

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA
Financial Statements
Year Ended December 31, 2023

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA
Index to Financial Statements
Year Ended December 31, 2023

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



INDEPENDENT AUDITOR'S REPORT

To the Council of the City of Toronto and the Board of Management for the Liberty Village Business Improvement Area

Opinion

We have audited the financial statements of Liberty Village Business Improvement Area (the organization), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 the organization in accordance with 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 PSAS, 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 organization'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 the organization'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.

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Independent Auditor's Report to the Council of the City of Toronto and the Board of Management for the Liberty Village Business Improvement Area (*continued*)

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 organization'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 organization'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 organization 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.



Toronto, Ontario
July 8, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and short-term deposits	\$ 423,510	\$ 386,961
Due from the City of Toronto (Note 3)	-	32,542
Accounts receivable	4,412	-
Harmonized sales tax recoverable	67,793	66,147
	<u>495,715</u>	<u>485,650</u>
LIABILITIES		
Accounts payable and accrued liabilities	18,961	15,084
Employee deductions payable	1,796	1,834
Deferred revenue	3,500	16,000
Due to the City of Toronto (Note 3)	6,627	-
	<u>30,884</u>	<u>32,918</u>
NET FINANCIAL ASSETS	<u>464,831</u>	<u>452,732</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	8,246	7,648
Tangible capital assets (Note 4)	1,301	4,914
	<u>9,547</u>	<u>12,562</u>
ACCUMULATED SURPLUS	<u>\$ 474,378</u>	<u>\$ 465,294</u>

ON BEHALF OF THE BOARD




Chair

Treasurer

See notes to financial statements

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Operations and Accumulated Surplus

Year Ended December 31, 2023

	Budget 2023 <i>(note 12)</i>	Total 2023	Total 2022
REVENUES			
Business improvement area levy	\$ 406,207	\$ 406,207	\$ 385,305
Festival and event revenue	50,000	50,813	33,411
Government grants	42,500	59,726	22,462
Other revenue	-	2,493	2,160
	498,707	519,239	443,338
EXPENSES			
Amenity and maintenance <i>(Note 5)</i>	71,500	37,686	43,466
Capital / amortization	-	3,613	5,179
Festival and event <i>(Note 6)</i>	115,000	149,865	96,444
General and administrative <i>(Notes 7, 10)</i>	226,250	214,200	130,096
Promotion and communication <i>(Note 8)</i>	44,500	57,536	51,510
Provision for uncollectible levies	36,928	39,623	10,157
Streetscape improvements	50,000	7,632	7,780
	544,178	510,155	344,632
SURPLUS (DEFICIT) FOR THE YEAR	(45,471)	9,084	98,706
OPERATING SURPLUS - BEGINNING OF YEAR	465,294	465,294	366,588
OPERATING SURPLUS - END OF YEAR	\$ 419,823	\$ 474,378	\$ 465,294

See notes to financial statements

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year Ended December 31, 2023

	Budget 2023	2023	2022
SURPLUS (DEFICIT) FOR THE YEAR	\$ (45,471)	\$ 9,084	\$ 98,706
Amortization of tangible capital assets	-	3,613	5,179
Decrease (increase) in prepaid expenses	-	(598)	(6,243)
	-	3,015	(1,064)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(45,471)	12,099	97,642
NET FINANCIAL ASSETS - BEGINNING OF YEAR	452,732	452,732	355,090
NET FINANCIAL ASSETS - END OF YEAR	\$ 407,261	\$ 464,831	\$ 452,732

See notes to financial statements

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Surplus for the year	\$ 9,084	\$ 98,706
Item not affecting cash:		
Amortization	3,613	5,179
	<u>12,697</u>	<u>103,885</u>
Changes in non-cash working capital:		
Due from the City of Toronto	32,543	30,152
Accounts receivable	(4,412)	-
Prepaid expenses	(598)	(6,243)
Harmonized sales tax recoverable	(1,646)	16,192
Accounts payable and accrued liabilities	3,877	(10,417)
Employee deductions payable	(39)	(228)
Deferred revenue	(12,500)	2,538
Due to the City of Toronto	6,627	(168,768)
	<u>23,852</u>	<u>(136,774)</u>
INCREASE (DECREASE) IN CASH FLOW	36,549	(32,889)
Cash - beginning of year	<u>386,961</u>	<u>419,850</u>
CASH - END OF YEAR	\$ 423,510	\$ 386,961

See notes to financial statements

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year Ended December 31, 2023

1. PURPOSE OF THE ORGANIZATION

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

The Board is entrusted with the improvements, beautification and maintenance of the municipally owned lands, buildings and structures in the area, together with the promotion of the area as a business or shopping area. Funding is provided by property owners of the BIA who are levied a special property tax charge based on an annual operating budget prepared by the Board and approved by Council under Section 220(17) of the Municipal Act, as amended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards (PSAS).

Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred.

Revenue recognition

Revenues are recognized as follows:

The BIA receives special charges levied and collected by the City and are recognized as revenue in the calendar year to which the tax assessment applies and at the time the assessment is known.

Fundraising and other revenues are recognized when the services have been performed and amounts have been collected.

Government grants are recognized in the period in which the transfer is authorized and any eligibility criteria are met unless restricted through stipulations that required specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized as the stipulation has been met.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Benches	5 years	straight-line method
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The organization regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Contributed services

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

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LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements Year Ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cost-share expenditures

The Board, in co-operation with the City, agrees to cost-shared capital improvement projects on publicly owned property. The projects are long-term in nature and are usually incorporated in a multi-year tender by the city. The BIAs share of the cost are not invoiced by the City until contracts are closed. The BIA accrues the costs in the financial statements when the invoices are received from the City.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued.

Government grants

Government grants are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Use of Estimates

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

3. DUE FROM (TO) CITY OF TORONTO

Special charges levied by the City are collected and remitted to the BIA by the City. The total special charges outstanding consist of amounts collected by the City not yet remitted (over remitted) to the BIA.

The BIA records special charges receivable net of an allowance for uncollected amounts. The special charges receivable from the City are comprised of:

	2023	2022
<u>Due from the City of Toronto</u>		
Levies receivable	\$ -	\$ 35,643
Provision for loss on appeals	-	(3,100)
	<u>\$ -</u>	<u>\$ 32,543</u>
<u>Due to the City of Toronto</u>		
Payments received in excess of levies receivable	\$ 9,029	\$ -
Special grants receivable	(2,401)	-
	<u>-</u>	<u>-</u>
	<u>\$ 6,628</u>	<u>\$ -</u>

(continues)

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year Ended December 31, 2023

3. DUE FROM (TO) CITY OF TORONTO *(continued)* Long-term Capital Funding Commitments to City of Toronto

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

As at December 31, 2023 there are no outstanding commitments for capital improvement projects (2022 - \$Nil) and during the year \$Nil was paid for capital improvement projects (2022 - \$168,768).

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Benches	\$ 53,210	\$ 51,909	\$ 1,301	\$ 4,914

5. AMENITY AND MAINTENANCE

	2023	2022
Amenity and maintenance expense consists of:		
Flowers and floral care	\$ 31,931	\$ 25,101
Hydro	537	492
Repairs and maintenance	5,218	17,873
	<u>\$ 37,686</u>	<u>\$ 43,466</u>

6. FESTIVAL AND EVENTS

	2023	2022
Festival and events expense consists of:		
Give Me Liberty	\$ 109,538	\$ 80,488
Holiday events	7,104	3,203
Live at Liberty	29,413	11,853
Walk Liberty	3,810	900
	<u>\$ 149,865</u>	<u>\$ 96,444</u>

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements Year Ended December 31, 2023

7. GENERAL AND ADMINISTRATIVE

	2023	2022
General and administration expense consists of:		
Accounting and legal	\$ 7,286	\$ 6,760
Audit fees	3,943	4,257
Bank charges	1,267	1,507
Consultants	20,352	-
Insurance	7,549	7,370
Membership and associations	5,000	5,000
Office	7,288	6,017
Rent	19,413	18,856
Retail sales tax reassessments (note 10)	27,035	-
Salaries and benefits	115,067	80,329
	<u>\$ 214,200</u>	<u>\$ 130,096</u>

8. PROMOTION AND COMMUNICATION

	2023	2022
Promotion and communication expense consists of:		
Marketing and promotional material	\$ 38,831	\$ 34,801
Retail and restaurant program	17,593	15,748
Website and social media	1,112	961
	<u>\$ 57,536</u>	<u>\$ 51,510</u>

9. INSURANCE

The BIA is required to deposit with the Treasurer, City of Toronto, insurance policies indemnifying the City against public liability and property damage in respect of the activities of the BIA. Insurance coverage providing \$5,000,000 for each occurrence or incident has been obtained by the BIA through the City.

10. GST/HST TAX REASSESSMENT

During the year the BIA applied for a reassessment of its previous years GST/HST rebates under the Canada Revenue Agency voluntary disclosure program to correct for excess amounts claimed. The voluntary disclosure was accepted resulting in a reduction of interest charged and no penalties assessed. The amount of the reassessment is included as an expense in general and administrative expenses.

