

Financial Statements of

**DOWNTOWN SUDBURY**

Year ended December 31, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Downtown Sudbury

### ***Opinion***

We have audited the financial statements of Downtown Sudbury (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and the 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 responsibility 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.

### ***Responsibility 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 risk 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, internal 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 purposes 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 the 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's 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

Sudbury, Canada

May 2, 2019

# DOWNTOWN SUDBURY

## Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash	\$ 128,444	\$ 87,691
Investments (note 2)	553,456	550,500
Accounts receivable (note 3)	29,453	34,679
Accounts receivable from the City of Greater Sudbury	2,291	-
	<u>713,644</u>	<u>672,870</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 4)	73,437	89,409
Payable and accruals to the City of Greater Sudbury	-	4,684
	<u>73,437</u>	<u>94,093</u>
Net financial assets	640,207	578,777
Non-financial assets:		
Tangible capital assets (note 6)	34,004	44,802
Prepaid expenses	3,907	6,155
	<u>37,911</u>	<u>50,957</u>
Commitments (note 5)		
Accumulated surplus (note 8)	\$ 678,118	\$ 629,734

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Board Member

\_\_\_\_\_ Board Member

# DOWNTOWN SUDBURY

## Statement of Operations and Accumulated Surplus

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

	Budget	Total	Total
	2018	2018	2017
	(note 1(i))		
Revenue:			
Tax levy on Central Business District Members collected by the City of Greater Sudbury	\$ 534,000	\$ 534,000	\$ 520,408
Tax levy adjustments	(11,000)	(18,934)	(33,672)
Ribfest (note 7)	80,000	100,035	119,180
Human Resources and Skills Development Canada	6,000	7,560	8,359
Interest	5,000	8,024	4,641
Other community partnerships and other revenues	-	25,331	16,748
	614,000	656,016	635,664
Expenses (note 9):			
Special events and sponsorships	200,000	198,782	211,470
Economic development	33,000	60,901	41,912
Marketing	32,000	22,805	21,975
Member/board development	13,000	16,129	11,572
Administration	256,000	255,649	258,640
Streetscape/Environment	80,000	53,366	28,680
	614,000	607,632	574,249
Excess of revenue over expenses for year	-	48,384	61,415
Accumulated surplus, beginning of year	-	629,734	568,319
Accumulated surplus, end of year	\$ -	\$ 678,118	\$ 629,734

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Statement of Changes in Net Financial Assets

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

	2018	2017
Excess of revenue over expenses	\$ 48,384	\$ 61,415
Amortization of tangible capital assets	12,261	14,336
Tangible capital asset additions	(1,463)	(54,844)
Change in prepaid expenses	2,248	363
Change in net financial assets	61,430	21,270
Net financial assets, beginning of year	578,777	557,507
Net financial assets, end of year	\$ 640,207	\$ 578,777

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 48,384	\$ 61,415
Adjustments for:		
Amortization of tangible capital assets	12,261	14,336
	<u>60,645</u>	<u>75,751</u>
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	5,226	(12,124)
Decrease (increase) in receivable from the City of Greater Sudbury	(2,291)	-
Decrease in prepaid expenses	2,248	363
Increase (decrease) in accounts payable and accrued liabilities	(15,972)	23,773
Decrease in payable and accruals to the City of Greater Sudbury	(4,684)	(2,649)
Net change in operating activities	<u>45,172</u>	<u>85,114</u>
Investing activities:		
Increase in investments	(2,956)	(48,740)
Purchase of tangible capital assets	(1,463)	(54,844)
Net change in investing activities	<u>(4,419)</u>	<u>(103,584)</u>
Increase (decrease) in cash during the year	40,753	(18,470)
Cash, beginning of year	87,691	106,161
Cash, end of year	<u>\$ 128,444</u>	<u>\$ 87,691</u>
Supplementary information:		
Interest received	\$ 8,024	\$ 4,641

See accompanying notes to financial statements.



