

**Financial Statements of**

**Downtown Business  
Improvement Area**

**Year ended December 31, 2021**

## **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.

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Marijo Cuerrier  
Executive 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 Downtown Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- 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, 2021, 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.



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- 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 18, 2022

# **Downtown Business Improvement Area**

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## Downtown Business Improvement Area Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Financial assets:		
Cash	\$ 983,071	\$ 551,888
Accounts receivable (note 8)	149,410	324,630
Inventory	19,118	15,270
Due from the Corporation of the City of Kingston (note 2)	–	35,894
	1,151,599	927,682
Liabilities:		
Accounts payable and accrued liabilities	119,124	240,714
Downtown Dollars in trust	703,920	432,880
Deferred revenue	–	3,481
Due to the Corporation of the City of Kingston (note 2)	285,529	–
	1,108,573	677,075
Net financial assets	43,026	250,607
Non-financial assets:		
Tangible capital assets (note 3)	41,071	7,465
Prepaid expenses	25,364	1,805
	66,435	9,270
Commitments (note 4)		
Accumulated municipal surplus	\$ 109,461	\$ 259,877

See accompanying notes to financial statements

## Downtown Business Improvement Area Statement of Operations and Municipal Equity

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget	2021	2020
	(note 6)	(note 5)	
<b>Revenue:</b>			
Downtown area taxes levied	\$ 1,382,865	\$ 1,382,865	\$ 1,382,865
Downtown area capital taxes levied (note 4(b))	233,955	233,955	223,881
	1,616,820	1,616,820	1,606,746
<b>Expenses:</b>			
Downtown beautification and improvements:			
Flowers	32,800	67,475	34,338
Street decorations	37,420	41,295	25,728
Downtown maintenance	116,840	81,187	40,800
Amortization	-	8,812	8,376
Less expenses recovered	(41,600)	(41,600)	(39,600)
	145,460	157,169	69,642
Office operation:			
Salaries and benefits	199,000	237,581	334,520
Office supplies	17,850	5,843	4,962
Meetings and other supplies	28,920	60,732	38,723
Occupancy costs	83,500	73,827	68,132
Professional fees	23,100	28,842	58,709
Office equipment	13,000	13,122	19,930
Insurance	9,220	9,256	7,994
Amortization	-	1,976	374
Contingencies	18,420	443	374
Less expenses recovered	(20,000)	(21,480)	(1,081)
	373,010	410,142	532,637
Economic development:			
Business recruitment, retention, and economic development	154,600	153,555	116,300
Amortization	-	1,280	975
Less expenses recovered	-	-	(106)
	154,600	154,835	117,169
Public relations and advertising:			
Community events programs	686,445	951,552	818,423
Less expenses recovered	(32,000)	(139,536)	(81,386)
	654,445	812,016	737,037
	1,327,515	1,543,162	1,456,485
Excess of revenue over expenses before the undernoted items			
	289,305	82,658	150,261
Other income (expense):			
Uncollectible taxes levied	(55,350)	881	10,592
Transfer to City for Capital Tax Levy (note 4(b))	(233,955)	(233,955)	(223,881)
	(289,305)	(233,074)	(213,289)
Annual deficit	-	(150,416)	(63,028)
Municipal equity, beginning of year	259,877	259,877	322,905
Municipal equity, end of year	\$ 259,877	\$ 109,461	\$ 259,877
General operating fund surplus / (deficit)			
	\$ (55,000)	\$ (42,539)	\$ 57,877
Reserves	55,000	35,000	25,000
Reserve for Strategic Priorities	-	117,000	177,000
	\$ -	\$ 109,461	\$ 259,877

See accompanying notes to financial statements.



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

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Annual deficit	\$ (150,416)	\$ (63,028)
Acquisition of tangible capital assets	(45,674)	-
Amortization of tangible capital assets	12,068	9,725
Prepaid expenses	(23,559)	12,195
Change in net financial assets	(207,581)	(41,108)
Net financial assets, beginning of year	250,607	291,715
Net financial assets, end of year	\$ 43,026	\$ 250,607

See accompanying notes to financial statements.

## Downtown Business Improvement Area Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (150,416)	\$ (63,028)
Amortization, which does not involve cash	12,068	9,725
Change in non-cash operating working capital:		
Accounts receivable	175,220	(308,820)
Accounts payable and accrued liabilities	(313,756)	359,185
Downtown Dollars in trust	463,206	240,714
Deferred revenue	(3,481)	3,481
Due to the Corporation of the City of Kingston	321,423	71,900
Inventory	(3,848)	2,892
Prepaid expenses	(23,559)	12,195
Net change in cash from operating activities	476,857	328,244
Capital activities:		
Acquisition of tangible capital assets	(45,674)	-
Increase in cash	431,183	328,244
Cash, beginning of year	551,888	223,644
Cash, end of year	\$ 983,071	\$ 551,888

See accompanying notes to financial statements.

# Downtown Business Improvement Area

## Notes to Financial Statements

Year ended December 31, 2021

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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, 2021

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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

When conditions indicate that a tangible capital asset no longer contributes to the DBIA's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations and Municipal Equity.

