

Attachment 3

CreateTO

Financial Statements

December 31, 2019

DRAFT

This page left intentionally blank.

DRAFT

CreateTO
Statement of Financial Position

(Canadian \$)	Notes	December 31, 2019	December 31, 2018
		\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	5	2,067,632	3,242,669
Due from related parties	10a	332,971	1,324,807
Amounts receivable	6	49,796	118,078
Total financial assets		2,450,399	4,685,554
LIABILITIES			
Due to related parties	10b, 10c	663,938	2,664,508
Amounts payable and other liabilities	7	2,252,171	2,562,055
Total liabilities		2,916,109	5,226,563
NET DEBT		(465,710)	(541,009)
Non-financial assets			
Tangible and intangible capital assets	8	288,221	425,305
Prepaid expenses		177,489	115,704
Total non-financial assets		465,710	541,009
Accumulated surplus (deficit)		-	-

The accompanying notes are an integral part of these financial statements.

Approved by board:

(Signed by) "-----"

 Director

(Signed by) "-----"

 Director

CreateTO**Statement of Operations and Accumulated Surplus (Deficit)**

Year ended December 31, 2019

(Canadian \$)	Notes	Budget (unaudited) 2019 \$	Actual 2019 \$	Actual 2018 \$
Revenue				
Management fees	9	12,518,642	11,978,681	11,394,487
Miscellaneous income	10	-	106,623	-
City funding	10	390,938	356,672	-
Interest income		30,000	44,650	38,165
		12,939,580	12,486,626	11,432,652
Expenses				
Salaries and benefits	10	10,373,923	10,399,961	9,243,782
Office services		735,690	707,060	689,521
Office occupancy		706,434	683,063	686,260
Professional fees		153,200	215,583	397,370
Marketing and promotion		266,333	150,684	227,705
Project investigative costs		500,000	163,685	-
Amortization		204,000	166,590	178,014
		12,939,580	12,486,626	11,432,652
Surplus (loss) for the year		-	-	-
Accumulated surplus (deficit), beginning of year		-	-	-
Accumulated surplus (deficit), end of year		-	-	-

The accompanying notes are an integral part of these financial statements.

CreateTO

Statement of Change in Net Debt

Year ended December 31, 2019

(Canadian \$)	Notes	Budget (unaudited) 2019	Actual 2019	Actual 2018
			\$	\$
Surplus (loss) for the year		-	-	-
Acquisition of tangible and intangible capital assets	8	-	(29,506)	(603,319)
Amortization of tangible and intangible capital assets	8	-	166,590	178,014
		-	137,084	(425,305)
Acquisition of prepaid expenses		-	(1,398,765)	(625,587)
Use of prepaid expenses		-	1,336,980	509,883
		-	(61,785)	(115,704)
Change in net debt for the year		-	75,299	(541,009)
Net debt, beginning of year		-	(541,009)	-
Net debt, end of year		-	(465,710)	(541,009)

The accompanying notes are an integral part of these financial statements.

CreateTO

Statement of Cash Flows

Year ended December 31, 2019

(Canadian \$)	Notes	2019	2018
		\$	\$
Cash provided by (used in)			
OPERATING ACTIVITIES			
Surplus (loss) for the year		-	-
Items not involving cash			
Deferred lease inducement		(78,372)	(78,372)
Amortization	8	166,590	178,014
Change in other working capital items			
Prepaid expenses		(61,785)	(115,704)
Due from related parties		991,836	(1,324,807)
Amounts receivable		68,282	(118,078)
Due to related parties		(2,000,570)	2,664,508
Accounts payable and other liabilities		(231,512)	2,640,427
Total operating activities		(1,145,531)	3,845,988
CAPITAL ACTIVITIES			
Acquisition of tangible and intangible capital assets	8	(29,506)	(603,319)
Total capital activities		(29,506)	(603,319)
Increase (decrease) in cash and cash equivalents		(1,175,037)	3,242,669
Cash and cash equivalents, beginning of year		3,242,669	-
Cash and cash equivalents, end of year		2,067,632	3,242,669
Supplementary cash flow information			
Interest received during the year		40,247	34,672

