

Financial Statements of

**Downtown Business
Improvement Area**

Year ended December 31, 2022

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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Entity's financial statements.

Marijo Cuerrier
Executive Director

Nick Waterfield
Treasurer



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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 17, 2023

Downtown Business Improvement Area

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Downtown Business Improvement Area Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 569,423	\$ 983,071
Accounts receivable (note 7)	17,502	149,410
Inventory	16,626	19,118
	<u>603,551</u>	<u>1,151,599</u>
Financial liabilities:		
Accounts payable and accrued liabilities	107,453	119,124
Downtown Dollars in trust	453,413	703,920
Due to the Corporation of the City of Kingston (note 2)	42,212	285,529
	<u>603,078</u>	<u>1,108,573</u>
Net financial assets	473	43,026
Non-financial assets:		
Tangible capital assets (note 3)	53,993	41,071
Prepaid expenses	600	25,364
	<u>54,593</u>	<u>66,435</u>
Commitments (note 4)		
Accumulated municipal surplus	<u>\$ 55,066</u>	<u>\$ 109,461</u>

See accompanying notes to financial statements

Downtown Business Improvement Area Statement of Operations and Municipal Equity

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget	2022	2021
	(note 6)	(note 5)	
Revenue:			
Downtown area taxes levied	\$ 1,417,437	\$ 1,417,437	\$ 1,382,865
Downtown area capital taxes levied (note 4(b))	244,483	244,483	233,955
	1,661,920	1,661,920	1,616,820
Expenses:			
Downtown beautification and improvements:			
Flowers	30,000	65,006	67,475
Street decorations	120,000	62,482	41,295
Downtown maintenance	88,172	111,464	81,187
Amortization	-	10,639	8,812
Less expenses recovered	(60,484)	(126,397)	(41,600)
	177,688	123,194	157,169
Office operation:			
Salaries and benefits	257,705	339,004	237,581
Office supplies	-	24,305	5,843
Staff meals	-	2,064	-
Staff awards	-	834	-
Mileage	-	661	-
Volunteer expenses	500	99	-
Meetings and other supplies	38,000	23,585	60,732
Occupancy costs	78,000	75,556	73,827
Professional fees	4,481	23,420	28,842
Public relations	-	332	-
Office equipment	19,984	9,520	13,122
Insurance	10,000	10,395	9,256
Amortization	-	3,952	1,976
Contingencies	-	31	443
	408,670	513,758	431,622
Less expenses recovered	-	(7,432)	(21,480)
	408,670	506,326	410,142
Economic development:			
Business recruitment, retention, and economic development	89,322	111,729	153,555
Amortization	-	3,237	1,280
	89,322	114,966	154,835
Public relations and advertising:			
Community events programs	415,442	459,805	951,552
Less expenses recovered	-	(1,539)	(139,536)
	415,442	458,266	812,016
Events:			
Events	457,359	512,648	-
Less expenses recovered	(131,045)	(242,938)	-
	326,314	269,710	-
	1,417,436	1,472,462	1,534,162

Downtown Business Improvement Area

Statement of Operations and Municipal Equity (continued)

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget	2022	2021
	(note 6)	(note 5)	
Excess of revenue over expenses before the undernoted items	244,483	189,458	82,658
Other income (expense):			
Uncollectible taxes levied	–	630	881
Transfer to City for Capital Tax Levy (note 4(b))	(244,483)	(244,483)	(233,955)
	(244,483)	(243,853)	(233,074)
Annual deficit	–	(54,395)	(150,416)
Municipal equity, beginning of year	109,461	109,461	259,877
Municipal equity, end of year	\$ 109,461	\$ 55,066	\$ 109,461
General operating fund surplus (deficit)	\$ 54,461	\$ 35,000	\$ (42,539)
Reserves	55,000	20,066	35,000
Reserve for Strategic Priorities	–	–	117,000
	\$ 109,461	\$ 55,066	\$ 109,461

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Annual deficit	\$ (54,395)	\$ (150,416)
Acquisition of tangible capital assets	(30,749)	(45,674)
Amortization of tangible capital assets	17,827	12,068
Prepaid expenses	24,764	(23,559)
Change in net financial assets	(42,553)	(207,581)
Net financial assets, beginning of year	43,026	250,607
Net financial assets, end of year	\$ 473	\$ 43,026

See accompanying notes to financial statements.

