

Financial Statements of

**Downtown Business
Improvement Area**

Year ended December 31, 2019

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Downtown Business Improvement Area (the "Entity") are the responsibility of the Entity's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of 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 Entity'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 Executive Committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Board of Management for their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Entity. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Entity's financial statements.

Doug Ritchie
Managing Director

Nick Waterfield
Treasurer



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Independent Auditors' Report

To the Board of Management of the Downtown Business Improvement Area and to the Inhabitants and Ratepayers of the Corporation of the City of Kingston

Opinion

We have audited the financial statements of Downtown Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and municipal equity for the year then ended
- the statement of changes in net financial assets 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, 2019, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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



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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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 10, 2020

Downtown Business Improvement Area Financial Statements

Year ended December 31, 2019

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Downtown Business Improvement Area Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Financial assets:		
Cash	\$ 223,644	\$ 301,443
Accounts receivable	15,810	4,159
Inventory	18,162	11,688
Due from City of Kingston (note 2)	107,794	–
	365,410	317,290
Liabilities:		
Accounts payable and accrued liabilities	73,695	67,012
Deferred revenue	–	10,000
Due to City of Kingston (note 2)	–	58,608
	73,695	135,620
Net financial assets	291,715	181,670
Other non-financial assets:		
Tangible capital assets (note 3)	17,190	32,575
Prepaid expenses	14,000	18,543
Total non-financial assets	31,190	51,118
Commitments (note 4)		
Subsequent event (note 9)		
Accumulated municipal surplus	\$ 322,905	\$ 232,788

See accompanying notes to financial statements

Downtown Business Improvement Area

Statement of Operations and Municipal Equity

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 6)	2019 (note 5)	2018
Revenue:			
Downtown area taxes levied	\$ 1,345,019	\$ 1,345,019	\$ 1,282,190
Downtown area capital taxes levied (note 4(b))	214,240	214,240	205,014
	<u>1,559,259</u>	<u>1,559,259</u>	<u>1,487,204</u>
Expenses:			
Downtown beautification and improvements:			
Flowers	32,000	30,247	31,997
Street decorations	36,500	28,801	23,596
Downtown maintenance	94,844	91,898	89,815
Amortization	-	15,517	19,283
Less expenses recovered	(39,000)	(39,000)	(38,500)
	<u>124,344</u>	<u>127,463</u>	<u>126,191</u>
Office operation:			
Salaries and benefits	192,500	215,288	197,815
Office supplies	17,400	6,842	16,366
Meetings and other supplies	8,700	22,210	6,335
Occupancy costs	79,000	76,678	70,163
Professional fees	22,500	26,557	24,019
Office equipment	12,750	18,140	5,631
Insurance	9,000	7,609	8,271
Amortization	-	3,772	6,510
Contingencies	16,000	810	18,200
	<u>357,850</u>	<u>377,906</u>	<u>353,310</u>
Less expenses recovered	-	(2,664)	(1,750)
	<u>357,850</u>	<u>375,242</u>	<u>351,560</u>
Economic development:			
Business recruitment, retention, and economic development	170,344	172,999	166,891
Amortization	-	975	975
Less expenses recovered	-	(77)	-
	<u>170,344</u>	<u>173,897</u>	<u>167,866</u>
Public relations and advertising:			
Community events programs	769,181	722,747	747,997
Less expenses recovered	(130,700)	(164,619)	(226,489)
	<u>638,481</u>	<u>558,128</u>	<u>521,508</u>
	<u>1,291,019</u>	<u>1,234,730</u>	<u>1,167,125</u>
Net revenue	268,240	324,529	320,079
Other income (expenses):			
Uncollectible taxes levied	(54,000)	(20,172)	(12,477)
Transfer to City for Capital Tax Levy (note 4(b))	(214,240)	(214,240)	(205,014)
	<u>(268,240)</u>	<u>(234,412)</u>	<u>(217,491)</u>
Annual surplus	-	90,117	102,588
Municipal equity, beginning of year			
		232,788	130,200
Municipal equity, end of year			
		\$ 322,905	\$ 232,788
General operating fund surplus			
		\$ 90,905	\$ 177,788
Reserves			
		55,000	55,000
Reserves for Strategic Priorities			
		177,000	-
		<u>\$ 322,905</u>	<u>\$ 232,788</u>

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 90,117	\$ 102,588
Acquisition of tangible capital assets	(4,879)	(20,250)
Amortization of tangible capital assets	20,264	26,768
Prepaid expenses	4,543	(9,409)
Change in net financial assets	110,045	99,697
Net financial assets, beginning of year	181,670	81,973
Net financial assets, end of year	\$ 291,715	\$ 181,670

See accompanying notes to financial statements.

Downtown Business Improvement Area

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 90,117	\$ 102,588
Amortization, which does not involve cash	20,264	26,768
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(11,651)	3,942
Decrease (increase) in accounts payable and accrued liabilities	6,683	(16,430)
Increase (decrease) in deferred revenue	(10,000)	10,000
Increase (decrease) in due to City of Kingston	(166,402)	107,991
Decrease (increase) in inventory	(6,474)	3,305
Decrease (increase) in prepaid expenses	4,543	(9,409)
Net change in cash from operating activities	(72,920)	228,755
Capital activities:		
Cash used to acquire tangible capital assets	(4,879)	(20,250)
Increase (decrease) in cash	(77,799)	208,505
Cash, beginning of year	301,443	92,938
Cash, end of year	\$ 223,644	\$ 301,443

See accompanying notes to financial statements.

