

Attachment 3: 2020 Draft Audited Financial Statements

Financial Statements  
(Expressed in Canadian dollars)

**CREATETO**

And Independent Auditors' Report thereon

Year ended December 31, 2020

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of CreateTO

### ***Opinion***

We have audited the financial statements of CreateTO (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Matter - Comparative Information***

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 24, 2020.

### ***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 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our 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 auditors' report that includes our 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We 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 our 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***DRAFT***

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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# CREATETO

## **DRAFT** Statement of Financial Position (Expressed in Canadian dollars)

December 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents (note 4)	\$ 2,489,938	\$ 2,067,632
Due from related parties (note 9(a))	6,902,935	332,971
Amounts receivable (note 5)	572	49,796
	<u>9,393,445</u>	<u>2,450,399</u>
<b>Financial Liabilities</b>		
Due to related parties (note 9(b) and (c))	5,221,159	663,938
Amounts payable and other liabilities (note 6)	4,647,212	2,252,171
	<u>9,868,371</u>	<u>2,916,109</u>
Net debt	(474,926)	(465,710)
<b>Non-Financial Assets</b>		
Tangible and intangible capital assets (note 7)	304,074	288,221
Prepaid expenses	170,852	177,489
	<u>474,926</u>	<u>465,710</u>
Accumulated surplus	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# CREATETO

## **DRAFT** Statement of Operations and Accumulated Surplus (Expressed in Canadian dollars)

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	Actual 2020	Actual 2019
	(Unaudited)		
Revenue:			
Management fees (note 8)	\$ 13,146,971	\$ 12,104,398	\$ 11,978,681
City funding (note 9)	1,468,799	1,718,367	356,672
Interest	44,029	24,000	44,650
Miscellaneous (note 9)	—	—	106,623
	14,659,799	13,846,765	12,486,626
Expenses:			
Salaries and benefits (note 9)	11,859,835	11,675,692	10,399,961
Office services	1,004,327	689,143	707,060
Office occupancy	721,416	862,247	683,063
Professional fees	208,208	182,217	215,583
Marketing and promotion	201,933	85,546	150,684
Project investigative costs	500,000	196,095	163,685
Amortization of tangible and intangible capital assets	164,080	155,825	166,590
	14,659,799	13,846,765	12,486,626
Surplus for the year	—	—	—
Accumulated surplus, beginning of year	—	—	—
Accumulated surplus, end of year	\$ —	\$ —	\$ —

See accompanying notes to financial statements.

# CREATETO

## **DRAFT** Statement of Changes in Net Debt (Expressed in Canadian dollars)

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	Actual 2020	Actual 2019
	(Unaudited)		
Surplus for the year	\$ –	\$ –	\$ –
Acquisition of tangible and intangible capital assets (note 7)	–	(171,678)	(29,506)
Amortization of tangible and intangible capital assets (note 7)	–	155,825	166,590
	–	(15,853)	137,084
Acquisition of prepaid expenses	–	(1,595,222)	(1,398,765)
Use of prepaid expenses	–	1,601,859	1,336,980
		6,637	(61,785)
Change in net debt	–	(9,216)	75,299
Net debt, beginning of year	–	(465,710)	(541,009)
Net debt, end of year	\$ –	\$ (474,926)	\$ (465,710)

See accompanying notes to financial statements.

# CREATETO

## **DRAFT** Statement of Cash Flows (Expressed in Canadian dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ –	\$ –
Items not involving cash:		
Deferred lease inducement	(39,217)	(78,372)
Amortization of tangible and intangible capital assets (note 7)	155,825	166,590
Change in other working capital items:		
Prepaid expenses	6,637	(61,785)
Due from related parties	(6,569,964)	991,836
Amounts receivable	49,224	68,282
Due to related parties	4,557,221	(2,000,570)
Amounts payable and other liabilities	2,434,258	(231,512)
	593,984	(1,145,531)
Capital activities:		
Acquisition of tangible and intangible capital assets (note 7)	(171,678)	(29,506)
Increase (decrease) in cash and cash equivalents	422,306	(1,175,037)
Cash and cash equivalents, beginning of year	2,067,632	3,242,669
Cash and cash equivalents, end of year	\$ 2,489,938	\$ 2,067,632
Supplementary cash flow information:		
Interest received	\$ 27,816	\$ 40,247

See accompanying notes to financial statements.



# CREATE TO

**DRAFT** Notes to Financial Statements  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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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.

## 1. 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. There are no new standards that came into effect in 2020. Changes in standards effective for future accounting periods are described in note 3. A summary of the significant accounting policies is as follows.

