

Financial Statements of

**Downtown Business
Improvement Area**

Year ended December 31, 2015

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 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

We have audited the accompanying financial statements of the Downtown Business Improvement Area, which comprise the statement of financial position as at December 31, 2015, 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 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.

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, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

June 8, 2016

Kingston, Canada

Downtown Business Improvement Area Financial Statements

Year ended December 31, 2015

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Downtown Business Improvement Area Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Financial assets:		
Cash	\$ 163,058	\$ 187,034
Accounts receivable	13,447	8,895
Inventory	12,776	12,635
	189,281	208,564
Liabilities:		
Accounts payable and accrued liabilities	42,328	51,161
Due to City of Kingston (note 2)	172,278	92,980
	214,606	144,141
Net financial assets	(25,325)	64,423
Other non-financial assets:		
Tangible capital assets (note 3)	21,804	10,954
Prepaid expenses	16,870	10,107
Total non-financial assets	38,674	21,061
Accumulated municipal surplus	\$ 13,349	\$ 85,484

Commitments (note 4)

See accompanying notes to financial statements.

Downtown Business Improvement Area

Statement of Operations and Municipal Equity

Year ended December 31, 2015, with comparative information for 2014

	2015 Budget	2015	2014
	(note 6)	(note 5)	
Revenue:			
Downtown area taxes levied	\$ 1,112,728	\$ 1,112,728	\$ 1,085,345
Downtown area capital taxes levied (note 4(b))	179,383	179,383	176,993
	1,292,111	1,292,111	1,262,338
Expenses:			
Downtown beautification and improvements:			
Flowers	35,500	27,470	33,565
Street decorations	39,672	29,749	32,500
Downtown maintenance	78,210	82,448	66,071
Less expenses recovered	(38,500)	(39,800)	(38,500)
	114,882	99,867	93,636
Office operation:			
Salaries and benefits	177,415	183,866	189,414
Office supplies	15,960	14,135	14,178
Meetings and other supplies	7,926	11,300	6,334
Occupancy costs	73,096	66,985	66,928
Professional fees	20,523	24,132	24,246
Office equipment	11,748	10,300	8,325
Insurance	9,000	8,563	8,506
Amortization	-	6,135	2,738
Contingencies	5,638	932	5,978
	321,306	326,348	326,647
Less expenses recovered	-	(2,700)	(18,428)
	321,306	323,648	308,219
Economic development:			
Business recruitment, retention and economic development	157,382	146,689	157,923
Less expenses recovered	-	-	-
	157,382	146,689	157,923
Public relations and advertising:			
Community events programs	626,445	736,344	702,914
Less expenses recovered	(158,000)	(168,963)	(157,461)
	468,445	567,381	545,453
	1,062,015	1,137,585	1,105,231
Net revenue	230,096	154,526	157,107
Other income (expenses):			
Uncollectible taxes levied	(50,713)	(47,278)	(4,218)
Transfer to City for Capital Tax Levy (note 4(b))	(179,383)	(179,383)	(176,993)
	(230,096)	(226,661)	(181,211)
Annual surplus (deficit)	-	(72,135)	(24,104)
Municipal equity, beginning of year		85,484	109,588
Municipal equity, end of year		\$ 13,349	\$ 85,484
General operating fund surplus		\$ 8,349	\$ 55,484
Reserve Funds		\$ 5,000	\$ 30,000
		\$ 13,349	\$ 85,484

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Changes in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Annual surplus (deficit)	\$ (72,135)	\$ (24,104)
Acquisition of tangible capital assets	(16,985)	(13,692)
Amortization of tangible capital assets	6,135	2,738
Prepaid expenses	(6,763)	3,423
Change in net debt	(89,748)	(31,635)
Net debt, beginning of year	64,423	96,058
Net financial assets, end of year	\$ (25,325)	\$ 64,423

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (72,135)	\$ (24,104)
Amortization, which does not involve cash	6,135	2,738
Change in non-cash operating working capital:		
Decrease in accounts receivable	(4,552)	8,233
Increase (decrease) in trade accounts payable and accrued liabilities	(8,833)	(44,731)
Increase (decrease) in due to City of Kingston	79,298	102,323
Increase in inventory	(141)	(1,896)
Decrease (increase) in prepaid expenses	(6,763)	3,423
Net change in cash from operating activities	(6,991)	45,986
Capital activities:		
Cash used to acquire tangible capital assets	(16,985)	(13,692)
Net change in cash	(23,976)	32,294
Cash, beginning of year	187,034	154,740
Cash, end of year	\$ 163,058	\$ 187,034

See accompanying notes to financial statements.

Downtown Business Improvement Area

Notes to Financial Statements

Year ended December 31, 2015

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 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, 2015

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
Computer equipment	5
Computer software	5

One half of the 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.

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2015

3. Capital assets:

Cost	Balance at December 31 2014	Additions	Balance at December 31 2015
Street decorations	\$ 79,183	\$ -	\$ 79,183
Computer equipment	13,692	2,435	16,127
Computer software	-	14,550	14,550
Total	\$ 92,875	\$ 16,985	\$ 109,860

Accumulated Amortization	Balance at December 31 2014	Amortization	Balance at December 31 2015
Street decorations	\$ (79,183)	\$ -	\$ (79,183)
Computer equipment	(2,738)	(3,225)	(5,963)
Computer software	-	(2,910)	(2,910)
Total	\$ (81,921)	\$ (6,135)	\$ (88,056)

Net book value	2014	2015
Total	\$ 10,954	\$ 21,804

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2015

4. 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 Rogers K-Rock 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, \$179,383 (2014 - \$176,993) was paid back to the City of Kingston to repay debt borrowed to advance funds for these projects.
- (c) The Entity has a three year contract commencing in 2014 with Classic Displays to install, remove, clean, perform minor repairs, and replace lamps for the seasonal street decorations at an annual cost of \$13,311.

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Revenue and expense breakdown:

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

	Downtown Beautification & Improvement	Marketing	Economic Development	Total 2015	Total 2014
Revenues:					
Municipal – Kingston	\$ (35,000)	\$ -	\$ -	\$ (35,000)	\$ (35,000)
Federal grants	-	(14,995)	-	(14,995)	(20,695)
Grants	-	-	-	-	(3,500)
Ticket revenue	-	(50,323)	-	(50,323)	(38,551)
Corporate sponsors	-	(66,150)	-	(66,150)	(41,361)
Merchandise sales	-	(22,544)	-	(22,544)	(21,328)
Registration fees	-	(14,951)	-	(14,951)	(14,302)
Contribution from Other	-	-	-	-	(20,000)
Expenditure Recovery	(4,800)	-	-	(4,800)	(1,224)
Total Revenues:	\$ (39,800)	\$ (168,963)	\$ -	\$ (208,763)	\$ (195,961)
Expenditures:					
Salaries & Benefits	\$ 67,310	\$ 305,455	\$ 109,393	\$ 482,158	\$ 427,375
Advertising	5,794	189,712	22,733	218,239	237,199
Materials	1,348	48,067	13,129	62,544	83,963
Contracted Services	65,214	186,485	508	252,207	231,661
Services and rents	-	6,625	926	7,551	12,775
Total Expenditures:	\$ 139,666	\$ 736,344	\$ 146,689	\$ 1,022,699	\$ 992,972
Net:	\$ (99,866)	\$ (567,381)	\$ (146,689)	\$ (813,936)	\$ (797,012)

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2015

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2015 operating budget as approved by the Board of Directors on December 10, 2014.

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	\$1,309,228
Total operating budget expenses	1,309,228
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.