

Financial statements

GTA Region Investment Attraction

[operating as Toronto Global]

March 31, 2017



Building a better
working world

Independent auditors' report

To the Members of the
GTA Region Investment Attraction [operating as Toronto Global]

We have audited the accompanying financial statements of the **GTA Region Investment Attraction** [operating as Toronto Global], which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **GTA Region Investment Attraction** [operating as Toronto Global] as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Restated comparative information

Without modifying our opinion, we draw attention to note 12 to the financial statements, which explains that certain comparative information for the period from July 27, 2015 to March 31, 2016 has been restated. The financial statements of the **GTA Region Investment Attraction** [operating as Toronto Global] for the period from July 27, 2015 to March 31, 2016 [prior to the restatement of the comparative information] were audited by another auditor who expressed an unmodified opinion on those financial statements on February 8, 2017.

Ernst & Young LLP

Toronto, Canada
September 12, 2017

Chartered Professional Accountants
Licensed Public Accountants



GTA Region Investment Attraction

[operating as Toronto Global]

Statement of financial position

As at March 31

	2017	2016
	\$	\$
		<i>[restated – note 12]</i>
Assets		
Current		
Cash	2,063,977	147,886
Restricted investments <i>[note 3]</i>	162,215	—
Accounts receivable <i>[notes 6 and 10]</i>	40,904	—
Provincial contributions receivable <i>[note 10]</i>	400,000	65,000
Government of Canada contributions receivable <i>[note 10]</i>	184,877	—
Municipal contributions receivable <i>[note 10]</i>	890,412	—
Prepaid expenses	70,424	7,322
Total current assets	3,812,809	220,208
Tangible capital assets, net <i>[note 7]</i>	10,926	—
	3,823,735	220,208
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 4 and 5]</i>	961,216	105,774
Advances from Greater Toronto Marketing Alliance <i>[note 12]</i>	105,700	81,229
Deferred contributions <i>[notes 6 and 12]</i>	2,745,893	33,205
Total current liabilities	3,812,809	220,208
Deferred capital contributions <i>[note 8]</i>	10,926	—
Total liabilities	3,823,735	220,208
Commitments <i>[note 11]</i>		
Net assets		
Unrestricted	—	—
	3,823,735	220,208

See accompanying notes

On behalf of the Board:

Director

Director

GTA Region Investment Attraction

[operating as Toronto Global]

Statement of operations

	Year ended March 31, 2017 \$	Period from July 27, 2015 to March 31, 2016 \$
		<i>[restated – note 12]</i>
Revenue		
Contributions from Province of Ontario <i>[notes 6 and 12]</i>	1,757,868	696,925
Contributions from Government of Canada <i>[note 6]</i>	1,408,410	—
Contributions from Invest Canada Community Initiatives <i>[note 6]</i>	29,825	—
Amortization of deferred capital contributions <i>[note 8]</i>	1,894	—
	3,197,997	696,925
Expenses		
Labour and staff costs <i>[note 9]</i>	1,866,330	192,164
Consulting fees	109,304	232,893
Professional fees <i>[note 12]</i>	472,491	262,115
Marketing costs	275,224	284
Shared services <i>[note 5]</i>	135,883	—
Printing	33,151	54
Travel	108,965	535
Office	124,654	8,880
Rent and occupancy costs	70,101	—
Amortization of tangible capital assets <i>[note 7]</i>	1,894	—
	3,197,997	696,925
Excess of revenue over expenses for the period	—	—

See accompanying notes

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Statement of changes in net assets

	Year ended March 31, 2017		Period from July 27, 2015 to March 31, 2016
	Unrestricted	Total	Total
	\$	\$	\$
			<i>[restated – note 12]</i>
Net assets, beginning of period	—	—	—
Excess of revenue over expenses for the period	—	—	—
Net assets, end of period	—	—	—

See accompanying notes

GTA Region Investment Attraction

[operating as Toronto Global]

Statement of cash flows

	Year ended March 31, 2017 \$	Period from July 27, 2015 to March 31, 2016 \$
		<i>[restated – note 12]</i>
Operating activities		
Excess of revenue over expenses for the period	—	—
Add (deduct) items not involving cash		
Amortization of tangible capital assets	1,894	—
Amortization of deferred capital contributions	(1,894)	—
Accrual of interest on restricted investments	(215)	—
Amortization of rent adjustment	884	—
	<u>669</u>	<u>—</u>
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable	(40,904)	—
Increase in contributions receivable	(1,410,289)	(65,000)
Increase in prepaid expenses	(63,102)	(7,322)
Increase in accounts payable and accrued liabilities	854,558	105,774
Increase in deferred contributions	2,712,688	33,205
Cash provided by operating activities	<u>2,053,620</u>	<u>66,657</u>
Investing activities		
Purchase of restricted investments	(162,000)	—
Acquisition of tangible capital assets	(12,820)	—
Cash used in investing activities	<u>(174,820)</u>	<u>—</u>
Financing activities		
Contributions used to fund capital assets	12,820	—
Advances from Greater Toronto Marketing Alliance	24,471	81,229
Cash provided by financing activities	<u>37,291</u>	<u>81,229</u>
Net increase in cash during the period	1,916,091	147,886
Cash, beginning of period	147,886	—
Cash, end of period	<u>2,063,977</u>	<u>147,886</u>