### (c) Cash and cash equivalents:

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

# CREATE TO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## 1. Significant accounting policies (continued):

### (d) 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 straight-line basis designed to amortize the costs of the assets over their expected useful lives as follows:

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Leasehold improvements	Over the term of the lease
Office equipment	5 years
Computer equipment and software licenses	3 to 5 years

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Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at each financial year-end. Fully amortized tangible and intangible capital assets are derecognized at the end of each financial year.

Tangible and intangible capital assets are reviewed for impairment whenever conditions indicate that they no longer contribute to CreateTO's ability to provide goods and services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value. Any impairment is accounted for as a loss in the statement of operations and accumulated surplus.

### (e) Employee future benefit plans:

CreateTO makes contributions to the Ontario Municipal Employees' Retirement Systems ("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.

# CREATE TO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## 1. Significant accounting policies (continued):

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.

### (f) 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.

### (g) City funding revenue recognition:

City funding revenue 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.

### (h) 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
<b>Financial assets</b>		
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
<b>Financial liabilities</b>		
Due to related parties	Financial liabilities	Amortized cost
Amounts payable and other liabilities	Financial liabilities	Amortized cost

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# CREATE TO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## 1. Significant accounting policies (continued):

### (i) 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 and accumulated surplus.

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 and accumulated surplus.

### (j) Related party disclosures:

PS 2200 requires disclosure of related party transactions when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value difference from that which would have been arrived at if parties were unrelated and the transaction has a material effect on the financial statements.

### (k) Inter entity transactions:

PS 3420 requires disclosure of transactions between public sector entities that comprise a government's reporting entity from both a provider and receipt perspective. All City transactions are recorded at the exchange amounts, being the amount agreed to by both parties.

For the year ended December 31, 2020, there were no material inter-entity transactions to disclose.

# CREATETO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## 1. Significant accounting policies (continued):

### (l) 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.

## 2. New accounting standards:

There were no new accounting standards that came into effect in 2020.

## 3. Future accounting policy changes:

The standards noted below were not in effect for the year ended December 31, 2020, therefore, have not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

### (a) PS 3450, Financial instruments ("PS 3450"):

PS 3450 applies to fiscal years beginning on or after January 1, 2023. 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

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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### 3. Future accounting policy changes (continued):

(b) PS 1201, Financial Statement Presentation ("PS 1201"):

PS 1201 applies to fiscal years beginning on or after January 1, 2023 and replaces PS 1200. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the statement of remeasurement gains and losses, which reports changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.

(c) PS 3400, Revenue ("PS 3400"):

PS 3400 applies to fiscal years beginning on or after January 1, 2024. 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.

(d) PS 3280, Asset Retirement Obligation ("PS 3280"):

PS 3280 applies to fiscal years beginning on or after January 1, 2023. This standard establishes how to account for and report a liability for asset retirement obligations. Management does not believe the adoption of this standard will have a material impact to its financial statements.

(e) PS 2601, Foreign Currency Translation ("PS 2601"):

PS 2601 applies for fiscal years beginning on or after January 1, 2023 and replaced PS 2600. This standard establishes how to account for and report transactions that are denominated in a foreign currency in government financial statements. Management does not believe the adoption of this standard will have a material impact to its financial statements.

(f) Public Sector Guideline 8, Purchased Intangibles:

Public Sector Guideline 8, Purchased Intangibles, applies for fiscal years beginning on or after January 1, 2024. It allows public sector entities to recognize intangibles purchased through an exchange transaction. Management does not believe the adoption of this guideline will have a material impact to its financial statements.

# CREATE TO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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### 3. Future accounting policy changes (continued):

(g) Public Private Partnerships ("P3"):

This standard applies for fiscal years beginning on or after January 1, 2024. The new requirements relates to the recognition, measurement and classification of infrastructure procured through a public private partnership. Management does not believe these requirements will have a material impact to its financial statements.

### 4. Cash and cash equivalents:

CreateTO's cash and cash equivalents are comprised of cash in its operating and premium interest accounts (2019 - solely operating account).