# DOWNTOWN SUDBURY

## Notes to Financial Statements

Year ended December 31, 2018

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Downtown Sudbury (the "Organization") is a business improvement area ("BIA") established in 1977 pursuant to the Ontario Municipal Act and through a bylaw of the City of Greater Sudbury. As a BIA, the Organization is funded through a levy that is paid by its members from the private sector, who are owners of commercial properties, and shared by tenants through their rent. The Organization is a private sector organization representing local businesses that is dedicated to the growth and development of downtown Sudbury through policy development, advocacy, special events and economic development.

The Organization is exempt from income taxes under the Income Tax Act.

### 1. Summary of significant accounting policies:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board. The principal accounting policies applied in the preparation of these financial statements are set out below.

#### (a) Basis of accounting:

These financial statements reflect the assets, liabilities, revenues and expenses of the Organization and include all committees of the Organization.

Revenues and expenses are reported using the accrual basis of accounting.

#### (b) Cash:

Cash includes cash on hand and demand deposits that are readily convertible into known amounts of cash and subject to insignificant risk of change in value.

#### (c) Investments:

Investments are recorded at the lower of cost or fair value. Investments generally have a maturity of three years or less at acquisition and are cashable on demand and are held for the purpose of meeting future cash commitments.

#### (d) Prepaid expenses:

Prepaid expenses are charged to expenses over the periods expected to benefit from them.

#### (e) Revenues:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Tax levy revenue is earned and accrued on a calendar year basis. Assessments and the related tax levy are subject to appeal. Tax levy adjustments as a result of appeals are recorded in the year the results of the appeal process are known.

# DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2018

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## 1. Summary of significant accounting policies (continued):

### (f) Tangible capital assets:

Tangible capital assets are recorded at cost, and include amounts that are directly related to the acquisition of the assets. The Organization provides for amortization using the straight-line method designed to amortize the cost, less any residual value, of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate
Leasehold improvements	Straight-line	Lease term
Furniture, equipment and other	Straight-line	5 years
Computer equipment	Straight-line	3 years
Computer software	Straight-line	2 years

Tangible capital assets are written down when conditions indicate they no longer contribute to the Organization's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

### (g) Accumulated surplus:

Certain amounts, as approved by the Board of Directors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

The accumulated surplus consists of the following:

- Unrestricted accumulated operating surplus:  
This reserve is not restricted and is utilized for the operating activities of the Organization.
- Unrestricted equity in tangible capital assets:  
This represents the net book value of the tangible capital assets the Organization has on hand.
- Internally restricted special projects reserve:  
This reserve is restricted and can only be used for projects that have been approved by the Board of Directors.
- Internally restricted chargeback reserve:  
This reserve is restricted and can only be used for tax levy adjustments.

### (h) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

# DOWNTOWN SUDBURY

## Notes to Financial Statements

Year ended December 31, 2018

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### 1. Summary of significant accounting policies (continued):

(i) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors.

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include tax levy adjustments and certain accrued liabilities.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

### 2. Investments:

Investments comprise guaranteed investment certificates which are cashable on demand and have various maturities up to three years and paying interest rates of between 1.25% and 2.05%. The fair value of these investments is approximately equal to cost.

### 3. Accounts receivable:

Included in accounts receivable are government remittances receivable of \$9,361 (2017 - \$19,375), which includes amounts receivable for harmonized sales tax.

### 4. Accounts payable:

Included in accounts payable are government remittances payable of \$3,403 (2017 - \$2,933), which includes amounts payable for payroll related taxes.

### 5. Commitments:

The Organization rents office space under a lease that commenced on July 1, 2017 and will expire on March 31, 2022. The maximum annual rent paid under the lease agreement is \$25,370 in years one and two, and \$26,780 in years three through five.

The Organization made a commitment of \$125,000 for the second phase of the new Downtown Sudbury street lighting program initiated in 2011. This is a 50/50 funding partnership with the City of Greater Sudbury. At December 31, 2017, \$100,298 of this commitment had been incurred. The remaining commitment at December 31, 2018 is \$24,702.

