

Financial Statements of

**Downtown Business
Improvement Area**

Year ended December 31, 2016

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, 2016, the statements of operations and municipal equity, changes in net financial liabilities 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, 2016, 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

April 12, 2017

Kingston, Canada

Downtown Business Improvement Area Financial Statements

Year ended December 31, 2016

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Downtown Business Improvement Area Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Financial assets:		
Cash	\$ 100,889	\$ 163,058
Accounts receivable	23,896	13,447
Inventory	14,958	12,776
	139,743	189,281
Liabilities:		
Accounts payable and accrued liabilities	91,559	42,328
Due to City of Kingston (note 2)	102,586	172,278
	194,145	214,606
Net financial liabilities	(54,402)	(25,325)
Other non-financial assets:		
Tangible capital assets (note 3)	57,124	21,804
Prepaid expenses	5,217	16,870
Total non-financial assets	62,341	38,674
Accumulated municipal surplus	\$ 7,939	\$ 13,349

Commitments (note 4)

See accompanying notes to financial statements

Downtown Business Improvement Area

Statement of Operations and Municipal Equity

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget (note 6)	2016 (note 5)	2015
Revenue:			
Downtown area taxes levied	\$ 1,156,106	\$ 1,156,106	\$ 1,112,728
Downtown area capital taxes levied (note 4(b))	190,467	190,467	179,383
	1,346,573	1,346,573	1,292,111
Expenses:			
Downtown beautification and improvements:			
Flowers	33,000	30,568	27,470
Street decorations	40,930	25,599	29,749
Downtown maintenance	81,750	88,894	82,448
Amortization	-	7,954	-
Less expenses recovered	(38,500)	(35,000)	(39,800)
	117,180	118,015	99,867
Office operation:			
Salaries and benefits	180,963	208,871	183,866
Office supplies	16,279	14,526	14,135
Meetings and other supplies	8,085	8,139	11,300
Occupancy costs	74,558	69,324	66,985
Professional fees	20,933	22,081	24,132
Office equipment	11,983	9,195	10,300
Insurance	9,180	8,301	8,563
Amortization	-	6,323	6,135
Contingencies	18,600	(706)	932
	340,581	346,054	326,348
Less expenses recovered	-	(5,032)	(2,700)
	340,581	341,022	323,648
Economic development:			
Business recruitment, retention and economic development	160,530	156,878	146,689
	160,530	156,878	146,689
Public relations and advertising:			
Community events programs	667,815	756,149	736,344
Less expenses recovered	(160,000)	(267,640)	(168,963)
	507,815	488,509	567,381
	1,126,106	1,104,424	1,137,585
Net revenue	220,467	242,149	154,526
Other income (expenses):			
Uncollectible taxes levied	(30,000)	(57,092)	(47,278)
Transfer to City for Capital Tax Levy (note 4(b))	(190,467)	(190,467)	(179,383)
	(220,467)	(247,559)	(226,661)
Annual deficit	-	(5,410)	(72,135)
Municipal equity, beginning of year		13,349	85,484
Municipal equity, end of year		\$ 7,939	\$ 13,349
General operating fund surplus		\$ 2,939	\$ 8,349
Reserve Funds		\$ 5,000	\$ 5,000
		\$ 7,939	\$ 13,349

See accompanying notes to financial statements.

Downtown Business Improvement Area

Statement of Changes in Net Financial Liabilities

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual deficit	\$ (5,410)	\$ (72,135)
Acquisition of tangible capital assets	(49,597)	(16,985)
Amortization of tangible capital assets	14,277	6,135
Prepaid expenses	11,653	(6,763)
Change in net debt	(29,077)	(89,748)
Net debt, beginning of year	(25,325)	64,423
Net financial liabilities, end of year	\$ (54,402)	\$ (25,325)

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (5,410)	\$ (72,135)
Amortization, which does not involve cash	14,277	6,135
Change in non-cash operating working capital:		
Increase in accounts receivable	(10,449)	(4,552)
Increase (decrease) in accounts payable and accrued liabilities	49,231	(8,833)
Increase (decrease) in due to City of Kingston	(69,692)	79,298
Increase in inventory	(2,182)	(141)
Decrease (increase) in prepaid expenses	11,653	(6,763)
Net change in cash from operating activities	(12,572)	(6,991)
Capital activities:		
Cash used to acquire tangible capital assets	(49,597)	(16,985)
Net change in cash	(62,169)	(23,976)
Cash, beginning of year	163,058	187,034
Cash, end of year	\$ 100,889	\$ 163,058

See accompanying notes to financial statements.

Downtown Business Improvement Area

Notes to Financial Statements

Year ended December 31, 2016

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, 2016

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, 2016

3. Capital assets:

Cost	Balance at December 31 2015	Additions	Dispositions	Balance at December 31 2016
Street decorations	\$ 79,183	\$ 47,725	\$ (79,183)	\$ 47,725
Computer equipment	16,127	1,872		17,999
Computer software	14,550	-		14,550
Total	\$ 109,860	\$ 49,597	\$ (79,183)	\$ 80,274

Accumulated Amortization	Balance at December 31 2015	Disposals	Amortization	Balance at December 31 2016
Street decorations	\$ (79,183)	\$ 79,183	\$ (7,954)	\$ (7,954)
Computer equipment	(5,963)	-	(3,413)	(9,376)
Computer software	(2,910)	-	(2,910)	(5,820)
Total	\$ (88,056)	\$ 79,183	\$ (14,277)	\$ (23,150)

Net book value	2015	2016
Total	\$ 21,804	\$ 57,124

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2016

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, \$190,467 (2015 - \$179,383) 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 late 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. The contract expires October 31, 2017.

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2016

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 2016	Total 2015
Revenues:					
Municipal – Kingston	\$ (35,000)	\$ -	\$ -	\$ (35,000)	\$ (35,000)
Provincial grants	-	(45,941)	-	(45,941)	-
Federal grants	-	(18,291)	-	(18,291)	(14,995)
Ticket revenue	-	(47,297)	-	(47,297)	(50,323)
Corporate sponsors	-	(71,806)	-	(71,806)	(66,150)
Merchandise sales	-	(64,967)	-	(64,967)	(22,544)
Registration fees	-	(19,319)	-	(19,319)	(14,951)
Expenditure Recovery	-	(20)	-	(20)	(4,800)
Total Revenues:	\$ (35,000)	\$ (267,641)	\$ -	\$ (302,641)	\$ (208,763)
Expenditures:					
Salaries & Benefits	\$ 76,996	\$ 317,625	\$ 113,458	\$ 508,079	\$ 482,158
Advertising	193	160,888	27,827	188,908	218,239
Materials	3,384	67,568	11,587	82,539	62,544
Contracted Services	64,488	205,159	3,650	273,297	252,207
Services and rents	-	4,910	356	5,266	7,551
Amortization	7,954	-	-	7,954	-
Total Expenditures:	\$ 153,015	\$ 756,150	\$ 156,878	\$1,066,043	\$1,022,699
Net deficit:	\$(118,015)	\$ (488,509)	\$ (156,878)	\$ (763,402)	\$ (813,936)

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2016 operating budget as approved by the Board of Directors on December 9, 2015.

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	\$1,346,573
Total operating budget expenses	1,346,573
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.