#### (e) Deferred revenue:

Deferred revenue represents amounts which have been collected for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal period in which the services are performed, or the related expenses incurred.

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

Year ended December 31, 2021

### 2. Due to/from the Corporation of 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.

### 3. Capital assets:

<b>Cost</b>	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance at December 31, 2021</b>
Street decorations	\$ 72,854	\$ 22,864	\$ –	\$ 95,718
Computer equipment	17,999	19,757	–	37,756
Computer software	14,550	–	–	14,550
Furniture & fixtures	4,875	3,053	–	7,928
<b>Total</b>	<b>\$ 110,278</b>	<b>\$ 45,674</b>	<b>\$ –</b>	<b>\$ 155,952</b>

  

<b>Accumulated Amortization</b>	<b>Balance at December 31, 2020</b>	<b>Disposals</b>	<b>Amortization</b>	<b>Balance at December 31, 2021</b>
Street decorations	\$ (67,038)	\$ –	\$(8,812)	\$(75,850)
Computer equipment	(17,812)	–	(1,976)	(19,788)
Computer software	(14,550)	–	–	(14,550)
Furniture & fixtures	(3,413)	–	(1,280)	(4,693)
<b>Total</b>	<b>\$ (102,813)</b>	<b>\$ –</b>	<b>\$(12,068)</b>	<b>\$ (114,881)</b>
<b>Net book value</b>	<b>\$ 7,465</b>	<b>\$ 45,674</b>	<b>\$(12,068)</b>	<b>\$ 41,071</b>

### 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.

# Downtown Business Improvement Area

## Notes to Financial Statements (continued)

Year ended December 31, 2021

### 4. Commitments (continued):

- (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, \$233,955 (2020 - \$223,881) was paid back to the Corporation of the City of Kingston to repay debt borrowed to advance funds for these projects.

### 5. Revenue and expense breakdown:

Revenue and expense breakdown under downtown beautification and improvements, marketing and economic development are as follows:

	Downtown Beautification and Improvement	Public Relations and Advertising	Economic Development	Total 2021	Total 2020
<b>Revenue:</b>					
Municipal – Kingston	\$(41,600)	\$ –	\$ –	(41,600)	\$(39,600)
Federal grants	–	(41,981)	–	(41,981)	(10,304)
Ticket revenue	–	(28,204)	–	(28,204)	–
Corporate sponsors	–	(45,463)	–	(45,463)	(41,581)
Merchandise sales	–	(17,738)	–	(17,738)	(28,932)
Registration fees	–	(6,150)	–	(6,150)	(675)
<b>Total revenue</b>	<b>(41,600)</b>	<b>(139,536)</b>	<b>–</b>	<b>(181,136)</b>	<b>(121,092)</b>
<b>Expenses:</b>					
Salaries & benefits	49,124	297,573	106,758	453,455	403,923
Advertising	–	152,819	900	153,719	184,222
Materials	713	75,934	34,163	110,810	59,796
Contracted services	140,120	215,289	11,734	367,143	252,503
Services and rents	–	209,937	–	209,937	135,145
Amortization	8,812	–	1,280	10,092	9,351
<b>Total expenses</b>	<b>198,769</b>	<b>951,552</b>	<b>154,835</b>	<b>1,305,156</b>	<b>1,044,940</b>
<b>Net deficit</b>	<b>\$(157,169)</b>	<b>\$(812,016)</b>	<b>\$(154,835)</b>	<b>\$(1,124,020)</b>	<b>\$( 923,848)</b>

# Downtown Business Improvement Area

## Notes to Financial Statements (continued)

Year ended December 31, 2021

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### 6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2021 operating budget as approved by the Board of Management on February 10, 2021.

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.

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	Budget Amount
Total operating budget revenue	\$ 1,616,820
Total operating budget expenses	1,616,820
Annual operating surplus	\$ -

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### 7. Fair value:

The DBIA's financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities, Downtown Dollars in trust and the due to/from the Corporation of the City of Kingston and are carried at cost. The carrying value of these instruments approximates their fair value because of the relatively short period to maturity of the instruments. It is management's opinion that the DBIA is not exposed to significant credit, liquidity or market risks arising from these financial instruments.

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

Year ended December 31, 2021

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### 8. Accounts receivable:

	2021	2020
Downtown Dollars receivable	\$ 122,133	\$ 316,160
Federal Grants receivable	17,012	–
Provincial Grants receivable	8,850	–
Sales tax receivable	1,415	–
Trade receivable	–	8,470
	<hr/>	<hr/>
	\$ 149,410	\$ 324,630

### 9. Impact of COVID-19 Pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization resulting in significant local and global impacts. As of December 31, 2021, the pandemic is ongoing which continues to have the potential to create financial stress on the DBIA.

At this time, the ongoing COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to the assets and liabilities, and may have a significant impact on future operations. The DBIA continues to monitor and assess the effect that COVID-19 will have on its operations and financial results. 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.

### 10. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.