

FINANCIAL STATEMENTS

For

YONGE-DUNDAS SQUARE

For the year ended

DECEMBER 31, 2022

Management's Responsibility for the Financial Statements

The financial statements of Yonge-Dundas Square (the "Square") are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in compliance with the Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Square's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Square's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the City of Toronto's City Council, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Square's financial statements.

Michael Fenton

..... Chairperson

Jeremy Roach

..... Treasurer

INDEPENDENT AUDITOR'S REPORT

To the board of directors of

YONGE-DUNDAS SQUARE AND THE CITY OF TORONTO

Opinion

We have audited the accompanying financial statements of Yonge-Dundas Square, which comprise the statement of financial position as at December 31, 2022 and the 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Yonge-Dundas Square as at December 31, 2022 and the results of its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Yonge-Dundas Square 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.

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 Yonge-Dundas Square'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 organization or to cease operations, or has no realistic alternative but to do so.

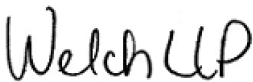
Those charged with governance are responsible for overseeing Yonge-Dundas Square's financial reporting process.

Auditor's 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 auditor's 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 these 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 Yonge-Dundas Square'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 Yonge-Dundas Square's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Yonge-Dundas Square 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.

We 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 27, 2023.

YONGE-DUNDAS SQUARE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 81,057	\$ 172,249
Investments (note 3)	603,682	-
Accounts receivable (note 4)	401,535	311,909
Long-term portion of accounts receivable (note 4)	63,502	81,224
Government remittances receivable	-	7,167
	<u>1,149,776</u>	<u>572,549</u>
LIABILITIES		
Accounts payable and accrued liabilities	325,260	270,065
Government remittances payable	67	-
Due to City of Toronto - operating surplus (note 5)	836,308	297,590
Customer deposits	3,684	16,617
	<u>1,165,319</u>	<u>584,272</u>
NET DEBT	(15,543)	(11,723)
NON-FINANCIAL ASSETS		
Prepaid expenses	15,540	11,720
Tangible capital assets (note 6)	115,117	78,823
	<u>130,657</u>	<u>90,543</u>
ACCUMULATED SURPLUS	<u>\$ 115,114</u>	<u>\$ 78,820</u>

Approved by the Board:

Michael Fenton
..... Director

Jeremy Roach
..... Director

(See accompanying notes)

YONGE-DUNDAS SQUARE
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	2022 <u>Budget</u> (unaudited)	<u>2022</u>	<u>2021</u>
Revenue			
City of Toronto	\$ 1,165,283	\$ 1,165,283	\$ 1,454,171
City of Toronto - Tax Stabilization	100,000	53,076	-
Signage (note 4)	575,000	782,095	535,450
Permit revenue	150,000	165,214	76,010
Event support revenue (schedule A)	1,015,000	1,336,298	258,925
Rental income	150,000	247,998	25,554
Other revenue	24,252	13,582	2,397
Corporate sponsorship and contributions	300,000	-	-
	<u>3,479,535</u>	<u>3,763,546</u>	<u>2,352,507</u>
Expenses (note 10)			
Facilities management	1,236,895	1,119,229	1,025,296
Administration (note 7)	1,431,440	959,130	979,766
Event management	811,200	955,115	177,318
	<u>3,479,535</u>	<u>3,033,474</u>	<u>2,182,380</u>
Operating surplus	\$ -	730,072	170,127
Net payable to the City of Toronto (note 5)		<u>(693,778)</u>	<u>(155,060)</u>
Annual surplus		36,294	15,067
Accumulated surplus, beginning of year		<u>78,820</u>	<u>63,753</u>
Accumulated surplus, end of year		<u>\$ 115,114</u>	<u>\$ 78,820</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2022