11. FINANCIAL INSTRUMENTS

The financial instruments of the BIA consist of cash and term deposits, accounts receivable, accounts payable and the amounts due from/to the City of Toronto. It is management's opinion that the organization is not exposed to significant interest rate, currency, or credit risks arising from these financial instruments.

LIBERTY VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year Ended December 31, 2023

12. BUDGET

The budget adopted by the Organization on November 3, 2022 was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards requires a full accrual basis. The budget expensed all tangible capital expenditures on acquisition rather than annually including amortization expense. For presentation purposes the amounts budgeted for capital expenditures are shown on the statement of change in net financial assets and actual amortization for the year added to the budget in the statement of operations.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.



July 8, 2024

Liberty Village Business Improvement Area
67 Mowat Ave, Suite 104
Toronto ON M6K 3E3

Attention: Charles Arbez

Dear Charles:

During the course of our audit of Liberty Village Business Improvement Area for the year ended December 31, 2023, we identified matters that may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management. Accordingly, an audit would not usually identify all such matters.

Rebate on Sales Tax

During the course of our audit we noted that the organization did not include the provincial retail sales tax of \$445.84 paid on the insurance invoice from *Certas Home and Auto Insurance Co.* in the retail sales tax rebate application.

During the course of our audit we noted that the organization did not calculate the correct GST/HST rebate on invoice #35 from *Shop Local 2 Win* resulting in over claimed retail sales tax rebate of \$746.01. The details of the amount claimed and the tax rebate calculations are attached. It appears that the GST/HST rebate was calculated on the non-taxable component of the invoice (gift cards) and was not based on the actual HST charged on the invoice.

Implications

The calculation errors in the rebate application can result the organization under claiming its eligible rebates, or alternatively a reassessment and interest charges in the case of an audit by the CRA on over claimed amounts.

Recommendations

We recommend the organization adjust for these amounts in its next rebate claim and ensure all eligible amounts are included in future rebate claims. In addition, you may wish to review how prior years retail sales tax was calculated for on insurance invoices and invoices were a portion of the invoice included non-taxable amounts and where the legislation allows, adjust for any amounts that were not accurately claimed.

Classification of expenses

During the course of our audit we identified expenses that were not coded consistently with expense categories used in previous years and the current year. Reclassifying entries were made as follows:

1 - Promotional gift cards purchased through the *Shop Local 2 Win* program were reclassified from consultants in Promotion and Communication to the gift card expense account (Retail and restaurant program) included in Promotion and Communication to report the gift card expenses in the same category as previous years;

2 - Promotional gift cards purchased through the AnyCard program were reclassified from consultants in General and Administrative to the gift card expense account (Retail and restaurant program) included in Promotion and Communication to report the gift card expenses in the same category as previous years;

3 - Shop Local 2 Win program marketing expenses were reclassified from consultants to promotional materials, the same expense account used in previous years;

4 - Legal fees for the review of the operational manual were reclassified from other project expenses - Festivals and Events to legal expense in General and Administrative, consistent with the classification of other legal expenses in the current and prior years;

5 - Mural expenses were reclassified from other project expense to Mural expense, consistent with the classification in prior years;

6 - Walk Liberty expenses were reclassified from other project expenses to Walk Liberty - Festivals and Events as the expense related to the Walk Liberty event;

7 - Live at Liberty expenses were reclassified from Walk Liberty to Live at Liberty - Festivals and Events as the expenses related to the Live at Liberty event;

8 - Sponsorship of the Heritage Toronto Bad Girls Tour was reclassified from consultants expense in General and Administrative to Marketing and promotional material in Promotion and Communication to report sponsorship as a Promotional expense;

9 - Expansion expenses were reclassified from Other project expenses - Festivals and Events to Office expenses in General and Administrative to be consistent with the classification in prior years.

Implications

Correct coding is required to report expenses for financial statement reporting purposes and to provide meaningful tracking of expenses against budgeted expenses for each category.

Recommendations


We recommend expense classification and coding be closely reviewed and approved such that expenses are coded consistently with prior years and into the appropriate categories for financial statement reporting purposes.

Conclusion

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We trust you will implement our recommendations; however, should you require further clarification or information, please contact the undersigned.

Yours truly,

A handwritten signature in black ink, appearing to read "Bob Gore", with a stylized, flowing script.

Bob Gore, CPA, CA

ROBERT GORE & ASSOCIATES

Chartered Professional Accountants