3,993</u>
Paid during the current year	<u>-</u>	<u>(91,210)</u>
Balance (receivable) payable, end of year	\$ (16,952)	\$ 3,993

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

4. DEFERRED REVENUE

Deferred revenue consists of the following activities:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ -	\$ -
Add: Sponsorship fee received	500,000	-
Less: Sponsorship fee recognized	(471,429)	-
Add: Signage fee received	250,000	-
Less: Signage fee recognized	<u>(143,249)</u>	<u>-</u>
Balance, end of year	<u>\$ 135,322</u>	<u>\$ -</u>

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 42,107	\$ 32,106	\$ 29,165	\$ 28,191
Facilities equipment	196,730	108,718	160,778	82,248
Indoor furniture	29,338	28,041	29,338	22,385
Leasehold improvements	42,907	42,907	42,907	34,325
Outdoor furniture	74,935	53,959	51,631	46,305
Outdoor equipment	<u>200,098</u>	<u>149,783</u>	<u>167,544</u>	<u>133,056</u>
	586,115	<u>\$ 415,514</u>	481,363	<u>\$ 346,510</u>
Accumulated amortization	<u>415,514</u>		<u>346,510</u>	
	<u>\$ 170,601</u>		<u>\$ 134,853</u>	

6. 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 \$45,825 in 2017 (2016 - \$44,562).

The most recent actuarial valuation of the OMERS plan available at this time was as at December 31, 2017, and indicates the Plan is in a surplus position and the plan's December 31, 2017 financial statements indicate a net surplus of \$605 million (a deficit of \$5.403 billion netted against unrecognized investment returns of \$6.008 billion that will 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, 2017

7. 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 and accounts receivable. The Square's cash is deposited 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. Approximately 89% (2016 - 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.

8. NON-MONETARY TRANSACTION

The Square has an agreement in place with a media company to obtain advertising services. In exchange, the Square provides the media company with promotion and marketing opportunities. The non-monetary portion of the transaction is valued at \$33,100 (2016 - \$45,750), measured at the fair market value of the services received, which is included in corporate sponsorship and contribution revenue and marketing expense in the statement of operations.

9. COMMITMENTS

The Square has entered into an operating lease for office premises ending December 31, 2018, and an operating lease for equipment ending March 23, 2018. The total minimum lease payments for both agreements in 2018 is \$29,669.

10. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

YONGE-DUNDAS SQUARE
SCHEDULE OF EVENT SUPPORT REVENUE
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Event support revenue		
Electrician	\$ 41,582	\$ 72,391
Security	298,575	248,612
AV technician	107,707	151,788
Custodial	64,734	74,623
Sound	104,011	101,978
Logistic and staging	329,616	393,362
Equipment rental	472,920	670,469
Utilities	<u>21,955</u>	<u>65,390</u>
	<u>\$ 1,441,100</u>	<u>\$ 1,778,613</u>