

Financial Statements of

**CREATE TO**

And Independent Auditor's Report thereon

Year ended December 31, 2024

## INDEPENDENT AUDITOR'S 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, 2024
- 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, 2024, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### ***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.

### ***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 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 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 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

December 31, 2024, with comparative information for 2023

	2024	2023
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 1,004,827	\$ 1,889,582
Due from related parties (note 7(a) and (c))	3,354,449	1,800,295
Amounts receivable	4,631	6,749
	4,363,907	3,696,626
<b>Financial Liabilities</b>		
Due to related parties (note 7(b) and (d))	2,595,428	1,358,257
Amounts payable and other liabilities (note 4)	2,423,567	2,899,157
	5,018,995	4,257,414
Net debt	(655,088)	(560,788)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 5)	222,311	291,403
Prepaid expenses	432,777	269,385
	655,088	560,788
Accumulated surplus	\$ —	\$ —

See accompanying notes to financial statements.

# CREATETO

## **DRAFT** Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024	Actual 2024	Actual 2023
	(note 12)		
Revenue:			
Advisory and operations management (note 6)	\$ 6,861,307	\$ 7,148,802	\$ 6,125,022
Port Lands management (note 6)	5,308,447	5,308,447	5,020,418
City project management (note 7(a) and (d))	4,982,380	4,638,102	4,445,071
Other revenue (note 7(a))	1,214,987	1,082,594	893,562
Interest and miscellaneous income	95,913	55,805	74,329
	18,463,034	18,233,750	16,558,402
Expenses:			
Salaries and benefits (note 8)	16,355,474	16,336,091	14,697,368
Office services	1,000,815	926,896	832,503
Professional fees	346,885	309,482	430,462
Marketing and promotion	249,820	206,554	294,540
Project investigative costs	400,000	333,612	178,750
Amortization of tangible capital assets	110,040	121,115	124,779
	18,463,034	18,233,750	16,558,402
Accumulated surplus, beginning and end of year	\$ —	\$ —	\$ —

See accompanying notes to financial statements.

# CREATE TO

## **DRAFT** Statement of Changes in Net Debt

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Surplus for the year	\$ —	\$ —
Acquisition of tangible capital assets (note 5)	(52,023)	(87,980)
Amortization of tangible capital assets (note 5)	121,115	124,779
	69,092	36,799
Change in prepaid expenses	(163,392)	(45,738)
Change in net debt	(94,300)	(8,939)
Net debt, beginning of year	(560,788)	(551,849)
Net debt, end of year	\$ (655,088)	\$ (560,788)

See accompanying notes to financial statements.

# CREATE TO

## **DRAFT** Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ —	\$ —
Items not involving cash:		
Amortization of tangible capital assets (note 5)	121,115	124,779
Accrued interest	(4,631)	(6,749)
Change in other working capital items:		
Prepaid expenses	(163,392)	(45,738)
Due from related parties	(1,554,154)	512,837
Amount receivable	6,749	15,254
Due to related parties	1,237,171	(1,842,920)
Amounts payable and other liabilities	(475,590)	(444,438)
	(832,732)	(1,686,975)
Capital activities:		
Acquisition of tangible capital assets (note 5)	(52,023)	(87,980)
Decrease in cash and cash equivalents	(884,755)	(1,774,955)
Cash and cash equivalents, beginning of year	1,889,582	3,664,537
Cash and cash equivalents, end of year	\$ 1,004,827	\$ 1,889,582

See accompanying notes to financial statements.



# CREATE TO

## **DRAFT** Notes to Financial Statements

Year ended December 31, 2024

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CreateTO is an agency of the City of Toronto (the "City"), established by City Municipal Code Chapter 215 under the City of Toronto Act, 2006. As the City's real estate agency, CreateTO applies a strategic City-wide lens to Toronto's real estate holdings, develops City buildings and lands for municipal purposes and delivers real estate solutions to advance City Council's key public policy goals and meet the program needs of City divisions, agencies, and corporations.