	2022 <u>Budget</u> (unaudited)	<u>2022</u>	<u>2021</u>
Annual surplus	\$ -	\$ 36,294	\$ 15,067
Acquisition of tangible capital assets	-	(71,086)	(40,077)
Amortization of tangible capital assets	-	34,792	25,010
Use of prepaid expenses	<u>-</u>	<u>(3,820)</u>	<u>1,467</u>
(Increase) decrease in net debt	<u>\$ -</u>	<u>(3,820)</u>	<u>1,467</u>
Net debt, beginning of year		<u>(11,723)</u>	<u>(13,190)</u>
Net debt, end of year		<u>\$ (15,543)</u>	<u>\$ (11,723)</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	\$ 36,294	\$ 15,067
Adjustment for:		
Amortization of tangible capital assets	<u>34,792</u>	<u>25,010</u>
	71,086	40,077
Non-cash charges to operations:		
Accounts receivable	(89,626)	(116,379)
Government remittances receivable	7,167	24,042
Long-term portion of accounts receivable	17,722	17,721
Accounts payable and accrued liabilities	55,196	60,976
Government remittances payable	67	-
Due to City of Toronto - operating surplus	538,718	155,060
Customer deposits	(12,934)	(11,000)
Prepaid expenses	<u>(3,820)</u>	<u>1,467</u>
	<u>583,576</u>	<u>171,964</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	<u>(71,086)</u>	<u>(40,077)</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(603,682)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(91,192)	131,887
CASH, BEGINNING OF YEAR	<u>172,249</u>	<u>40,362</u>
CASH, END OF YEAR	<u>\$ 81,057</u>	<u>\$ 172,249</u>

(See accompanying notes)

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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.

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 of the Chartered Professional Accountants of Canada.

Revenue recognition

The Square recognizes revenue when it is realized or realizable and earned. The Square considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or the service has been provided to the customer, the sales price is fixed or determinable and collectability is reasonably assured.

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.

Except for the variable rate guaranteed investment certificates, which are subsequently measured 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, 2022

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. INVESTMENTS

Investments consist of \$603,682 (2021 - \$nil) in guaranteed investment certificates earning interest at a rate of 3.35% and that matures December 2, 2023.

4. ACCOUNTS RECEIVABLE & DEFERRED REVENUE

Accounts receivable includes \$330,002 (2021 - \$378,429) of the following sponsorship and signage activities:

	<u>2022</u>	<u>2021</u>
Balance receivable, beginning of year	\$ 378,429	\$ 283,333
Less: Signage revenue received	(517,721)	(417,721)
Add: Signage revenue recognized	491,139	535,450
Less: Signage recoveries recognized	<u>(21,845)</u>	<u>(22,633)</u>
Balance receivable, end of year	330,002	378,429
Less: short-term portion (receivable)	<u>(266,500)</u>	<u>(297,205)</u>
Long-term portion receivable	<u>\$ 63,502</u>	<u>\$ 81,224</u>

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

5. OPERATING SURPLUS DUE (FROM) TO THE CITY OF TORONTO

The amount due to the City of Toronto consists of the following:

	<u>2022</u>	<u>2021</u>
Balance payable, beginning of year	\$ 297,590	\$ 142,530
Current year's operating surplus	730,072	170,127
Current year's tangible capital assets purchase	(71,086)	(40,077)
Current year's amortization	<u>34,792</u>	<u>25,010</u>
Net payable to the City of Toronto for current year	<u>693,778</u>	<u>155,060</u>
Paid during the current year	<u>(155,060)</u>	<u>-</u>
Balance payable, end of year	\$ 836,308	\$ 297,590

The Due to City of Toronto balance is comprised of:

	<u>2022</u>	<u>2021</u>
2020 surplus payable	\$ 142,530	\$ 142,530
2021 surplus payable	-	155,060
2022 surplus payable	<u>693,778</u>	<u>-</u>
	<u>\$ 836,308</u>	<u>\$ 297,590</u>