### 5. Amounts receivable:

	2020	2019
HST refund	\$ –	\$ 45,393
Accrued interest receivable	572	4,403
	<u>\$ 572</u>	<u>\$ 49,796</u>

### 6. Amounts payable and other liabilities:

	2020	2019
Trade payables - general	\$ 2,724,335	\$ 575,093
Payroll accruals	1,519,812	1,637,861
HST payable	403,065	–
Total payables and accrued liabilities	4,647,212	2,212,954
Deferred lease inducement - 200 King Street West (note 10)	–	39,217
	<u>\$ 4,647,212</u>	<u>\$ 2,252,171</u>

# CREATETO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

## 7. Tangible and intangible capital assets:

2020	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 200,105	\$ 200,105	\$ –
Office equipment	22,545	16,516	6,029
Computer equipment	492,800	194,755	298,045
Software licenses	26,120	26,120	–
	741,570	437,496	304,074
Derecognition	(304,627)	(304,627)	–
	\$ 436,943	\$ 132,869	\$ 304,074

2019	Cost	Accumulated amortization	Net book value
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
Derecognition	(43,976)	(43,976)	–
	\$ 569,892	\$ 281,671	\$ 288,221

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

	2020	2019
Balance, beginning of year	\$ 288,221	\$ 425,305
Additions	171,678	29,506
Amortization	(155,825)	(166,590)
Balance, end of year	\$ 304,074	\$ 288,221



# CREATETO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

## 8. Management fees:

	2020	2019
BT (note 9(b))	\$ 7,867,859	\$ 7,786,143
TPLC (note 9(c))	4,236,539	4,192,538
	<u>\$ 12,104,398</u>	<u>\$ 11,978,681</u>

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.

## 9. Related party transactions:

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

### (a) The City of Toronto:

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

	2020	2019
Due from related parties	\$ 6,902,935	\$ 332,971

# CREATETO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## 9. Related party transactions (continued):

As at December 31, 2020, CreateTO has net reimbursable costs of \$6,902,935 (2019 - net reimbursable costs of \$226,354 and consulting income of \$106,617) due from the City. The increase from December 31, 2019 primarily arose from the construction costs of a project.

CreateTO had transactions with the City in its ordinary course of business throughout the year ended December 31, 2020. Transactions, both revenue and expenses with the City, which passed through the statement of operations and accumulated surplus were as follows:

	2020	2019
Miscellaneous income	\$ –	\$ 106,617
City funding	1,718,367	356,672
Salaries and benefits	–	(167,877)

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### (b) Build Toronto Inc.:

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

	2020	2019
Due to related parties	\$ (3,176,790)	\$ (361,742)

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The balance of \$3,176,790 (2019 - \$361,742) is due to the timing of when funds are received from BT.

CreateTO had transactions with BT in its ordinary course of business throughout the year ended December 31, 2020. Transactions, both revenue and expenses with BT, which passed through the statement of operations and accumulated surplus were as follows:

	2020	2019
Management fees (note 8)	\$ 7,867,859	\$ 7,786,143

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# CREATE TO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## 9. Related party transactions (continued):

(c) Toronto Port Lands Company:

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

	2020	2019
Due to related parties	\$ (2,044,369)	\$ (302,196)

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The balance of \$2,044,369 (2019 - \$302,196) is due to timing of when funds are received from TPLC.

CreateTO had transactions with TPLC in its ordinary course of business throughout the year ended December 31, 2020. Transactions, both revenue and expenses with TPLC, which passed through the statement of operations and accumulated surplus were as follows:

	2020	2019
Management fees (note 8)	\$ 4,236,539	\$ 4,192,538

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## 10 Employee benefits:

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, 2020 amounted to \$999,785 (2019 - \$914,086) and are included in salaries and benefits on the statement of operations and accumulated surplus.

# CREATE TO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## 11. Commitments and contingencies:

Operating leases:

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

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2021	\$ 282,500
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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 set to expire on June 30, 2020 was extended for a year to June 30, 2021. The deferred lease inducement was fully amortized as at year-end, December 31, 2020.

During the year December 31, 2020, CreateTO incurred \$437,875 (2019 - \$310,750) in minimum lease payments plus common area maintenance costs and property taxes of \$428,960 (2019 - \$413,990), with respect to the lease of the office premise, and operating lease payments of \$17,336 (2019 - \$26,774) for office equipment, which have been included its office occupancy expenses.

## 12. Financial instruments - risk management:

(a) Credit risk:

Credit risk is the risk of loss due to a counterparty's ability to meet its obligations. As at December 31, 2020, CreateTO's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, due from related parties and amounts receivable.

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 material interest rates. CreateTO has low interest rate risk as it does not hold any debt and its bank account's interest income, although affected by the fluctuation of prime interest rate, is insignificant.

# CREATETO

**DRAFT** Notes to Financial Statements (continued)  
(Expressed in Canadian dollars)

Year ended December 31, 2020

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## **12. Financial instruments - risk management (continued):**

### (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 most of its revenue during the year ended December 31, 2020 from two related parties, BT and TPLC (note 8).

## **14. Budget data:**

Budget data presented in these financial statements are based upon the 2020 operating and capital budgets as approved by the Toronto City Council on February 19, 2020.