The Organization made a commitment of \$250,000 to the Elgin Greenway project. \$100,000 will be specific to Phase One of the project with further installments of \$15,000 per annum for a period of 10 years.

# DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2018

## 6. Tangible capital assets:

2018	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and other	\$ 25,338	23,705	1,633
Computer equipment	5,736	5,736	–
Computer software	1,463	1,463	–
Leasehold improvements	53,586	21,215	32,371
	\$ 86,123	52,119	34,004

2017	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and other	\$ 25,338	23,161	2,177
Computer equipment	5,736	4,810	926
Computer software	1,463	1,463	–
Leasehold improvements	52,123	10,424	41,699
	\$ 84,660	39,858	44,802

## 7. Ribfest:

Ribfest consists of:

	2018	2017
Event proceeds	\$ 64,823	78,038
Event registration	31,142	30,642
	95,965	108,680
Community partnerships:		
City of Greater Sudbury	1,800	1,500
Labatt Breweries of Canada	1,770	2,000
Bell Media – CTV Television Network	500	500
Ontario Lottery and Gaming Corporation	–	4,500
Sudbury Credit Union Limited	–	2,000
	4,070	10,500
Total revenue	\$ 100,035	119,180

# DOWNTOWN SUBURBY

Notes to Financial Statements

Year ended December 31, 2018

## 8. Accumulated surplus:

2018	Unrestricted accumulated operating surplus	Unrestricted equity in tangible capital assets	Internally restricted special projects reserve	Internally restricted chargeback reserve	Total accumulated surplus
Excess of revenue over expenses for the year	\$ 48,384	–	–	–	48,384
Allocation of amortization to tangible capital assets	12,261	(12,261)	–	–	–
Tangible capital asset Additions	(1,463)	1,463	–	–	–
Allocation of interest earnings to reserves	(3,512)	–	2,721	791	–
Net increase (decrease) for the year	55,670	(10,798)	2,721	791	48,384
Balance, beginning of year	283,686	44,802	233,360	67,886	629,734
Balance, end of year	\$ 339,356	34,004	236,081	68,677	678,118

2017	Unrestricted accumulated operating surplus	Unrestricted equity in tangible capital assets	Internally restricted special projects reserve	Internally restricted chargeback reserve	Total accumulated surplus
Excess of revenue over expenses for the year	\$ 61,415	–	–	–	61,415
Allocation of amortization to tangible capital assets	14,336	(14,336)	–	–	–
Tangible capital asset additions	(54,844)	54,844	–	–	–
Allocation of interest earnings to reserves	(2,092)	–	1,621	471	–
Net increase (decrease) for the year	18,815	40,508	1,621	471	61,415
Balance, beginning of year	264,871	4,294	231,739	67,415	568,319
Balance, end of year	\$ 283,686	44,802	233,360	67,886	629,734

# DOWNTOWN SUDBURY

## Notes to Financial Statements

Year ended December 31, 2018

### 9. Expenses:

	2018	2017
Marketing	\$ 22,805	21,975
Special events and sponsorships:		
Ribfest	106,703	123,276
Christmas	36,951	37,423
Sponsorships	26,790	28,350
Yard sale	13,067	10,528
Blues for Food	6,968	7,200
Other events	8,303	4,693
Total special events	198,782	211,470
Member/board development communications and services	16,129	11,572
Administration:		
Salaries, wages and benefits	184,002	180,332
Rent and utilities	27,952	28,018
Office and general	13,505	18,626
Audit and accounting	9,398	8,928
Telephone	5,309	5,263
Amortization	12,261	14,336
Conferences and professional development	3,222	3,137
Total administration	255,649	258,640
Streetscape/Environment	53,366	28,680
Economic development:		
Win This Space	20,901	20,797
Event Centre	40,000	16,027
Expressing Vibrancy	–	5,088
Total development	60,901	41,912
Total expenses	\$ 607,632	574,249

### 10. Comparative information:

Certain comparative information have been reclassified to conform to the financial statement presentation adopted in the current year. These changes have no effect on excess of revenues over expenses previously reported in the prior year.