

Financial Statements of

**Downtown Business
Improvement Area**

Year ended December 31, 2014

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, 2014, 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, 2014, 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 10, 2015

Kingston, Canada

Downtown Business Improvement Area Financial Statements

Year ended December 31, 2014

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Downtown Business Improvement Area Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Financial assets:		
Cash	\$ 187,034	\$ 154,740
Accounts receivable	8,895	17,128
Inventory	12,635	10,739
Due from City of Kingston (note 2)	-	9,343
	208,564	191,950
Liabilities:		
Accounts payable and accrued liabilities	51,161	95,892
Due to City of Kingston (note 2)	92,980	-
	144,141	95,892
Net financial assets	64,423	96,058
Other non-financial assets:		
Tangible capital assets (note 3)	10,954	-
Prepaid expenses	10,107	13,530
Total non-financial assets	21,061	13,530
Accumulated municipal surplus	\$ 85,484	\$ 109,588

Commitments (note 4)

See accompanying notes to financial statements.

Downtown Business Improvement Area

Statement of Operations and Municipal Equity

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (note 6)	2014 (note 5)	2013
Revenue:			
Downtown area taxes levied	\$ 1,085,345	\$ 1,085,345	\$ 1,058,016
Downtown area capital taxes levied (note 4(b))	176,992	176,993	172,094
	1,262,337	1,262,338	1,230,110
Expenses:			
Downtown beautification and improvements:			
Flowers	36,500	33,565	34,373
Street decorations	38,850	32,500	24,719
Downtown maintenance	71,730	66,071	74,720
Less expenses recovered	(35,000)	(38,500)	(39,452)
	112,080	93,636	94,360
Office operation:			
Salaries and benefits	170,161	189,414	178,362
Office supplies	15,465	14,178	15,517
Meetings and other supplies	7,733	6,334	7,799
Occupancy costs	76,191	66,928	65,199
Professional fees	20,022	24,246	19,461
Office equipment	20,105	8,325	11,266
Insurance	-	8,506	7,194
Amortization	-	2,738	-
Contingencies	5,500	5,978	1,331
	315,177	326,647	306,129
Less expenses recovered	-	(18,428)	(308)
	315,177	308,219	305,821
Economic development:			
Business recruitment, retention and economic development	151,592	157,923	169,918
Less expenses recovered	-	-	(1,110)
	151,592	157,923	168,808
Public relations and advertising:			
Community events programs	645,520	702,914	690,322
Less expenses recovered	(163,500)	(157,461)	(253,923)
	482,020	545,453	436,399
	1,060,869	1,105,231	1,005,388
Net revenue	201,468	157,107	224,722
Other income (expenses):			
Uncollectible taxes levied	(49,476)	(4,218)	(17,026)
Transfer to City for Capital Tax Levy (note 4(b))	(176,992)	(176,993)	(172,094)
	(226,468)	(181,211)	(189,120)
Annual surplus (deficit)	(25,000)	(24,104)	35,602
Municipal equity, beginning of year		109,588	73,986
Municipal equity, end of year		\$ 85,484	\$ 109,588
General operating fund surplus		\$ 55,484	\$ 54,588
Reserve Funds		\$ 30,000	\$ 55,000
		\$ 85,484	\$ 109,588

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Changes in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Annual surplus (deficit)	\$ (24,104)	\$ 35,602
Acquisition of tangible capital assets	(13,692)	-
Amortization of tangible capital assets	2,738	-
Prepaid expenses	3,423	(5,614)
Change in net debt	(31,635)	29,988
Net debt, beginning of year	96,058	66,070
Net financial assets, end of year	\$ 64,423	\$ 96,058

See accompanying notes to financial statements.

Downtown Business Improvement Area

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (24,104)	\$ 35,602
Amortization, which does not involve cash	2,738	-
Change in non-cash operating working capital:		
Decrease in accounts receivable	8,233	23,538
Increase (decrease) in trade accounts payable and accrued liabilities	(44,731)	33,158
Decrease in deferred revenue	-	(1,000)
Increase (decrease) in due to City of Kingston	102,323	(174,640)
Increase in inventory	(1,896)	(1,648)
Decrease (increase) in prepaid expenses	3,423	(5,614)
Net change in cash from operating activities	45,986	(90,604)
Capital activities:		
Cash used to acquire tangible capital assets	(13,692)	
Net change in cash	32,294	(90,604)
Cash, beginning of year	154,740	245,344
Cash, end of year	\$ 187,034	\$ 154,740

See accompanying notes to financial statements.

Downtown Business Improvement Area

Notes to Financial Statements

Year ended December 31, 2014

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, 2014

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

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, 2014

3. Capital assets:

Cost	Balance at December 31 2013	Additions	Balance at December 31 2014
Street decorations	\$ 79,183	\$ -	\$ 79,183
Computer equipment	-	13,692	13,692
Total	\$ 79,183	\$ 13,692	\$ 92,875

Accumulated Amortization	Balance at December 31 2013	Amortization	Balance at December 31 2014
Street decorations	\$ (79,183)	\$ -	\$ (79,183)
Computer equipment	-	(2,738)	(2,738)
Total	\$ (79,183)	\$ (2,738)	\$ (81,921)

Net book value	2013	2014
Total	\$ -	\$ 10,954

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2014

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 and \$500,000 towards the Springer 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, \$176,993 (2013 - \$172,094) 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, 2014

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 2014	Total 2013
Revenues:					
Municipal – Kingston	\$ (35,000)	\$ -	\$ -	\$ (35,000)	\$ (35,000)
Provincial grants	-	-	-	-	(40,000)
Federal grants	-	(20,695)	-	(20,695)	(20,512)
Grants	(3,500)	-	-	(3,500)	-
Ticket revenue	-	(38,551)	-	(38,551)	(38,636)
Corporate sponsors	-	(41,361)	-	(41,361)	(89,025)
Merchandise sales	-	(21,328)	-	(21,328)	(25,021)
Registration fees	-	(14,302)	-	(14,302)	(18,685)
Contribution from Other	-	(20,000)	-	(20,000)	(22,567)
Expenditure Recovery	-	(1,224)	-	(1,224)	(5,039)
Total Revenues:	\$ (38,500)	\$ (157,461)	\$ -	\$ (195,961)	\$ (294,485)
Expenditures:					
Salaries & Benefits	\$ 60,688	\$ 265,301	\$ 101,387	\$ 427,375	\$ 428,927
Advertising	7,039	201,147	29,013	237,199	211,864
Materials	6,870	56,144	20,948	83,962	71,173
Contracted Services	57,539	167,547	6,575	231,661	277,644
Services and rents	-	12,775	-	12,775	4,444
Amortization	-	-	-	-	-
Total Expenditures:	\$ 132,136	\$ 702,914	\$ 157,923	\$ 992,973	\$ 994,052
Net:	\$ (93,636)	\$ (545,453)	\$ (157,923)	\$ (797,012)	\$ (699,567)

Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2014 operating budget as approved by the Board of Directors on December 11, 2013.

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	\$1,283,845
Total operating budget expenses	1,308,845
Less:	
Transfer from reserve funds	(25,000)
Net operating budget expenses	1,283,845
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.

8. Comparative information:

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