

Financial Statements of

**Downtown Business
Improvement Area**

Year ended December 31, 2020

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 executive 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.

Michele Langlois
Interim Executive 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

Opinion

We have audited the financial statements of Downtown Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and municipal equity for the year then ended
- the statement of changes in net financial 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, 2020, 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 ethical 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.

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

Kingston, Canada

July 14, 2021

Downtown Business Improvement Area Financial Statements

Year ended December 31, 2020

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Downtown Business Improvement Area Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Financial assets:		
Cash	\$ 551,888	\$ 223,644
Accounts receivable (note 8)	324,630	15,810
Inventory	15,270	18,162
Due from City of Kingston (note 2)	35,894	107,794
	927,682	365,410
Liabilities:		
Accounts payable and accrued liabilities	673,594	73,695
Deferred revenue	3,481	–
Net financial assets	250,607	291,715
Other non-financial assets:		
Tangible capital assets (note 3)	7,465	17,190
Prepaid expenses	1,805	14,000
Total non-financial assets	9,270	31,190
Commitments (note 4)		
Accumulated municipal surplus	\$ 259,877	\$ 322,905

See accompanying notes to financial statements

Downtown Business Improvement Area

Statement of Operations and Municipal Equity

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020	2019
	(note 6)	(note 5)	
Revenue:			
Downtown area taxes levied	\$ 1,382,865	\$ 1,382,865	\$ 1,345,019
Downtown area capital taxes levied (note 4(b))	223,881	223,881	214,240
	1,606,746	1,606,746	1,559,259
Expenses:			
Downtown beautification and improvements:			
Flowers	32,800	34,338	30,247
Street decorations	37,420	25,728	28,801
Downtown maintenance	96,840	40,800	91,898
Amortization	-	8,376	15,517
Less expenses recovered	(39,600)	(39,600)	(39,000)
	127,460	69,642	127,463
Office operation:			
Salaries and benefits	199,000	334,520	215,288
Office supplies	17,850	4,962	6,842
Meetings and other supplies	8,920	38,723	22,210
Occupancy costs	83,500	68,132	76,678
Professional fees	23,100	58,709	26,557
Office equipment	13,000	19,930	18,140
Insurance	9,220	7,994	7,609
Amortization	-	374	3,772
Contingencies	16,420	374	810
	371,010	533,718	377,906
Less expenses recovered	-	(1,081)	(2,664)
	371,010	532,637	375,242
Economic development:			
Business recruitment, retention, and economic development	174,600	116,300	172,999
Amortization	-	975	975
Less expenses recovered	-	(106)	(77)
	174,600	117,169	173,897
Public relations and advertising:			
Community events programs	780,145	818,423	722,747
Less expenses recovered	(125,700)	(81,386)	(164,619)
	654,445	737,037	558,128
	1,327,515	1,456,485	1,234,730
Net revenue	279,231	150,261	324,529
Other income (expenses):			
Uncollectible taxes levied	(55,350)	10,592	(20,172)
Transfer to City for Capital Tax Levy (note 4(b))	(223,881)	(223,881)	(214,240)
	(279,231)	(213,289)	(234,412)
Annual surplus (deficit)	-	(63,028)	90,117
Municipal equity, beginning of year		322,905	232,788
Municipal equity, end of year		\$ 259,877	\$ 322,905
General operating fund surplus		\$ 57,877	\$ 90,905
Reserves		25,000	55,000
Reserve for Strategic Priorities		177,000	177,000
		\$ 259,877	\$ 322,905

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus (deficit)	\$ (63,028)	\$ 90,117
Acquisition of tangible capital assets	–	(4,879)
Amortization of tangible capital assets	9,725	20,264
Prepaid expenses	12,195	4,543
Change in net debt	(41,108)	110,045
Net debt, beginning of year	291,715	181,670
Net financial assets, end of year	\$ 250,607	\$ 291,715

