

**Financial Statements of**

**Downtown Business  
Improvement Area**

**Year ended December 31, 2018**

# **Downtown Business Improvement Area Financial Statements**

Year ended December 31, 2018

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## **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 Board of Management 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.

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Doug Ritchie  
Managing Director

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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 the Downtown Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and municipal equity for the year then ended
- the statement of changes in net 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, 2018, 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.

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 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.

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.
- 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*

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Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 8, 2019

## Downtown Business Improvement Area Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Financial assets:		
Cash	\$ 301,443	\$ 92,938
Accounts receivable	4,159	8,101
Inventory	11,688	14,993
Due from City of Kingston (note 2)	–	49,383
	<u>317,290</u>	<u>165,415</u>
Liabilities:		
Accounts payable and accrued liabilities	67,012	83,442
Deferred revenue	10,000	–
Due to City of Kingston (note 2)	58,608	–
	<u>135,620</u>	<u>83,442</u>
Net financial assets	181,670	81,973
Other non-financial assets:		
Tangible capital assets (note 3)	32,575	39,093
Prepaid expenses	18,543	9,134
Total non-financial assets	<u>51,118</u>	<u>48,227</u>
Commitments (note 4)		
Accumulated municipal surplus	\$ 232,788	\$ 130,200

See accompanying notes to financial statements

# Downtown Business Improvement Area Statement of Operations and Municipal Equity

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget	2018	2017
	(note 6)	(note 5)	
Revenue:			
Downtown area taxes levied	\$ 1,282,190	\$ 1,282,190	\$ 1,224,778
Downtown area capital taxes levied (note 4(b))	205,014	205,014	196,186
	1,487,204	1,487,204	1,420,964
Expenses:			
Downtown beautification and improvements:			
Flowers	29,000	31,997	34,022
Street decorations	42,390	23,596	26,402
Downtown maintenance	88,421	89,815	82,254
Amortization	-	19,283	15,908
Less expenses recovered	(38,500)	(38,500)	(37,625)
	121,311	126,191	120,961
Office operation:			
Salaries and benefits	187,342	197,815	182,956
Office supplies	16,853	16,366	15,438
Meetings and other supplies	8,370	6,335	11,698
Occupancy costs	77,186	70,163	72,189
Professional fees	21,671	24,019	22,948
Office equipment	12,406	5,631	7,280
Insurance	9,504	8,271	8,182
Amortization	-	6,510	6,510
Contingencies	19,256	18,200	300
Less expenses recovered	-	(1,750)	(2,605)
	352,588	351,560	324,896
Economic development:			
Business recruitment, retention, and economic development	165,858	166,891	139,096
Amortization	-	975	488
	165,858	167,866	139,584
Public relations and advertising:			
Community events programs	709,283	747,997	688,307
Less expenses recovered	(124,700)	(226,489)	(221,735)
	584,583	521,508	466,572
	1,224,340	1,167,125	1,052,013
Net revenue	262,864	320,079	368,951
Other income (expenses):			
Uncollectible taxes levied	(57,850)	(12,477)	(50,504)
Transfer to City for Capital Tax Levy (note 4(b))	(205,014)	(205,014)	(196,186)
	(262,864)	(217,491)	(246,690)
Annual surplus	-	102,588	122,261
Accumulated municipal surplus, beginning of year		130,200	7,939
Accumulated municipal surplus, end of year		\$ 232,788	\$ 130,200
General operating fund surplus		\$ 177,788	\$ 125,200
Reserve funds		55,000	5,000
		\$ 232,788	\$ 130,200

See accompanying notes to financial statements.



## **Downtown Business Improvement Area Statement of Changes in Net Financial Assets**

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 102,588	\$ 122,261
Acquisition of tangible capital assets	(20,250)	(4,875)
Amortization of tangible capital assets	26,768	22,906
Prepaid expenses	(9,409)	(3,917)
Change in net assets	99,697	136,375
Net financial assets (liabilities), beginning of year	81,973	(54,402)
Net financial assets, end of year	\$ 181,670	\$ 81,973

See accompanying notes to financial statements.

## Downtown Business Improvement Area Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 102,588	\$ 122,261
Amortization, which does not involve cash	26,768	22,906
Change in non-cash operating working capital:		
Decrease in accounts receivable	3,942	15,795
Decrease in accounts payable and accrued liabilities	(16,430)	(8,117)
Increase in deferred revenue	10,000	–
Increase (decrease) in due to City of Kingston	107,991	(151,969)
Decrease (increase) in inventory	3,305	(35)
Increase in prepaid expenses	(9,409)	(3,917)
Net change in cash from operating activities	228,755	(3,076)
Capital activities:		
Cash used to acquire tangible capital assets	(20,250)	(4,875)
Net change in cash	208,505	(7,951)
Cash, beginning of year	92,938	100,889
Cash, end of year	\$ 301,443	\$ 92,938

See accompanying notes to financial statements.

# Downtown Business Improvement Area

## Notes to Financial Statements

Year ended December 31, 2018

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### 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.

(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, 2018

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### 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:

<b>Asset</b>	<b>Useful Life - Years</b>
Street decorations	3
Computer equipment	5
Computer software	5
Furniture & fixtures	5

### 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 DBIA net with deposits made on behalf of the DBIA.

## Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2018

### 3. Capital assets:

Cost	Balance at December 31 2017	Additions	Dispositions	Balance at December 31 2018
Street decorations	\$ 47,725	\$ 20,250	\$ –	\$ 67,975
Computer equipment	17,999	–	–	17,999
Computer software	14,550	–	–	14,550
Furniture & fixtures	4,875	–	–	4,875
<b>Total</b>	<b>\$ 85,149</b>	<b>\$ 20,250</b>	<b>\$ –</b>	<b>\$ 105,399</b>

Accumulated Amortization	Balance at December 31 2017	Disposals	Amortization	Balance at December 31 2018
Street decorations	\$ (23,862)	\$ –	\$ (19,283)	\$ (43,145)
Computer equipment	(12,976)	-	(3,600)	(16,576)
Computer software	(8,730)	-	(2,910)	(11,640)
Furniture & fixtures	(488)	-	(975)	(1,463)
<b>Total</b>	<b>\$ (46,056)</b>	<b>\$ –</b>	<b>\$ (26,768)</b>	<b>\$ (72,824)</b>

<b>Net book value</b>	<b>\$ 39,093</b>	<b>\$ 20,250</b>	<b>\$ (26,768)</b>	<b>\$ 32,575</b>
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### 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, \$205,014 (2017 - \$196,186) was paid back to the Corporation of the City of Kingston to repay debt borrowed to advance funds for these projects.
- (c) The DBIA 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 \$15,690. The contract expires October 31, 2020.