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

CreateTO is an agency of the City of Toronto (the City), formerly known as Toronto Realty Agency, established by the decision of City Council at its meeting on May 24, 25 and 26, 2017. City Council adopted a new City Municipal Code Chapter 215 under the City of Toronto Act, 2006 to form CreateTO to manage the City's real estate portfolio, develop City buildings and lands for municipal purposes and deliver client focused real estate solutions to City divisions, agencies and corporations. It commenced operations effective January 1, 2018.

CreateTO is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada). The address of its registered office is 200 King Street West, Suite 200, Toronto, Ontario, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for local governments as defined by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

b) Basis of presentation

CreateTO has been identified as an other government organization and accordingly prepares its financial statements in accordance with PSAS. The financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is CreateTO's functional currency. All values are rounded to the nearest dollar, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis. The accounting policies set out below have been applied consistently in all material respects. Changes in standards effective for the current year as well as for future accounting periods are described in Note 3, New Accounting standards and Note 4, Future Accounting Policy Changes. A summary of the significant accounting policies is as follows:

c) Revenue recognition

Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes measurable and collection is reasonably assured.

CreateTO receives management fees from the City of Toronto Economic Development Corporation (operating as Toronto Port Lands Company (TPLC)) and Build Toronto Inc. (BT) which are used to fund its operations.

d) Funding recognition

Funding is reported on the accrual basis of accounting. The accrual basis of accounting recognizes funding as it becomes measurable and collection is reasonably assured.

CreateTO receives funding from the City which are used to fund certain City initiatives.

e) Financial instruments

PSAS allows an entity to classify its financial instruments as either fair value or amortized cost. CreateTO has classified all financial instruments at amortized cost. The following summarizes its classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Due to related parties	Financial liabilities	Amortized cost
Amounts payable and other liabilities	Financial liabilities	Amortized cost

f) Impairment of financial assets

At each reporting date, CreateTO assesses whether there is objective evidence that a financial asset is impaired.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of operations.

g) Cash and cash equivalent

Cash and cash equivalents represents cash on hand and funds on deposit with a major financial institution.

h) Tangible and intangible capital assets

Tangible and intangible capital assets are non-financial assets that are not available to discharge existing liabilities and are held for use in the operations. They include leasehold improvements, office equipment, computer equipment and software licenses. They are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the tangible or intangible capital asset.

Amortization is provided on a basis designed to amortize the costs of the assets over their expected useful lives as follows:

Type of assets	Amortization policy
Leasehold improvements	Straight-line over the term of the lease
Office equipment	5 years straight-line
Computer equipment and software licenses	3 to 5 years straight-line

Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at each financial year-end.

Tangible and intangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The amount of the loss is recognized in surplus (loss). The carrying amount is reduced by the impairment loss directly. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

i) Employee Future Benefit Plans

CreateTO makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer pension plan, on behalf of most of its employees. The 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. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, CreateTO does not recognize any share of the OMERS pension surplus or deficit.

j) Use of estimates

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Estimates are based on the information available at the date of preparation and reviewed annually to reflect new information as it is available. Measurement uncertainty exists in the financial statements primarily related to impairment of amounts receivable and tangible and intangible capital assets. Actual results could differ from those estimates.

3. NEW ACCOUNTING STANDARDS

There were no new accounting standards that came into effect in 2019.

4. FUTURE ACCOUNTING POLICY CHANGES

a) PS 3450, Financial instruments (PS 3450)

PS 3450 applies to fiscal years on or after April 1, 2021. PS 3450 establishes new standards on recognition, measurement and disclosure requirements for financial instruments and the presentation of associated gains and losses, as well as related consequential amendments. Management does not believe the adoption of this standard will have a material impact to its financial statements.

