

Financial Statements of

**DOWNTOWN SADBURY**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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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, 2019
- 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, 2019, 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*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 8, 2020

# DOWNTOWN SUDBURY

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets</b>		
Cash	\$ 175,140	\$ 128,444
Investments (note 2)	611,033	553,456
Accounts receivable (note 3)	26,593	29,453
Accounts receivable from the City of Greater Sudbury	-	2,291
	<u>812,766</u>	<u>713,644</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 4)	58,663	73,437
Payable and accruals to the City of Greater Sudbury	6,531	-
	<u>65,194</u>	<u>73,437</u>
Net financial assets	747,572	640,207
Non-financial assets:		
Tangible capital assets (note 6)	22,669	34,004
Prepaid expenses	3,971	3,907
	<u>26,640</u>	<u>37,911</u>
Commitments (note 5)		
Subsequent events (note 11)		
Accumulated surplus (note 8)	\$ 774,212	\$ 678,118

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, 2019, with comparative information for 2018

	Budget	Total	Total
	2019	2019	2018
	(note 1(i))		
Revenue:			
Tax levy on Central Business District Members collected by the City of Greater Sudbury	\$ 547,350	\$ 547,350	\$ 534,000
Tax levy adjustments	(12,000)	(13,013)	(18,934)
Ribfest (note 7)	80,000	107,126	100,035
Human Resources and Skills Development Canada	6,000	12,282	7,560
Interest	5,000	11,309	8,024
Other community partnerships and other revenues	-	9,355	25,331
	626,350	674,409	656,016
Expenses (note 9):			
Special events and sponsorships	185,000	207,230	198,782
Economic development	54,350	11,566	60,901
Marketing	30,000	25,908	22,805
Member/board development	14,000	17,469	16,129
Administration	263,000	273,316	255,649
Streetscape/Environment	80,000	42,826	53,366
	626,350	578,315	607,632
Excess of revenue over expenses for the year	-	96,094	48,384
Accumulated surplus, beginning of year	678,118	678,118	629,734
Accumulated surplus, end of year	\$ 678,118	\$ 774,212	\$ 678,118

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Excess of revenue over expenses for the year	\$ 96,094	\$ 48,384
Amortization of tangible capital assets	11,335	12,261
Tangible capital asset additions	-	(1,463)
Change in prepaid expenses	(64)	2,248
Change in net financial assets	107,365	61,430
Net financial assets, beginning of year	640,207	578,777
Net financial assets, end of year	\$ 747,572	\$ 640,207

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 96,094	\$ 48,384
Adjustments for:		
Amortization of tangible capital assets	11,335	12,261
	<u>107,429</u>	<u>60,645</u>
Changes in non-cash working capital items:		
Decrease in accounts receivable	2,860	5,226
Decrease (increase) in receivable from the City of Greater Sudbury	2,291	(2,291)
Decrease (increase) in prepaid expenses	(64)	2,248
Decrease in accounts payable and accrued liabilities	(14,774)	(15,972)
Increase (decrease) in payable and accruals to the City of Greater Sudbury	6,531	(4,684)
	<u>104,273</u>	<u>45,172</u>
Net change in operating activities		
	104,273	45,172
Investing activities:		
Increase in investments	(57,577)	(2,956)
Purchase of tangible capital assets	-	(1,463)
	<u>(57,577)</u>	<u>(4,419)</u>
Net change in investing activities		
	(57,577)	(4,419)
Increase in cash during the year	46,696	40,753
Cash, beginning of year	128,444	87,691
	<u>Cash, end of year</u>	<u>Cash, end of year</u>
	\$ 175,140	\$ 128,444
Supplementary information:		
Interest received	\$ 11,309	\$ 8,024

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Notes to Financial Statements

Year ended December 31, 2019

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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, 2019

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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, 2019

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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 two years and paying interest rates of between 1.55% and 2.20%. The fair value of these investments is approximately equal to cost.

### 3. Accounts receivable:

Included in accounts receivable are government remittances receivable of \$7,733 (2018 - \$9,361), which includes amounts receivable for harmonized sales tax.

### 4. Accounts payable:

Included in accounts payable are government remittances payable of \$3,440 (2018 - \$3,403), 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, 2018, \$100,298 of this commitment had been incurred. The remaining commitment at December 31, 2019 is \$24,702.

The Organization had 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. This commitment was withdrawn in 2020 and ratified at the AGM.

The Organization made a commitment of \$50,000 to the Downtown Security Pilot Project.

# DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2019

## 6. Tangible capital assets:

2019	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and other	\$ 25,338	\$ 24,250	\$ 1,088
Computer equipment	5,736	5,736	-
Computer software	1,463	1,463	-
Leasehold improvements	53,586	32,005	21,581
	\$ 86,123	\$ 63,454	\$ 22,669

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

## 7. Ribfest:

Ribfest consists of:

	2019	2018
Event proceeds	\$ 76,237	\$ 64,823
Event registration	28,889	31,142
	105,126	95,965
Community partnerships:		
City of Greater Sudbury	1,500	1,800
Rethink Green	500	-
Labatt Breweries of Canada	-	1,770
Bell Media - CTV Television Network	-	500
	2,000	4,070
Total revenue	\$ 107,126	\$ 100,035

# DOWNTOWN SUBBURY

Notes to Financial Statements

Year ended December 31, 2019

## 8. Accumulated surplus:

2019	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	\$ 96,094	\$ -	\$ -	\$ -	96,094
Allocation of amortization to tangible capital assets	11,335	(11,335)	-	-	-
Tangible capital asset additions	-	-	-	-	-
Allocation of interest earnings to reserves	(4,547)	-	3,523	1,024	-
Net increase (decrease) for the year	102,882	(11,335)	3,523	1,024	96,094
Balance, beginning of year	339,356	34,004	236,081	68,677	678,118
Balance, end of year	\$ 442,238	\$ 22,669	\$ 239,604	\$ 69,701	\$ 774,212

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

# DOWNTOWN SUDBURY

## Notes to Financial Statements

Year ended December 31, 2019

### 9. Expenses:

	2019	2018
Marketing	\$ 25,908	\$ 22,805
Special events and sponsorships:		
Ribfest	114,650	106,703
Christmas	36,884	36,951
Sponsorships	30,250	26,790
Yard Sale	16,871	13,067
Blues for Food	7,056	6,968
Other events	1,519	8,303
Total special events	207,230	198,782
Member/board development communications and services	17,469	16,129
Administration:		
Salaries, wages and benefits	199,499	184,002
Rent and utilities	29,029	27,952
Office and general	14,689	13,505
Audit and accountings	8,936	9,398
Telephone	6,778	5,309
Amortization	11,335	12,261
Conferences and professional development	3,050	3,222
Total administration	273,316	255,649
Streetscape/Environment	42,826	53,366
Economic development:		
Partnerships	10,430	-
Win This Space	239	20,901
Event Centre	897	40,000
Total development	11,566	60,901
Total expenses	\$ 578,315	\$ 607,632

### 10. Comparative information:

Certain comparative information has 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.

# DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2019

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## **11. Subsequent events:**

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect our business is not known at this time.