Downtown Business Improvement Area

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The financial statements of the Downtown Business Improvement Area (“DBIA”) are prepared by management in accordance with Canadian public sector accounting standards (“PSAB”). The DBIA is a local board of the Corporation of the City of Kingston that is exempt from income taxes under the Income Tax Act. Significant aspects of the accounting policies adopted by DBIA are as follows:

(a) Reporting Entity:

- (i) These statements reflect the assets, liabilities, revenue and expenses of the DBIA.
- (ii) Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(c) Inventory:

Inventory is stated at the lower of cost or net realizable value.

(d) Revenue:

Revenue are recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Street decorations	3
Computer equipment	5
Computer software	5
Furniture & fixtures	5

When conditions indicate that a tangible capital asset no longer contributes to the DBIA's ability to provide services or the value of the future economic benefits associated with the tangible capital assets are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the assets are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustments would be reported as an expense on the "Statement of Operations and Municipal Equity", however, no adjustments were recorded in the current year.

2. Due to/from the City of Kingston:

The amount is the net receivable/payable balance owing to/from the City of Kingston for operating and capital expenses paid on behalf of the Downtown Business Improvement Area net with deposits made on behalf of the Downtown Business Improvement Area.

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Capital assets:

Cost	Balance at December 31 2018	Additions	Dispositions	Balance at December 31 2019
Street decorations	\$ 67,975	\$ 4,879	\$ -	\$ 72,854
Computer equipment	17,999	-	-	17,999
Computer software	14,550	-	-	14,550
Furniture & fixtures	4,875	-	-	4,875
Total	\$ 105,399	\$ 4,879	\$ -	\$ 110,278
Accumulated Amortization	Balance at December 31 2018	Disposals	Amortization	Balance at December 31 2019
Street decorations	\$ (43,145)	-	\$ (15,517)	\$ (58,662)
Computer equipment	(16,576)	-	(862)	(17,438)
Computer software	(11,640)	-	(2,910)	(14,550)
Furniture & fixtures	(1,463)	-	(975)	(2,438)
Total	\$ (72,824)	\$ -	\$ (20,264)	\$ (93,088)
Net book value	\$ 32,575	\$ 4,879	\$ (20,264)	\$ 17,190

4. Commitments:

- (a) The DBIA entered into a ten-year lease agreement commencing April 1, 2012. The annual rental is \$34,424 plus a share of municipal taxes and operating costs for the first five years and \$37,072 plus a share of municipal taxes and operating costs thereafter.
- (b) The DBIA has committed contributions of \$3 million for the Leon's Centre. There was a special charge levied upon the rateable property within the Business Improvement Area to be paid out in thirty annual installments which began on December 31, 2006. During the year, \$214,240 (2018 - \$205,014) was paid back to the Corporation of the City of Kingston to repay debt borrowed to advance funds for these projects.

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Commitments (continued):

- (c) The DBIA has a three year contract that commenced in late 2017 with Classic Displays to install, remove, clean, perform minor repairs, and replace lamps for the seasonal street decorations at an annual cost of \$15,690. The contract expires October 31, 2020.

5. Revenue and expense breakdown:

Revenue and expense breakdown under downtown beautification and improvements, marketing and economic development are as follows:

	Downtown Beautification & Improvement	Marketing	Economic Development	Total 2019	Total 2018
Revenue:					
Municipal – Kingston	\$ (39,000)	\$ –	\$ –	\$ (39,000)	\$ (38,500)
Federal grants	–	(13,185)	–	(13,185)	–
Ticket revenue	–	(42,805)	–	(42,805)	(41,431)
Corporate sponsors	–	(75,632)	(77)	(75,709)	(148,118)
Merchandise sales	–	(20,780)	–	(20,780)	(22,847)
Registration fees	–	(12,217)	–	(12,217)	(14,093)
Total Revenue	\$ (39,000)	\$ (164,619)	\$ (77)	\$ (203,696)	\$ (264,989)
Expenses:					
Salaries & benefits	\$ 69,465	\$ 294,603	\$ 135,047	\$ 499,115	\$ 501,121
Advertising	–	187,817	22,415	210,232	221,838
Materials	19,784	47,436	9,379	76,599	69,460
Contracted services	61,697	165,244	6,158	233,099	237,857
Services & rents	–	27,647	–	27,647	30,020
Amortization	15,517	–	975	16,492	20,258
Total Expenses	\$ 166,463	\$ 722,747	\$ 173,974	\$ 1,063,184	\$ 1,080,554
Net deficit	\$ 127,463	\$ 558,128	\$ 173,897	\$ 859,488	\$ 815,565

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2019 operating budget as approved by the Board of Management on November 14, 2018.

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

The chart below reconciles the approved operating budget to the budget figures reported in these financial statements.

	Budget Amount
Total operating budget revenues	\$1,559,259
Total operating budget expenses	1,559,259
Annual operating surplus	–

7. Fair value:

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities and amount due to/from City of Kingston approximates their fair value because of the relatively short period to maturity of the instruments.

8. Adoption of new accounting policy:

On January 1, 2019, the DBIA adopted Canadian public sector accounting standards PS 3430 Restructuring transactions.

The adoption of this standard did not result in an accounting policy change for the DBIA, and not result in any adjustments to the financial statements as at January 1, 2019.

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the DBIA has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- The administrative building within which it operates was ordered to be closed on March 17, 2020 based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Continuous re-evaluation of the team's work assignments
- Some future events are tentative depending on the continued Provincial and Municipal social distancing restrictions

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.