CreateTO

Notes to Financial Statements

December 31, 2019

b) PS 3400, Revenue (PS 3400)

PS 3400 applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted. PS 3400 establishes standards on how to account for and report revenue. It sets out the recognition criteria for transactions with performance obligations, transactions with no performance obligations and, hybrid transactions. Management does not believe the adoption of this standard will have a material impact to its financial statements.

5. CASH AND CASH EQUIVALENTS

CreateTO's cash and cash equivalents are comprised solely of cash in its operating account.

6. AMOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
	\$	\$
HST refund	45,393	114,585
Accrued interest receivable	4,403	3,493
Amounts receivable	49,796	118,078

7. AMOUNTS PAYABLE AND OTHER LIABILITIES

	Notes	December 31, 2019	December 31, 2018
		\$	\$
Trade payables - general		423,538	912,762
Trade accruals		151,555	163,876
Payroll accruals		1,637,861	1,367,828
Total payables and accrued liabilities		2,212,954	2,444,466
Deferred lease inducement - 200 King Street West (a)	11	39,217	117,589
		2,252,171	2,562,055

a) The deferred lease inducement relates to an office lease that was assigned over from BT effective January 1, 2018.

8. TANGIBLE AND INTANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	December 31, 2019
	\$	\$	\$
Leasehold improvements	200,105	(141,648)	58,457
Office equipment	22,545	(10,692)	11,853
Computer equipment	358,828	(152,159)	206,669
Software licenses	32,390	(21,148)	11,242
	613,868	(325,647)	288,221
De-recognition	(43,976)	43,976	-
	569,892	(281,671)	288,221

	Cost	Accumulated amortization	December 31, 2018
	\$	\$	\$
Leasehold improvements	200,105	(70,824)	129,281
Office equipment	22,545	(4,608)	17,937
Computer equipment	345,053	(89,554)	255,499
Software licenses	35,616	(13,028)	22,588
	603,319	(178,014)	425,305
De-recognition	(18,957)	18,957	-
	584,362	(159,057)	425,305

Reconciliation of tangible and intangible capital assets is set out below:

	December 31, 2019	December 31, 2018
	\$	\$
Balance - beginning of year	425,305	-
Transfer from BT (a)	-	385,664
Additions	29,506	217,655
Amortization	(166,590)	(178,014)
Balance - end of year	288,221	425,305

- a) In 2018, used tangible and intangible assets with carrying value of \$385,664 were purchased from BT during the year and are being amortized over their remaining lives.

CreateTO
Notes to Financial Statements

December 31, 2019

9. MANAGEMENT FEES

	Notes	December 31, 2019	December 31, 2018
		\$	\$
BT	10b	7,786,143	7,634,306
TPLC	10c	4,192,538	3,760,181
		11,978,681	11,394,487

Pursuant to service agreements established between CreateTO with each of BT and TPLC, effective January 1, 2018, BT and TPLC engaged CreateTO to provide management services for a mutually agreed upon fee. The services include accounting, risk management, tax, finance, record keeping, financial statement preparation and audit support, legal services; treasury functions; regulatory compliance; information systems; executive management, corporate and other centralized services, and any other services mutually agreed between the two parties. This is an annual arrangement which will be automatically renewed on each anniversary date unless either party terminates it.

10. RELATED PARTIES

The relationship and transactions between CreateTO and the City, and other related parties are detailed below:

Related parties	Relationship
City of Toronto	parent
City of Toronto Economic Development Corporation (TPLC)	same parent
Build Toronto Inc. (BT)	same parent
Ontario Municipal Employees Retirement System (OMERS)	post-employment benefit plan

a) The City of Toronto

The statement of financial position includes the following balances related to the City:

	December 31, 2019	December 31, 2018
	\$	\$
Due from related parties	332,971	1,324,807

The balance is comprised of consulting income of \$106,617 (2018 - \$nil) and net reimbursable costs of \$226,354 (2018 - \$1,324,807).