See accompanying notes

GTA Region Investment Attraction

[operating as Toronto Global]

Notes to financial statements

March 31, 2017

1. Nature of operations

The GTA Region Investment Attraction ["Toronto Global"] was incorporated on July 27, 2015 as a not-for-profit organization without share capital under the *Business Corporations Act* (Ontario) and has continued under the new *Canada Not-for-profit Corporations Act* as of July 1, 2017. Toronto Global is exempt from income taxes under section 149(1)(1) of the *Income Tax Act* (Canada).

The objectives of Toronto Global include promoting the competitive advantages and business opportunities in the Greater Toronto Area and to raise the profile of the Greater Toronto Area to attract foreign direct investment in order to maintain and expand the economy of the region.

2. Summary of significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada. The significant accounting policies are summarized below.

Revenue recognition

Toronto Global follows the deferral method of accounting for contributions, which include government and other grants. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related eligible expenses are incurred. Externally restricted contributions relating to tangible capital assets are deferred when initially recorded in the accounts and recognized as revenue on a basis consistent with amortization of the related tangible capital assets. Unrestricted contributions are recognized as income when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost, less any provisions for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable, contributions receivable and accounts payable and accrued liabilities are recorded at fair value and are subsequently measured at cost, net of any provisions for impairment.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
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Rent and occupancy costs and deferred lease escalations

Rent expense is recorded in rent and occupancy costs in the statement of operations on a straight-line basis over the term of the lease. Differences between the straight-line rent expense and the payments, as stipulated under the lease agreement, referred to as lease escalations, are included in accounts payable and accrued liabilities.

Employee future benefits

Defined contribution plan accounting is applied to the multi-employer defined benefit plan. Contributions are expensed on an accrual basis, as Toronto Global has insufficient information to apply defined benefit plan accounting.

Contributed goods and services

Contributed goods and services are not recognized in these financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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. Estimates are based on the information available at the date of preparation and are reviewed annually to reflect new information as it is available. Measurement uncertainty exists in the financial statements primarily related to the impairment in contributions receivable and the estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

3. Restricted investments

Restricted investments include a guaranteed investment certificate of \$162,000 [2016 – nil], which has been set aside as a security for the Ontario Municipal Employees Retirement Fund ["OMERS"]. This investment certificate has an annual yield of 0.5% [2016 – nil], and a maturity date of December 27, 2017, with a provision for redemption within 30 days of acquisition.

4. Services agreement

Toronto Global has entered into a services agreement with Invest Toronto Inc. ["Invest Toronto"], a subsidiary of the City of Toronto, wherein Toronto Global will pay to Invest Toronto fees equal to one-half of all gross salaries paid by Invest Toronto to its employees for the various investment attraction related services Invest Toronto has provided to Toronto Global for the period from April 1, 2016 to December 31, 2016. Advancement of funds was provided from Invest Toronto to Toronto Global for expenditures to be shared or fully reimbursed by Toronto Global.

Included in accounts payable and accrued liabilities is an amount of \$272,291 [2016 – \$32,983] expected to be reimbursed by Toronto Global to Invest Toronto for funds advanced for operations as of March 31, 2017. Also included in accounts payable and accrued liabilities is an amount of \$387,587 [2016 – nil] to be reimbursed to Invest Toronto for services provided by its employees. Amounts are to be repaid to Invest Toronto within 30 days of the date invoiced by Invest Toronto with no interest being charged.

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5. Shared services

Toronto Global has agreed with Toronto Port Lands Company ["TPLC"], a subsidiary of the City of Toronto, to share certain administrative, accounting and other corporate services on a cost allocation basis. Included in accounts payable and accrued liabilities is an amount of \$135,883 [2016 – nil] owing to TPLC for shared services costs. There is no set terms of repayment for these amounts and no interest is being charged by TPLC.

6. Deferred contributions

Toronto Global receives contributions from the Government of Canada, the Province of Ontario and Regional Municipalities of York, Halton and Durham, the Cities of Mississauga, Brampton and Toronto [the "Municipalities"], which have certain restrictions associated with the use of the funds. Deferred contributions represent unspent contributions for expenses to be incurred in future years.

Changes in the deferred contributions balance are as follows:

	2017	2016
	\$	\$
		<i>[restated – note 12]</i>
Balance, beginning of period	33,205	—
Contributions received from the Government of Canada	1,408,410	—
Contributions received from the Province of Ontario	2,500,000	730,000
Contributions received from the Municipalities	1,980,969	—
Transfer to deferred capital contributions <i>[note 8]</i>	(12,820)	—
Interest income earned on excess funds in the period	2,407	130
Amounts recognized as revenue in the period	(3,166,278)	(696,925)
Balance, end of period	2,745,893	33,205

The contribution agreement between Toronto Global and the Government of Canada, represented by the Federal Economic Development Agency for Southern Ontario, made on December 2, 2016, covers the period from April 1, 2016 to December 31, 2018. This agreement stipulates a contribution amount of \$6,000,000 payable in respect of eligible and supported costs incurred by Toronto Global as prescribed in the agreement.

