

Financial Statements of

**DOWNTOWN BUSINESS
IMPROVEMENT AREA**

Year ended December 31, 2013

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 audit 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 their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Entity. The accompanying 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

DOWNTOWN BUSINESS IMPROVEMENT AREA

Financial Statements

Year ended December 31, 2013

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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

We have audited the accompanying financial statements of the Downtown Business Improvement Area, which comprise the statement of financial position as at December 31, 2013, the statements of operations and municipal equity, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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 our 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, we 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 Downtown Business Improvement Area as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 11, 2014

Kingston, Canada

DOWNTOWN BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2013, with comparative figures for 2012

	2013	2012
Assets		
Financial assets:		
Cash	\$ 154,740	\$ 245,344
Accounts receivable	17,128	40,666
Inventory	10,739	9,091
Due from City of Kingston (note 2)	9,343	-
	<u>191,950</u>	<u>295,101</u>
Liabilities:		
Accounts payable and accrued liabilities	95,892	62,734
Deferred revenue	-	1,000
Due to City of Kingston (note 2)	-	165,297
	<u>95,892</u>	<u>229,031</u>
Net financial assets	96,058	66,070
Other non-financial assets:		
Prepaid expenses	13,530	7,916
Total non-financial assets	<u>13,530</u>	<u>7,916</u>
Accumulated municipal surplus	\$ 109,588	\$ 73,986

Commitments (note 3)

See accompanying notes to financial statements.

DOWNTOWN BUSINESS IMPROVEMENT AREA

Statement of Operations and Municipal Equity

Year ended December 31, 2013, with comparative figures for 2012

	2013 Budget (note 5)	2013	2012
Revenue:			
Downtown area taxes levied	\$ 1,058,016	\$ 1,058,016	\$ 1,025,848
Downtown area capital taxes levied (note 3(b))	172,094	172,094	167,405
	<u>1,230,110</u>	<u>1,230,110</u>	<u>1,193,253</u>
Expenses:			
Downtown beautification and improvements:			
Flowers	39,100	34,373	41,866
Street decorations	43,050	24,719	28,382
Downtown maintenance	66,700	74,720	56,612
Amortization of tangible capital assets	-	-	9,830
Less expenses recovered (note 4)	<u>(35,000)</u>	<u>(39,452)</u>	<u>(39,184)</u>
	113,850	94,360	97,506
Office operation:			
Salaries and benefits	165,045	172,953	155,493
Office supplies	15,000	20,926	18,760
Meetings and other supplies	7,500	7,799	5,826
Occupancy costs	73,900	65,199	61,902
Professional fees	19,420	19,461	22,173
Office equipment	19,500	11,266	33,879
Insurance	-	7,194	6,537
Contingencies	5,500	1,331	(3,310)
	<u>305,865</u>	<u>306,129</u>	<u>301,260</u>
Less expenses recovered	-	(308)	(2,173)
	305,865	305,821	299,087
Economic development:			
Business recruitment, retention and economic development	172,035	169,918	209,688
Less expenses recovered (note 4)	<u>-</u>	<u>(1,110)</u>	<u>(49,641)</u>
	172,035	168,808	160,047
Public relations and advertising:			
Community events programs	680,529	690,322	644,236
Less expenses recovered (note 4)	<u>(237,250)</u>	<u>(253,923)</u>	<u>(207,320)</u>
	443,279	436,399	436,916
	<u>1,035,029</u>	<u>1,005,388</u>	<u>993,556</u>
Net revenue	195,081	224,722	199,697
Other income/expenses:			
Uncollectible taxes levied	(47,988)	(17,026)	(38,994)
Transfer to City for Capital Tax	-	-	-
Levy (note 3(b))	<u>(172,093)</u>	<u>(172,094)</u>	<u>(167,405)</u>
	(220,081)	(189,120)	(206,399)
Annual surplus (deficit),	(25,000)	35,602	(6,702)
Municipal equity, beginning of year		73,986	80,688
Municipal equity, end of year		<u>\$ 109,588</u>	<u>\$ 73,986</u>
General operating fund surplus (deficit)		<u>\$ 54,588</u>	<u>\$ (6,014)</u>
Reserve Funds		<u>\$ 55,000</u>	<u>\$ 80,000</u>
		<u>\$ 109,588</u>	<u>\$ 73,986</u>

See accompanying notes to financial statements.