Downtown Business Improvement Area Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (54,395)	\$ (150,416)
Amortization, which does not involve cash	17,827	12,068
Change in non-cash operating working capital:		
Accounts receivable	131,908	175,220
Accounts payable and accrued liabilities	(11,671)	(313,756)
Downtown Dollars in trust	(250,507)	463,206
Deferred revenue		(3,481)
Due to the Corporation of the City of Kingston	(243,317)	321,423
Inventory	2,492	(3,848)
Prepaid expenses	24,764	(23,559)
Net change in cash from operating activities	(382,899)	476,857
Capital activities:		
Acquisition of tangible capital assets	(30,749)	(45,674)
Increase (decrease) in cash	(413,648)	431,183
Cash, beginning of year	983,071	551,888
Cash, end of year	\$ 569,423	\$ 983,071

See accompanying notes to financial statements.

Downtown Business Improvement Area

Notes to Financial Statements

Year ended December 31, 2022

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, 2022

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

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, 2022

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:

Cost	Balance at December 31, 2021	Additions	Dispositions	Balance at December 31, 2022
Street decorations	\$ 95,718	\$ 11,738	\$ –	\$ 107,456
Computer equipment	37,756	–	–	37,756
Computer software	14,550	–	–	14,550
Furniture & fixtures	7,928	19,011	–	26,939
Total	\$ 155,952	\$ 30,749	\$ –	\$ 186,701

Accumulated Amortization	Balance at December 31, 2021	Disposals	Amortization	Balance at December 31, 2022
Street decorations	\$ (75,850)	\$ –	\$ (11,603)	\$ (87,453)
Computer equipment	(19,788)	–	(3,952)	(23,740)
Computer software	(14,550)	–	–	(14,550)
Furniture & fixtures	(4,693)	–	(2,272)	(6,965)
Total	\$ (114,881)	\$ –	\$ (17,827)	\$ (132,708)

Net book value	\$ 41,071	\$ 30,749	\$ (17,827)	\$ 53,993
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Downtown Business Improvement Area

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Commitments:

- (a) The DBIA entered into a ten-year lease agreement commencing April 1, 2012. During the year, the lease was extended for an additional ten-year term ending February 2032. The annual rental is \$38,396 plus a share of municipal taxes and operating costs for the first five years and \$39,587 plus a share of municipal taxes and operating costs thereafter for the second five years.
- (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, \$244,483 (2021 - \$233,955) 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, 2022

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	Events	Total 2022	Total 2021
Revenue:						
Municipal - Kingston	\$ (42,200)	\$ –	\$ –	\$ –	\$ (42,200)	\$ (41,600)
Federal grants	(44,042)	–	–	(102,039)	(146,081)	(41,981)
Ticket revenue	–	–	–	(32,580)	(32,580)	(28,204)
Corporate sponsor	(10,000)	(1,039)	–	(68,971)	(80,010)	(45,463)
Merchandise sales	–	–	–	(22,293)	(22,293)	(17,738)
Registration fees	–	–	–	–	–	(6,150)
Contribution from other	(30,155)	(500)	–	(17,054)	(47,709)	–
	(126,397)	(1,539)	–	(242,937)	(370,873)	(181,136)
Expenses:						
Salaries and benefits	\$ 80,173	\$ 120,600	\$ 95,537	\$ 184,387	\$ 480,697	\$ 453,455
Advertising	–	154,828	1,744	3,129	159,701	153,719
Materials	41,381	64,748	3,748	64,346	174,223	110,810
Contracted services	116,434	51,059	10,700	208,210	386,403	367,143
Services and rent	–	68,567	–	52,576	121,143	209,937
Amortization	11,603	–	3,237	–	14,840	10,092
	249,591	459,802	114,966	512,648	1,337,007	1,305,156
Net deficit	\$ (123,194)	\$ (458,263)	\$ (114,966)	\$ (269,711)	\$ (966,134)	\$ (1,124,020)

Downtown Business Improvement Area Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2022 operating budget as approved by the Board of Management on February 10, 2022.

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	\$ 1,661,920
Total operating budget expenses	1,661,920
Annual operating surplus	\$ –

7. Accounts receivable:

	2022	2021
Downtown Dollars receivable	\$ 1,449	\$ 122,133
Federal Grants receivable	–	17,012
Provincial Grants receivable	–	8,850
Sales tax receivable	–	1,415
Trade receivable	–	–
Pewter receivable	23	–
Limestone District School Board	1,600	–
Reconnect Ontario	14,430	–
	\$ 17,502	\$ 149,410

8. Comparative information:

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