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>Computer equipment</u>	<u>Facilities equipment</u>	<u>Indoor furniture</u>	<u>Leasehold improve- ments</u>	<u>Outdoor furniture</u>	<u>Outdoor equipment</u>	<u>Total 2022</u>	<u>Total 2021</u>
COST								
Balance, beginning of year	\$ 60,904	\$ 249,664	\$ 29,338	\$ 42,907	\$ 90,830	\$ 204,133	\$ 677,776	\$ 643,453
Additions	3,183	15,246	-	-	37,300	15,357	71,086	40,077
Disposals	-	-	-	-	-	-	-	(5,754)
Balance, end of year	<u>\$ 64,087</u>	<u>\$ 264,910</u>	<u>\$ 29,338</u>	<u>\$ 42,907</u>	<u>\$ 128,130</u>	<u>\$ 219,490</u>	<u>\$ 748,862</u>	<u>\$ 677,776</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of year	\$ 55,481	\$ 208,170	\$ 29,338	\$ 42,907	\$ 75,634	\$ 187,423	\$ 598,953	\$ 579,697
Amortization	3,729	20,432	-	-	7,583	3,048	34,792	25,010
Disposals	-	-	-	-	-	-	-	(5,754)
Balance, end of year	<u>\$ 59,210</u>	<u>\$ 228,602</u>	<u>\$ 29,338</u>	<u>\$ 42,907</u>	<u>\$ 83,217</u>	<u>\$ 190,471</u>	<u>\$ 633,745</u>	<u>\$ 598,953</u>
NET BOOK VALUE	<u>\$ 4,877</u>	<u>\$ 36,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,913</u>	<u>\$ 29,019</u>	<u>\$ 115,117</u>	<u>\$ 78,823</u>

YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

7. 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. The OMERS plan (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. Employer contributions to this pension plan amounted to \$43,966 in 2022 (2021 - \$50,569).

The most recent actuarial valuation of the Plan as at December 31, 2022 indicates the Plan is in a deficit position and the Plan's December 31, 2022 financial statements indicate a net deficit of \$6,100 million (a deficit of \$6,678 million plus adjustment of \$578 million of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over the next five-year period). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Square's contributions accounted for an insignificant portion 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.

8. CONTRACTUAL RIGHTS

In 2017, the Square entered into a 10-year agreement with Outfront Media for the installation, maintenance, display and operation of electronic signs. This agreement was subsequently amended on June 1, 2020. Outfront Media has agreed to pay the Square the following minimum annual guaranteed payments:

2017	\$ 250,000
2018	400,000
2019	400,000
2020	283,333
2021	417,721
2022	517,721
2023	517,721
2024	517,721
2025	517,721
2026	517,721
2027	<u>510,341</u>
	<u>\$ 4,850,000</u>

This agreement also includes commitments to purchase the electronic signs.

9. COMMITMENTS

The Square has entered into an operating lease for office premises ending December 2023. The total minimum lease payments for the remaining years are as follows:

2023	<u>\$ 32,687</u>
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YONGE-DUNDAS SQUARE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

10. EXPENDITURE BY OBJECT

	<u>2022</u>	<u>2021</u>
Payroll (note 7)	\$ 566,132	\$ 676,612
Maintenance	567,258	453,694
Security	540,107	570,640
Administration	327,014	265,118
Amortization	34,792	25,010
Event support	900,881	147,897
Marketing	<u>97,290</u>	<u>43,409</u>
	<u>\$ 3,033,474</u>	<u>\$ 2,182,380</u>

11. 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.

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, investments, and accounts receivable. The Square's cash and investments are 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. Management believes that the Square's credit risk with respect to accounts receivable is limited. The Square manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

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. Management believes its overall liquidity risk to be minimal as the Square's financial assets are considered to be highly liquid.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk.

It is management's opinion that unless otherwise noted, the Square is not exposed to significant market risk arising from its financial instruments.

(i) *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 and investments earn interest at prevailing market rates and management believes the interest rate exposure related to these financial instruments is negligible.

Changes in risk

There have been no significant changes in the Square's risk exposures from the prior year.

YONGE-DUNDAS SQUARE
SCHEDULE OF EVENT SUPPORT REVENUE
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Event support revenue		
Electrician	\$ 16,894	\$ 6,666
Security	325,273	68,106
AV technician	106,004	20,531
Custodial	56,358	10,302
Sound	101,722	540
Logistic and staging	316,447	61,891
Equipment rental	255,993	69,604
Utilities	53,807	18,402
Digital event services	<u>103,800</u>	<u>2,883</u>
	<u>\$ 1,336,298</u>	<u>\$ 258,925</u>