DOWNTOWN BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Annual surplus (deficit)	\$ 35,602	\$ (6,702)
Amortization of tangible capital assets		9,830
Prepaid expenses	(5,614)	(2,627)
Change in net debt	29,988	501
Net debt, beginning of year	66,070	65,569
Net financial assets, end of year	\$ 96,058	\$ 66,070

See accompanying notes to financial statements.

DOWNTOWN BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 35,602	\$ (6,702)
Amortization, which does not involve cash	-	9,830
Change in non-cash operating working capital:		
Decrease in accounts receivable	23,538	44,435
Increase (decrease) in trade accounts payable and accrued liabilities	33,158	(53,972)
Decrease in deferred revenue	(1,000)	(201,500)
Increase (decrease) in due to City of Kingston	(174,640)	175,736
Increase in inventory	(1,648)	(2,424)
Increase in prepaid expenses	(5,614)	(2,627)
Net change in cash from operating activities	(90,604)	(37,224)
Cash, beginning of year	245,344	282,568
Cash, end of year	\$ 154,740	\$ 245,344

See accompanying notes to financial statements.

DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2013

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. 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 in conformity with Canadian public sector accounting standards 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. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(c) Inventory:

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

(d) 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.

DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

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

Annual amortization is charged in the year of acquisition and in the year of disposal.

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.

3. Commitments:

- (a) The Entity 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 Entity has committed contributions of \$3 million for the Kingston Sports and entertainment Centre and \$500,000 towards the Market Square Revitalization. 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, \$172,094 (2012 - \$167,405) was paid back to 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, 2013

4. Revenue and expense breakdown:

Revenue and expense breakdown under downtown beautification and improvements, public relations and advertising and economic development are as follows:

	Downtown			Total	Total
	Beautification & Improvements	Public Relations and Advertising	Economic Development	2013	2012
Revenues:					
Municipal contribution (street maintenance)	(35,000)	-	-	(35,000)	(35,000)
Provincial grants	-	(40,000)	-	(40,000)	(21,891)
Federal grants	-	(20,512)	-	(20,512)	(18,000)
Ticket revenue	-	(38,113)	(523)	(38,636)	(34,756)
Corporate sponsors	-	(89,025)	-	(89,025)	(88,673)
Merchandise sales	-	(25,021)	-	(25,021)	(22,400)
Registration fees	-	(18,685)	-	(18,685)	(15,763)
Expenditure recovery	(4,452)	-	(587)	(5,039)	(39,462)
Contribution from other	-	(22,567)	-	(22,567)	(20,200)
Total Revenues	\$ (39,452)	\$ (253,923)	\$ (1,110)	\$ (294,485)	\$ (296,145)
Expenditures:					
Salaries and benefits	\$ 65,238	\$ 267,077	\$ 96,612	\$ 428,927	\$ 410,405
Advertising	769	178,260	32,835	211,864	250,351
Materials	1,871	46,793	22,509	71,173	67,335
Contracted services	64,280	196,095	17,269	277,644	245,789
Rents	1,654	2,097	693	4,444	6,904
Amortization	-	-	-	-	9,830
Total Expenditures	\$ 133,812	\$ 690,322	\$ 169,918	\$ 994,052	\$ 990,614
	\$ (94,360)	\$ (436,399)	\$ (168,808)	\$ (699,567)	\$ (694,469)

5. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2013 operating budget as approved by the Board of Directors on November 14, 2012.

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.

DOWNTOWN BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2013

	Budget Amount
Total operating budget revenues	1,330,267
Total operating budget expenses	1,355,267
Less:	
Transfer from reserve funds	(25,000)
Net operating budget expenses	1,330,267
Annual operating surplus	-

6. 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.

7. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.