

Financial Statements of

DOWNTOWN SUDBURY

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Downtown Sudbury

We have audited the accompanying financial statements Downtown Sudbury, which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Downtown Sudbury as at December 31, 2017 and its results of operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 7, 2018

DOWNTOWN SUDBURY

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash	\$ 87,691	\$ 106,161
Investments (note 2)	550,500	501,760
Accounts receivable	34,679	22,555
	<u>672,870</u>	<u>630,476</u>
Financial liabilities		
Accounts payable and accrued liabilities	89,409	65,636
Payable and accruals to the City of Greater Sudbury	4,684	7,333
	<u>94,093</u>	<u>72,969</u>
Net financial assets	578,777	557,507
Non-financial assets:		
Tangible capital assets (note 4)	44,802	4,294
Prepaid expenses	6,155	6,518
	<u>50,957</u>	<u>10,812</u>
Commitments (note 3)		
Accumulated surplus (note 6)	\$ 629,734	\$ 568,319

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, 2017, with comparative information for 2016

	Budget	Total	Total
	2017	2017	2016
	(note 1(i))		
Revenue:			
Tax levy on Central Business District Members collected by the City of Greater Sudbury	\$ 520,409	\$ 520,408	\$ 510,205
Tax levy adjustments	-	(33,672)	(21,103)
Ribfest (note 5)	70,000	119,180	141,986
Human Resources and Skills Development Canada	7,000	8,359	7,102
Interest	3,000	4,641	3,474
Other community partnerships and other revenues	-	16,748	9,498
	<u>600,409</u>	<u>635,664</u>	<u>651,162</u>
Expenses (note 7):			
Special events and sponsorships	190,000	211,470	230,627
Economic Development	23,000	41,912	23,993
Marketing	45,000	21,975	18,496
Member/board development	13,000	11,572	10,565
Administration	251,374	258,640	235,403
Streetscape/Environment	78,035	28,680	37,064
Special projects	-	-	4,936
	<u>600,409</u>	<u>574,249</u>	<u>561,084</u>
Excess of revenue over expenses for year	-	61,415	90,078
Accumulated surplus, beginning of year	568,319	568,319	478,241
Accumulated surplus, end of year	<u>\$ 568,319</u>	<u>\$ 629,734</u>	<u>\$ 568,319</u>

See accompanying notes to financial statements.

DOWNTOWN SUDBURY

Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Excess of revenue over expenses	\$ 61,415	\$ 90,078
Amortization of tangible capital assets	14,336	6,355
Tangible capital asset additions	(54,844)	(2,663)
Change in prepaid expenses	363	2,438
Change in net financial assets	21,270	96,208
Net financial assets, beginning of year	557,507	461,299
Net financial assets, end of year	\$ 578,777	\$ 557,507

See accompanying notes to financial statements.

DOWNTOWN SUDBURY

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 61,415	\$ 90,078
Adjustments for:		
Amortization of tangible capital assets	14,336	6,355
	<u>75,751</u>	<u>96,433</u>
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	(12,124)	895
Decrease in prepaid expenses	363	2,438
Increase in accounts payable and accrued liabilities	23,773	11,642
Increase (decrease) in payable and accruals to the City of Greater Sudbury	(2,649)	4,678
Net change in operating activities	<u>85,114</u>	<u>116,086</u>
Investing activities:		
Increase in investments	(48,740)	(48,248)
Purchase of tangible capital assets	(54,844)	(2,663)
Net change in investing activities	<u>(103,584)</u>	<u>(50,911)</u>
Increase (decrease) in cash during the year	(18,470)	65,175
Cash, beginning of year	106,161	40,986
Cash, end of year	<u>\$ 87,691</u>	<u>\$ 106,161</u>
Supplementary information:		
Interest received	\$ 4,641	\$ 3,474

See accompanying notes to financial statements.

DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2017

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, 2017

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.

DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2017

1. Summary of significant accounting policies (continued):

(h) Expenses:

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

(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 .80% and 1.28%. The fair value of these investments is approximately equal to cost.

3. Commitments:

The Organization rents office space under a lease that commenced on April 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, \$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, 2016, \$100,298 of this commitment had been incurred. The remaining commitment at December 31, 2017 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, 2017

4. Tangible capital assets:

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

2016	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and other	\$ 25,017	22,717	2,300
Computer equipment	8,225	6,475	1,750
Computer software	1,463	1,219	244
	\$ 34,705	30,411	4,294

5. Ribfest:

Ribfest consists of:

	2017	2016
Event proceeds	\$ 78,038	100,574
Event registration	30,642	30,642
	108,680	131,216
Community partnerships:		
Ontario Lottery and Gaming Corporation	4,500	4,500
Labatt Breweries of Canada	2,000	1,770
City of Greater Sudbury	1,500	1,500
Sudbury Credit Union Limited	2,000	2,000
Bell Media – CTV Television Network	500	500
Bank of Montreal	-	500
	10,500	10,770
Total revenue	\$ 119,180	141,986

DOWNTOWN SUBBURY

Notes to Financial Statements

Year ended December 31, 2017

6. Accumulated surplus:

	Unrestricted accumulated operating surplus	Unrestricted equity in tangible capital assets	Internally restricted special projects reserve	Internally restricted chargeback reserve	Total accumulated surplus
2017					
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
2016					
Excess of revenue over expenses for the year	\$ 90,078	–	–	–	90,078
Allocation of amortization to tangible capital assets	6,355	(6,355)	–	–	–
Tangible capital asset Additions	(2,663)	2,663	–	–	–
Allocation of interest earnings to reserves	(1,867)	–	1,446	421	–
Transfer to special projects	(100,000)	–	100,000	–	–
Net increase (decrease) for the year	(8,097)	(3,692)	101,446	421	90,078
Balance, beginning of year	272,968	7,986	130,293	66,994	478,241
Balance, end of year	\$ 264,871	4,294	231,739	67,415	568,319

DOWNTOWN SUBURBY

Notes to Financial Statements

Year ended December 31, 2017

7. Expenses:

	2017	2016
Marketing	\$ 21,975	18,496
Special events and sponsorships:		
Ribfest	123,276	139,965
Christmas	37,423	41,565
Sponsorships	28,350	26,400
Yard Sale	10,528	9,671
Blues for Food	7,200	7,441
Other events	4,693	5,585
Total special events	211,470	230,627
Member/board development communications and services	11,572	10,565
Administration:		
Salaries, wages and benefits	180,332	175,706
Rent and utilities	28,018	21,059
Office and general	18,626	11,401
Audit and accounting	8,928	10,057
Telephone	5,263	6,837
Amortization	14,336	6,355
Conferences and professional development	3,137	3,988
Total administration	258,640	235,403
Streetscape/Environment	28,680	37,064
Economic development:		
Partnership	-	16,812
Win This Space	20,797	-
Event Centre	16,027	-
Expressing Vibrancy	5,088	7,181
Total development	41,912	23,993
Special projects:		
Street Lighting	-	4,936
Total expenses	\$ 574,249	561,084

8. 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.