Toronto has an extensive real estate portfolio, which holds tremendous value, both financially and in its potential to be activated for the public good. CreateTO was established to put that value to use for the City. The agency offers creative and strategic approaches to solving some of the City's most pressing challenges, from building affordable homes and inclusive communities, to creating cultural and employment opportunities, driving economic prosperity, achieving its climate goals, and increasing its collective quality of life.

CreateTO is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada). The address of its registered office is 61 Front Street West, Union Station, East Wing, 3<sup>rd</sup> Floor, 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 of the Chartered Professional Accountants of Canada.

#### **(b) Basis of presentation:**

CreateTO has been identified as another 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 three new standards that came into effect in 2024 and they are described in note 2. Changes in standards effective for future accounting periods are described in note 3. A summary of the significant accounting policies is as follows.

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## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

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### **1. Significant accounting policies (continued):**

#### **(c) Cash and cash equivalents:**

Cash and cash equivalents represents cash in CreateTO's operating and premium interest accounts.

#### **(d) Tangible capital assets:**

Tangible capital assets are non-financial assets that are not available to discharge existing liabilities and are held for use in the operations. Tangible capital assets consist of computer equipment which are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the assets.

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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Computer equipment	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 capital assets are derecognized at the end of each financial year.

Tangible 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.

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

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### **1. Significant accounting policies (continued):**

#### **(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 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.

#### **(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 charges advisory and operations management fees to Build Toronto Inc. ("BT") to explore, address and solution real estate requests from divisions, agencies, corporations, City Council and City leadership.

CreateTO charges management fees to the City of Toronto Economic Development Corporation (operating as Toronto Port Lands Company ("TPLC")) to lead day-to-day property management and asset management functions in the Port Lands.

CreateTO charges project management fees to the City to advance capital real estate development projects on behalf of the City.

Other revenue represents budget transfers which have a net zero impact to CreateTO. Budget transfers come with corresponding revenue and expenses and reflect the consolidation of specific strategic real estate functions at CreateTO.

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

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### 1. Significant accounting policies (continued):

#### (g) 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

#### (h) 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.

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

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### **1. Significant accounting policies (continued):**

#### **(i) Related party disclosures:**

Public Sector Accounting Standard Section 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 different from that which would have been arrived at if parties were unrelated and the transaction has a material effect on the financial statements.

#### **(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 year. 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 capital assets. Actual results could differ from those estimates.

### **2. New accounting standards:**

The new accounting standards/amendments listed below came into effect in 2024 and management has assessed them and determined that there is no material impact on the financial statements of CreateTO.

They are:

- (a) PS 3160, Public Private Partnerships;
- (b) PS 3400, Revenue; and
- (c) Sector Guideline 8, Purchased Intangibles.

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

### **3. Future accounting policy changes:**

The standards noted below will be in effect for fiscal years beginning on or after April 1, 2026, with early adoption permitted. Management has assessed the following accounting standards updates and determined that there is no material impact on the future financial statements:

- (a) Concepts Underlying Financial Performance;
- (b) PS 1202, Financial Statement Presentation; and
- (c) PS 3250, Retirement Benefits, and PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits.

### **4. Amounts payable and other liabilities:**

	2024	2023
Trade payables - general	\$ 278,046	\$ 253,934
Payroll accruals	1,925,990	2,555,421
Harmonized sales tax payable	219,531	89,802
	<b>\$ 2,423,567</b>	<b>\$ 2,899,157</b>

### **5. Tangible capital assets:**

2024	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 795,045	\$ 572,734	\$ 222,311
Derecognition	(351,609)	(351,609)	—
	<b>\$ 443,436</b>	<b>\$ 221,125</b>	<b>\$ 222,311</b>

2023	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 743,022	\$ 451,619	\$ 291,403

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

### 5. Tangible capital assets (continued):

Reconciliation of tangible capital assets is set out below:

	2024	2023
Balance, beginning of year	\$ 291,403	\$ 328,202
Additions	52,023	87,980
Amortization	(121,115)	(124,779)
Balance, end of year	\$ 222,311	\$ 291,403