The contribution agreement between Toronto Global and the Province of Ontario was signed on June 16, 2016 and covers the period from April 1, 2016 to March 31, 2017. This agreement stipulates an annual contribution of \$2,500,000 payable as set out in the agreement.

The contribution agreement between Toronto Global and the Municipalities made on December 2, 2016, covers the period from April 1, 2016 to March 31, 2019. This agreement is for a total contribution amount of \$5,942,907 payable as set out in the agreement.

In addition to the above noted contributions, Toronto Global has been qualified by the Government of Canada to implement a project that supports the Canadian Community's efforts to attract, retain and expand foreign direct investment and is ultimately designed to strengthen the economy at the community level.

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Toronto Global will receive a contribution of \$29,825 [2016 – nil] from the Government of Canada towards eligible expenditures incurred from January 1, 2017 to March 31, 2017 pursuant to the Global Commerce Support Program. This amount is included in accounts receivable on the statement of financial position.

7. Tangible capital assets

Tangible capital assets consist of the following:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	12,820	1,894	10,926	—
	12,820	1,894	10,926	—

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Changes in deferred capital contributions balance are as follows:

	2017	2016
	\$	\$
Balance, beginning of period	—	—
Transferred from deferred contributions [note 6]	12,820	—
Amortization of deferred capital contributions for the period	(1,894)	—
Balance, end of period	10,926	—

9. Salaries and employee benefits

Included in the labour and staff costs are Toronto Global's current service contributions to the OMERS pension plan totaling \$40,334 [2016 – nil].

Toronto Global makes contributions to OMERS, which is a multi-employer pension plan, on behalf of some 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 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, Toronto Global does not recognize and share in the OMERS pension surplus or deficit. The most recent valuation for financial reporting purposes completed by OMERS as at December 31, 2016, disclosed net assets available for benefits of \$85.4 billion with pension obligations of \$85.2 billion, resulting in a surplus of \$0.2 billion.

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10. Financial instruments and risk management

Toronto Global's operating activities expose it to a range of financial risks. These risks include credit risk, liquidity risk and currency risk, which are described as follows:

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of default or insolvency of a counterparty on its obligation to Toronto Global. The total carrying value of cash and contributions receivable as presented in the statement of financial position represents the maximum credit risk exposure as at the date of the financial statements.

The cash deposit is held by a Schedule 1 Canadian financial institution, which reduces Toronto Global's exposure to credit risk. Of the accounts receivable, \$11,083 [2016 – nil] has been received subsequent to March 31, 2017. Contributions receivable due from the federal, provincial and municipal governments of \$523,877 [2016 – \$65,000] have been received subsequent to March 31, 2017.

Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. As at March 31, 2017 and 2016, Toronto Global expects it will meet all obligations due within one year through cash and other resources, together with funding from the federal, provincial and municipal governments.

Currency risk

Virtually all of Toronto Global's transactions are denominated in Canadian dollars. As at March 31, 2017 and 2016, Toronto Global held no financial instruments denominated in currencies other than Canadian dollars.

11. Commitments

Future commitments for rent of Toronto Global's premises are as follows:

	\$
2018	117,104
2019	119,313
2020	119,313
2021	59,657
	<u>415,387</u>

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12. Restatement of prior year's financial statements

At the establishment of the organization, Toronto Global made an arrangement with the Greater Toronto Marketing Alliance ["GTMA"], in the form of an interest-free advance, whereby GTMA had agreed to advance funds to cover operating costs of Toronto Global as the organization secured its funding. In 2016, the costs paid by GTMA totalled \$81,229 and were not recorded in Toronto Global's accounts as at March 31, 2016. Subsequent to the current period, GTMA has requested repayment of the total advances made to date of \$105,700. The adjustment to account for these costs has been accounted for retrospectively as an increase to contributions from the Province of Ontario of \$81,229, an increase to professional fees by \$81,229, a decrease to deferred contributions by \$81,229 and an increase to advances from GTMA by \$81,229. There is no impact to the excess of revenue over expenses for the period ended March 31, 2016.

Additionally, Toronto Global had not previously deferred the interest income earned under the Provincial funding agreement. The adjustment has been accounted for retrospectively to decrease other income by \$130 and increase deferred contributions by \$130, resulting in a decrease in the excess of revenue over expenses for the period of \$130.

The following summarizes the effects of the adjustments as at and for the period ended March 31, 2016:

	Previously recorded	Increase (decrease)	Restated
	\$	\$	\$
Contributions from the Province of Ontario	615,696	81,229	696,925
Other income	130	(130)	—
Professional fees	180,886	81,229	262,115
Deferred contributions	114,304	(81,099)	33,205
Advances from GTMA	—	81,229	81,229
Excess of revenue over expenses for the period	130	(130)	—
Opening net assets	—	—	—
Ending net assets	130	(130)	—

