

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS
BUSINESS IMPROVEMENT AREA**

**Financial Statements
For the Year Ended December 31, 2018**

**DUKE HEIGHTS
BUSINESS IMPROVEMENT AREA**

DECEMBER 31, 2018

CONTENTS

	<u>Page</u>
Independent auditor's report	2 - 3
Financial statements	
Statement of financial position	4
Statement of operations and accumulated surplus	5
Statement of changes in net financial assets	6
Statement of cash flows	7
Notes to financial statements	8 – 11

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the City of Toronto and the
Board of Management for the DUKE Heights Business Improvement Area

Opinion

I have audited the financial statements of DUKE Heights Business Improvement Area (BIA), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the BIA in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB), 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.

In preparing the financial statements, management is responsible for assessing the BIA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

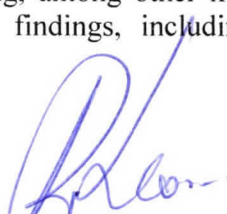
Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
April 17, 2019


Chartered Professional Accountant
Licensed Public Accountant

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	62,564	78,639
Short-term investments (Note 3)	883,299	1,098,909
Accounts receivable		
City of Toronto – special charges (Note 4)	111,528	39,414
Other	387,927	245,531
	<u>1,445,318</u>	<u>1,462,493</u>
LIABILITIES		
Accounts payable and accrued liabilities		
City of Toronto	54,449	29,330
Other	304,689	88,600
	<u>359,138</u>	<u>117,930</u>
NET FINANCIAL ASSETS	1,086,180	1,344,563
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 5)	560,109	31,816
ACCUMULATED SURPLUS	<u>1,646,289</u>	<u>1,376,379</u>

Approved on behalf of the Board of Management:


Chair


Vice Treasurer

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$ Budget (Note 10)	2018 \$ Actual	2017 \$ Actual
REVENUE			
City of Toronto – special charges	1,365,122	1,365,228	1,196,950
Sponsorships, contributions and other	111,626	137,028	90,811
	<u>1,476,748</u>	<u>1,502,256</u>	<u>1,287,761</u>
EXPENSES			
Administration	423,677	522,428	376,712
Promotion and advertising	117,000	142,892	108,809
Maintenance	250,000	240,493	204,871
Capital (Note 7) ;	615,000		
Master Plan Consulting	-	179,048	95,108
Programs	-	-	98,984
Future Projects	-	-	-
Amortization	-	148,430	12,277
Provision for (recovery of) uncollected special charges (Note 3)	71,071	(945)	110,232
	<u>1,476,748</u>	<u>1,232,346</u>	<u>1,006,993</u>
SURPLUS FOR THE YEAR	-	269,910	280,768
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,376,379	1,376,379	1,095,611
ACCUMULATED SURPLUS, END OF YEAR	<u>1,376,379</u>	<u>1,646,289</u>	<u>1,376,379</u>

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
	\$	\$
Surplus for the year	269,910	280,768
Acquisition of tangible capital assets	(676,723)	(41,789)
Amortization of tangible capital assets	148,430	12,277
	(258,383)	251,256
Balance - Beginning of year	1,344,563	1,093,307
Balance - End of year	<u>1,086,180</u>	<u>1,344,563</u>

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
	\$	\$
Cash flows from operating activities		
Surplus for the year	269,910	280,768
Non-cash changes to operations		
Add: Non-cash item Amortization of capital assets	148,430	12,277
Increase (decrease) resulting from changes in		
Accounts receivable - City of Toronto	(72,114)	85,107
Accounts receivable – other	(142,396)	(122,616)
Accounts payable - City of Toronto	25,119	9,791
Accounts payable – other	216,089	71,288
Cash Provided By Operations	445,038	336,615
Investing activities		
Purchase of tangible capital assets	(676,723)	(41,789)
(Increase) decrease in short-term investment	215,610	(647,010)
Cash, Beginning Of Year	78,639	430,823
Cash, End Of Year	62,564	78,639

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. ESTABLISHMENT AND OPERATIONS

The DUKE Heights Business Improvement Area (BIA) is established as a Business Improvement Area under the management and control of a Board of Management appointed by Council of the City of Toronto.

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 based on an annual operating budget prepared by the Board and approved by Council under Section 220(17) of the Municipal Act, as amended.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for local governments as prescribed by the Public Sector Accounting Board (PSAB), the most significant of which are as follows:

Revenue recognition:

The BIA receives special charges from its members which are levied and collected by the City of Toronto. It also receives cash donations and sponsorships from corporate and private donors and grants from local, provincial and federal governments for events and festivals. Revenue is being recorded upon the signing of contracts and when collection can be reasonably ascertained.