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (63,028)	\$ 90,117
Amortization, which does not involve cash	9,725	20,264
Change in non-cash operating working capital:		
Increase in accounts receivable	(308,820)	(11,651)
Decrease in accounts payable and accrued liabilities	599,899	6,683
Increase (decrease) in deferred revenue	3,481	(10,000)
Increase (decrease) in due to City of Kingston	71,900	(166,402)
Decrease (increase) in inventory	2,892	(6,474)
Decrease in prepaid expenses	12,195	4,543
Net change in cash from operating activities	328,244	(72,920)
Capital activities:		
Cash used to acquire tangible capital assets	–	(4,879)
Net change in cash	328,244	(77,799)
Cash, beginning of year	223,644	301,443
Cash, end of year	\$ 551,888	\$ 223,644

See accompanying notes to financial statements.

Downtown Business Improvement Area

Notes to Financial Statements

Year ended December 31, 2020

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, 2020

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

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 DBIA net with deposits made on behalf of the DBIA.

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Capital assets:

Cost	Balance at December 31, 2019	Additions	Dispositions	Balance at December 31, 2020
Street decorations	\$ 72,854	\$ –	\$ –	\$ 72,854
Computer equipment	17,999	–	–	17,999
Computer software	14,550	–	–	14,550
Furniture & fixtures	4,875	–	–	4,875
Total	\$ 110,278	\$ –	\$ –	\$ 110,278

Accumulated Amortization	Balance at December 31, 2019	Disposals	Amortization	Balance at December 31, 2020
Street decorations	\$ (58,662)	\$ –	\$ (8,376)	\$ (67,038)
Computer equipment	(17,438)	–	(374)	(17,812)
Computer software	(14,550)	–	–	(14,550)
Furniture & fixtures	(2,438)	–	(975)	(3,413)
Total	\$ (93,088)	\$ –	\$ (9,725)	\$ (102,813)
Net book value	\$ 17,190	\$ –	\$ (9,725)	\$ 7,465

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, \$223,881 (2019 - \$214,240) was paid back to the Corporation of the City of Kingston to repay debt borrowed to advance funds for these projects.

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2020

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 2020	Total 2019
Revenue:					
Municipal – Kingston	\$ (39,600)	\$ –	\$ –	\$ (39,600)	\$ (39,000)
Federal grants	–	(10,304)	–	(10,304)	(13,185)
Ticket revenue	–	–	–	–	(42,805)
Corporate sponsors	–	(41,475)	(106)	(41,581)	(75,709)
Merchandise sales	–	(28,932)	–	(28,932)	(20,780)
Registration fees	–	(675)	–	(675)	(12,217)
Total revenue	\$ (39,600)	\$ (81,386)	\$ (106)	\$ (121,092)	\$ (203,696)
Expenses:					
Salaries & benefits	22,013	291,697	90,213	403,923	499,115
Advertising	–	182,369	1,853	184,222	210,232
Materials	1,884	189,715	4,816	196,415	76,599
Contracted services	76,969	156,116	19,418	252,503	233,099
Services and rents	–	(1,474)	–	(1,474)	27,647
Amortization	8,376	–	975	9,351	16,492
Total expenses	\$ 109,242	\$ 818,423	\$ 117,275	\$ 1,044,940	\$ 1,063,184
Net deficit	\$ 69,642	\$ 737,037	\$ 117,169	\$ 923,848	\$ 859,488

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2020 operating budget as approved by the Board of Management on November 13, 2019.

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 revenue	\$1,606,746
Total operating budget expenses	1,606,746
Annual operating surplus	\$ –

7. Fair value:

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities and amount due to/from the Corporation of the City of Kingston approximates their fair value because of the relatively short period to maturity of the instruments.

8. Accounts receivable:

	2020	2019
Trade receivable	\$ 8,470	\$ 15,810
Downtown Dollars receivable	316,160	–
	\$ 324,630	\$ 15,810

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Impact of COVID-19 Pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the DBIA has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Mandatory working home requirements for those able to do so
- Continuous re-evaluation of the team's work assignments
- Decreased hiring of summer and part-time employees
- Reduction in events held due to continued Provincial and Municipal restrictions

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.