### 6. Revenue:

	2024	2023
Advisory and operations management - BT (note 7(b))	\$ 7,148,802	\$ 6,125,022
Port Lands management - TPLC (note 7(c))	5,308,447	5,020,418
	\$ 12,457,249	\$ 11,145,440

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. Advisory and operations management revenue is received from BT to explore, address and solution real estate requests from Divisions, Agencies, Corporations, City Council and City Leadership addressing their short- and long-term real estate needs to support service delivery. Port Lands management revenue is received from TPLC to provide day-to-day property management and asset management services in the Port Lands. Services for both corporations 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.

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

### 7. Related party transactions:

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

Related parties	Relationship
The City of Toronto (a)	Parent
Build Toronto Inc. (b)	Common control
Toronto Port Lands Company (c)	Common control
TO Live (d)	Common control

#### (a) The City of Toronto:

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

	2024	2023
Due from related parties	\$ 2,863,058	\$ 1,366,392

As at December 31, 2024, CreateTO has net reimbursable costs of \$2,863,058 (2023 - \$1,366,392) due from the City.

CreateTO had transactions with the City in its ordinary course of business throughout the year ended December 31, 2024. Revenue from the City, which passed through the statement of operations and accumulated surplus were as follows:

	2024	2023
City project management	\$ 4,638,102	\$ 4,389,886
Other revenue	1,082,594	893,562



# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

### **7. Related party transactions (continued):**

#### **(b) Build Toronto Inc.:**

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

	2024	2023
Due to related parties	\$ 2,595,428	\$ 1,310,692

The balance of \$2,595,428 (2023 - \$1,310,692) is due to the timing of when fees are received from BT.

CreateTO had transactions with BT in its ordinary course of business throughout the year ended December 31, 2024. Revenue from BT, which passed through the statement of operations and accumulated surplus were as follows:

	2024	2023
Advisory and operations management (note 6)	\$ 7,148,802	\$ 6,125,022

#### **(c) Toronto Port Lands Company:**

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

	2024	2023
Due from related parties	\$ 491,391	\$ 433,903

The balance of \$491,391 (2023 - \$433,903) is due to the timing of when fees are received from TPLC.

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

### 7. Related party transactions (continued):

CreateTO had transactions with TPLC in its ordinary course of business throughout the year ended December 31, 2024. Revenue from TPLC, which passed through the statement of operations and accumulated surplus were as follows:

	2024	2023
Port Lands management (note 6)	\$ 5,308,447	\$ 5,020,418

#### (d) TO Live:

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

	2024	2023
Due to related parties	\$ —	\$ 47,565

2023 - \$47,565 due to is related to timing of when revenue is received from TO Live.

CreateTO had no transactions with TO Live in its ordinary course of business throughout the year ended December 31, 2024. Revenue from TO Live, which passed through the statement of operations and accumulated surplus is as follows:

	2024	2023
City project management	\$ —	\$ 55,185

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

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### **8. 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 contributions to OMERS for the year ended December 31, 2024 amounted to \$1,483,975 (2023 - \$1,373,055) and are included in salaries and benefits on the statement of operations and accumulated surplus.

### **9. Commitments and contingencies:**

CreateTO incurred operating lease payments of \$23,999 (2023 - \$23,925) for office equipment, which have been included in its office services expenses.

CreateTO leases certain office equipment under operating lease agreements. The approximate future minimum annual lease payments are as follows:

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2025	\$ 21,114
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### **10. 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, 2024, 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 due from other City entities and amounts receivable are immaterial, and are therefore each are assessed as low risk.

# CREATE TO

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

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

#### (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.

#### (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.

### **11. Economic dependence:**

CreateTO earned all of its revenue from performing services for the City of Toronto (note 7(a)), BT and TPLC (note 6) during the year ended December 31, 2024.

### **12. Budget data:**

Budget data presented in these financial statements are based upon the 2024 budgets as approved by the Toronto City Council on February 14, 2024.