Short-term Investments:

Short-term investments are highly liquid financial instruments with original maturities greater than three months but less than one year and are classified as "short-term" investments. BIA classifies short-term investments as current assets and reports them at their fair market value.

Capital assets:

Purchased capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computers - 3 years	Leasehold Improvements - Over the term of Lease
Banners - 3 years	Office Furniture - 5 years
Street Signs - 5 years	Capital Markers - 5 years

Contributed services:

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

Financial instruments:

Financial instruments are recorded at the approximated fair value.

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS, CONT'D
FOR THE YEAR ENDED DECEMBER 31, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of estimates:

The preparation of these financial statements in accordance with PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include determining the useful lives of tangible capital assets for amortization, the allowance for uncollectible levies and accounts receivable and contingent liabilities. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. SHORT-TERM INVESTMENT

Short-term investment consists of funds invested with BMO Wealth Management. These investments are cashable on demand and are recorded at fair market value.

4. CITY OF TORONTO – SPECIAL CHARGES

Special charges levied by the 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 Board records special charges receivable net of an allowance for uncollected amounts. The special charges receivable from the City of Toronto are comprised of:

	2018	2017
	\$	\$
Total special charges outstanding	240,728	191,814
Less: allowance for uncollected special charges	(129,200)	(152,400)
Special charges receivable	<u>111,528</u>	<u>39,414</u>

The provision for (recovery of) uncollected levies reported on the Statement of Operations and Accumulated Surplus comprises of:

	2018	2017
	\$	\$
Special charges written-off	22,255	38,132
Provision for losses on assessment appeals	(23,200)	72,100
	<u>(945)</u>	<u>110,232</u>

THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS, CONT'D
FOR THE YEAR ENDED DECEMBER 31, 2018

5. CAPITAL ASSETS

	2018						
	Pole Wraps	Banners	Leasehold Improvements	Street Signs	Office Furniture	Capital Markers	Total
Cost							
Beginning	-	19,536	12,114	14,400	15,275	-	61,325
Additions	24,893	23,340	-	-	8,570	619,920	676,723
Disposals	-	-	-	-	-	-	-
Ending	24,893	42,876	12,114	14,400	23,845	619,920	738,048
Accumulated Amortization							
Beginning	-	19,536	4,038	2,880	3,055	-	29,509
Amortization	4,979	7,780	4,038	2,880	4,769	123,984	148,430
Disposals	-	-	-	-	-	-	-
Ending	4,979	27,316	8,076	5,760	7,824	123,984	177,939
Net Book Value	19,914	15,560	4,038	8,640	16,021	495,936	560,109

	2017						
	Pole Wraps	Banners	Leasehold Improvements	Street Signs	Office Furniture	Capital Markers	Total
Cost							
Beginning	-	19,536	-	-	-	-	19,536
Additions	-	-	12,114	14,400	15,275	-	41,789
Disposals	-	-	-	-	-	-	-
Ending	-	19,536	12,114	14,400	15,275	-	61,325
Accumulated Amortization							
Beginning	-	17,232	-	-	-	-	17,232
Amortization	-	2,304	4,038	2,880	3,055	-	12,277
Disposals	-	-	-	-	-	-	-
Ending	-	19,536	4,038	2,880	3,055	-	29,509
Net Book Value	-	-	8,076	11,520	12,220	-	31,816

**THE BOARD OF MANAGEMENT FOR THE
DUKE HEIGHTS BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS, CONT'D
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. INSURANCE

The Board is required to deposit with the 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.

7. FINANCIAL INSTRUMENTS

The financial instruments recognized in the statement of financial position consist of cash, accounts receivable, 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.

8. CAPITAL EXPENSES

In order to finance major capital expenses the BIA annually budgets certain amounts and accumulates them as operating surplus. Once adequate funds have accumulated, the BIA undertakes cost-shared capital improvement projects with the City. For this reason the actual expenses in a given year could significantly differ from the amount budgeted for the year. Any excess actual capital expenses are financed out of the accumulated surplus.

9. COMMITMENTS

The Board is committed to minimum annual operating payments for office space as follows:

Year	\$
2019	64,700
2020	36,600
Total	101,300

In addition, The Board, in co-operation with the City, has implemented cost-shared capital improvement projects on publicly owned property for several years. The projects are long-term in nature and are usually completed subsequent to the year of Council's approval. The Board is committed to capital improvement projects of which the Board's share of \$56,386 (2017 - \$nil) was outstanding as at December 31, 2018.

10. BUDGET

Budget Figures are provided for comparative purposes only and have not been subject to audit procedures.