

Financial Statements of

**Downtown Business
Improvement Area**

Year ended December 31, 2017

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



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
Fax 613-549-6349

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, 2017, 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, 2017, 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' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 16, 2018

Downtown Business Improvement Area Financial Statements

Year ended December 31, 2017

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Downtown Business Improvement Area Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Financial assets:		
Cash	\$ 92,938	\$ 100,889
Accounts receivable	8,101	23,896
Inventory	14,993	14,958
Due from City of Kingston (note 2)	49,383	–
	165,415	139,743
Liabilities:		
Accounts payable and accrued liabilities	83,442	91,559
Due to City of Kingston (note 2)	–	102,586
	83,442	194,145
Net financial assets (liabilities)	81,973	(54,402)
Other non-financial assets:		
Tangible capital assets (note 3)	39,093	57,124
Prepaid expenses	9,134	5,217
Total non-financial assets	48,227	62,341
Accumulated municipal surplus	\$ 130,200	\$ 7,939

Commitments (note 4)

See accompanying notes to financial statements.

Downtown Business Improvement Area

Statement of Operations and Municipal Equity

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017	2016
	(note 6)	(note 5)	
Revenue:			
Downtown area taxes levied	\$ 1,224,778	\$ 1,224,778	\$ 1,156,106
Downtown area capital taxes levied (note 4(b))	196,186	196,186	190,467
	1,420,964	1,420,964	1,346,573
Expenses:			
Downtown beautification and improvements:			
Flowers	29,500	34,022	30,568
Street decorations	49,170	26,402	25,599
Downtown maintenance	77,307	82,254	88,894
Amortization	-	15,908	7,954
Less expenses recovered	(37,625)	(37,625)	(35,000)
	118,352	120,961	118,015
Office operation:			
Salaries and benefits	182,773	182,956	208,871
Office supplies	16,442	15,438	14,526
Meetings and other supplies	8,166	11,698	8,139
Occupancy costs	75,303	72,189	69,324
Professional fees	21,142	22,948	22,081
Office equipment	12,103	7,280	9,195
Insurance	9,272	8,182	8,301
Amortization	-	6,510	6,323
Unassigned	18,786	300	(706)
	343,987	327,501	346,054
Less expenses recovered	-	(2,605)	(5,032)
	343,987	324,896	341,022
Economic development:			
Business recruitment, retention, and economic development	162,136	139,096	156,878
Amortization	-	488	-
	162,136	139,584	156,878
Public relations and advertising:			
Community events programs	720,803	688,307	756,149
Less expenses recovered	(150,800)	(221,735)	(267,640)
	570,003	466,572	488,509
	1,194,478	1,052,013	1,104,424
Net revenue	226,486	368,951	242,149
Other expenses:			
Uncollectible taxes levied	(30,300)	(50,504)	(57,092)
Transfer to City for Capital Tax Levy (note 4(b))	(196,186)	(196,186)	(190,467)
	(226,486)	(246,690)	(247,559)
Annual surplus/(deficit)	-	122,261	(5,410)
Municipal equity, beginning of year		7,939	13,349
Municipal equity, end of year		\$ 130,200	\$ 7,939
General operating fund surplus		\$ 125,200	\$ 2,939
Reserve Funds		\$ 5,000	\$ 5,000
		\$ 130,200	\$ 7,939

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Changes in Net Financial Liabilities

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus/(deficit)	\$ 122,261	\$ (5,410)
Acquisition of tangible capital assets	(4,875)	(49,597)
Amortization of tangible capital assets	22,906	14,277
Prepaid expenses	(3,917)	11,653
Change in net debt	136,375	(29,077)
Net debt, beginning of year	(54,402)	(25,325)
Net financial assets (liabilities), end of year	\$ 81,973	\$ (54,402)

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus/(deficit)	\$ 122,261	\$ (5,410)
Amortization, which does not involve cash	22,906	14,277
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	15,795	(10,449)
Increase (decrease) in accounts payable and accrued liabilities	(8,117)	49,231
Decrease in due to City of Kingston	(151,969)	(69,692)
Increase in inventory	(35)	(2,182)
Decrease (increase) in prepaid expenses	(3,917)	11,653
Net change in cash from operating activities	(3,076)	(12,572)
Capital activities:		
Cash used to acquire tangible capital assets	(4,875)	(49,597)
Decrease in cash	(7,951)	(62,169)
Cash, beginning of year	100,889	163,058
Cash, end of year	\$ 92,938	\$ 100,889

See accompanying notes to financial statements.

Downtown Business Improvement Area

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of the Downtown Business Improvement Area (the "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, 2017

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
Furniture & fixtures	5

2. Due from/to 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, 2017

3. Capital assets:

Cost	Balance at December 31, 2016	Additions	Dispositions	Balance at December 31 2017
Street decorations	\$ 47,725	\$ -	\$ -	\$ 47,725
Computer equipment	17,999	-	-	17,999
Computer software	14,550	-	-	14,550
Furniture & fixtures	-	4,875	-	4,875
Total	\$ 80,274	\$ 4,875	\$ -	\$ 85,149

Accumulated Amortization	Balance at December 31, 2016	Disposals	Amortization	Balance at December 31, 2017
Street decorations	\$ (7,954)	\$ -	\$ (15,908)	\$(23,862)
Computer equipment	(9,376)	-	(3,600)	(12,976)
Computer software	(5,820)	-	(2,910)	(8,730)
Furniture & fixtures	-	-	(488)	(488)
Total	\$ (23,150)	\$ -	\$ (22,906)	\$(46,056)

Net book value	2016	2017
Total	\$ 57,124	\$ 39,093

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Commitments:

- (a) The Downtown Business Improvement Area 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 Downtown Business Improvement Area 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, \$196,186 (2016 - \$190,467) was paid back to the City of Kingston to repay debt borrowed to advance funds for these projects.
- (c) The Downtown Business Improvement Area has a three year contract commencing 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 \$15,696. The contract expires October 31, 2020.

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2017

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 2017	Total 2016
Revenue:					
Municipal – Kingston	\$ (37,625)	\$ (31,944)	\$ -	\$ (69,569)	\$ (35,000)
Provincial grants	-	(2,604)	-	(2,604)	(45,941)
Federal grants	-	(16,197)	-	(16,197)	(18,291)
Ticket revenue	-	(45,459)	-	(45,459)	(47,297)
Corporate sponsors	-	(70,157)	-	(70,157)	(71,806)
Merchandise sales	-	(41,068)	-	(41,068)	(64,967)
Registration fees	-	(14,122)	-	(14,122)	(19,319)
Expenditure Recovery	-	(185)	-	(185)	(20)
Total revenue	\$ (37,625)	\$ (221,736)	\$ -	\$ (259,361)	\$ (302,641)
Expenses:					
Salaries & benefits	\$ 64,191	\$ 306,887	\$ 115,347	\$ 486,425	\$ 508,079
Advertising	705	137,148	15,765	153,618	188,908
Materials	5,273	48,770	7,289	61,332	82,539
Contracted services	72,509	182,744	695	255,948	273,297
Services & rents	-	12,759	-	12,759	5,266
Amortization	15,908	-	488	16,396	7,954
Total expenses	\$ 158,586	\$ 688,308	\$ 139,584	\$ 986,478	\$1,066,043
Net deficit	\$ 120,961	\$ 466,572	\$ 139,584	\$ 727,117	\$ 763,402

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2017 operating budget as approved by the Board of Directors on November 9, 2016.

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	\$ 1,420,964
Total operating budget expenses	1,420,964
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.