CreateTO
Notes to Financial Statements

December 31, 2019

CreateTO had transactions with the City in its ordinary course of business throughout the year ended December 31, 2019. Transactions, both revenue and expenses with the City, which passed through the statement of operations were as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Miscellaneous income	106,617	-
City funding	356,672	-
Salaries and benefits	(167,877)	(284,472)

b) Build Toronto Inc.

The statement of financial position includes the following balances related to BT:

	December 31, 2019	December 31, 2018
	\$	\$
Due to related parties	(361,742)	(1,664,311)

The balance of \$361,742 (2018 - \$1,664,311) is due to the timing of when funds are advanced from BT.

CreateTO had transactions with BT in its ordinary course of business throughout the year ended December 31, 2019. Transactions, both revenue and expenses with BT, which passed through the statement of operations were as follows:

	Notes	December 31, 2019	December 31, 2018
		\$	\$
Management fees	9	7,786,143	7,634,306

c) Toronto Port Lands Corporation

The statement of financial position includes the following balances related to TPLC:

	December 31, 2019	December 31, 2018
	\$	\$
Due to related parties	(302,196)	(1,000,197)

The balance of \$302,196 (2018 - \$1,000,197) is due to timing of when funds are advanced from TPLC.

CreateTO had transactions with TPLC in its ordinary course of business throughout the year ended December 31, 2019. Transactions, both revenue and expenses with TPLC, which passed through the statement of operations were as follows:

	Notes	December 31, 2019	December 31, 2018
		\$	\$
Management fees	9	4,192,538	3,760,181

d) Post-employment benefit plan

CreateTO participates in a defined benefit pension plan through OMERS, a pension fund for all government employees in Ontario. Employees and employers contribute jointly to the plan on an ongoing basis.

OMERS is a multi-employer pension plan, there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual entity participating in the plan, therefore, CreateTO does not recognize any share of the OMERS pension surplus or deficit.

Employer's and employees' contributions to OMERS for the year ended December 31, 2019 amounted to \$914,086 (2018 - \$755,920) and are included in salaries and benefits on the Statement of Operations and Accumulated Surplus (Deficit).

11. COMMITMENTS AND CONTINGENCIES

a) Operating leases

Future minimum annual lease payments on the 200 King Street West office are as follows:

	\$
2020	155,375

The 200 King Street West office lease that BT had with its landlord was assigned to CreateTO effective January 1, 2018 and the lease, which was due to expire on June 30, 2020 has been extended for another six months to the end of 2020 (note 14).

During the year December 31, 2019, CreateTO incurred \$310,750 (2018 - \$310,750) in minimum lease payments plus common area maintenance costs and property taxes of \$413,990 (2018 - \$418,241), with respect to the lease of the office premise, and operating lease payments of \$26,774 (2018 - \$28,550) for office equipment, which have been included its operating expenses.

12. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

a) Credit risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2019, CreateTO's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, due from related parties and amounts receivables.

Cash and cash equivalents are invested with a major financial institution, due from related parties are owing from other City entities and amounts receivable are immaterial, and are therefore each are assessed as low risk.

b) 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. CreateTO has low interest rate risk as it

CreateTO

Notes to Financial Statements

December 31, 2019

does not hold any debt and its bank account's interest income, although affected by the fluctuation of prime interest rate, is insignificant.

c) Liquidity risk

Liquidity risk is the risk that CreateTO could be unable to settle or meet commitments as they come due. Management believes the liquidity risk of CreateTO is low.

13. ECONOMIC DEPENDENCE

CreateTO earned all of its revenues during the year ended December 31, 2019 from two related parties, BT and TPLC (note 9).

14. SUBSEQUENT EVENTS

a) Office lease

On February 25, 2020, CreateTO negotiated an extension of the 200 King Street West office lease for another six months to December 31, 2020 for an additional basic rent of \$282,500 for the six-month period.

b) Outbreak of coronavirus

Subsequent to the year-end, on March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of CreateTO in future periods.