

Financial Statements of

DOWNTOWN SADBURY

And Independent Auditors' Report thereon

Year ended December 31, 2021



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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, 2021
- the statement of operations and accumulated surplus for the year then ended
- the 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, 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 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.



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- 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 5, 2022

DOWNTOWN SUDBURY

Statement of Financial Position

December 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|------------------------------------------------------|----------------|------------------|
| Financial assets | | |
| Cash | \$ 129,443 | \$ 103,778 |
| Investments (note 2) | 802,138 | 906,734 |
| Accounts receivable (note 3) | 49,416 | 17,626 |
| Accounts receivable from the City of Greater Sudbury | - | 1,066 |
| | <u>980,997</u> | <u>1,029,204</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities (note 4) | 82,806 | 50,340 |
| Payable and accruals to the City of Greater Sudbury | 14,671 | - |
| | <u>97,477</u> | <u>50,340</u> |
| Net financial assets | 883,520 | 978,864 |
| Non-financial assets: | | |
| Tangible capital assets (note 6) | 1,572 | 12,934 |
| Prepaid expenses | 3,447 | 10,331 |
| | <u>5,019</u> | <u>23,265</u> |
| Commitments (note 5) | | |
| Effects of COVID-19 (note 11) | | |
| Accumulated surplus (note 7) | \$ 888,539 | \$ 1,002,129 |

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, 2021, with comparative information for 2020

| | <u>Budget</u> | <u>Total</u> | <u>Total</u> |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|---------------------|
| | 2021 | 2021 | 2020 |
| | (note 1(i)) | | |
| Revenue: | | | |
| Tax levy on Central Business District Members collected by the City of Greater Sudbury | \$ 600,000 | \$ 600,000 | \$ 619,600 |
| Tax levy adjustments | - | (14,671) | (16,249) |
| Human Resources and Skills Development Canada | - | - | 4,387 |
| Interest | 2,500 | 2,415 | 6,935 |
| Other community partnerships and other revenues | - | 683 | 4,152 |
| | <u>602,500</u> | <u>588,427</u> | <u>618,825</u> |
| Expenses (note 8): | | | |
| Marketing and promotion | 150,000 | 128,317 | 83,396 |
| Partnership Programs | 300,000 | 249,796 | 4,834 |
| Member/board development | - | 9,516 | 6,093 |
| Administration | 252,500 | 275,552 | 258,636 |
| Enhancing & beautifying the Commons | 100,000 | 38,836 | 37,949 |
| | <u>802,500</u> | <u>702,017</u> | <u>390,908</u> |
| Excess (deficiency) of revenue over expenses for the year | (200,000) | (113,590) | 227,917 |
| Accumulated surplus, beginning of year | 1,002,129 | 1,002,129 | 774,212 |
| Accumulated surplus, end of year | <u>\$ 802,129</u> | <u>\$ 888,539</u> | <u>\$ 1,002,129</u> |

See accompanying notes to financial statements.

DOWNTOWN SUDBURY

Statement of Changes in Net Financial Assets

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

| | 2021 | 2020 |
|-----------------------------------------------------------|--------------|------------|
| Excess (deficiency) of revenue over expenses for the year | \$ (113,590) | \$ 227,917 |
| Amortization of tangible capital assets | 12,521 | 12,134 |
| Tangible capital asset additions | (1,159) | (2,399) |
| Change in prepaid expenses | 6,884 | (6,360) |
| Change in net financial assets | (95,344) | 231,292 |
| Net financial assets, beginning of year | 978,864 | 747,572 |
| Net financial assets, end of year | \$ 883,520 | \$ 978,864 |

See accompanying notes to financial statements.

DOWNTOWN SADBURY

Statement of Cash Flows

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

| | 2021 | 2020 |
|----------------------------------------------------------------------------|--------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess (deficiency) of revenue over expenses for the year | \$ (113,590) | \$ 227,917 |
| Adjustments for: | | |
| Amortization of tangible capital assets | 12,521 | 12,134 |
| | (101,069) | 240,051 |
| Changes in non-cash working capital items: | | |
| Decrease (increase) in accounts receivable | (31,790) | 8,967 |
| Decrease (increase) in receivable from the City of Greater Sudbury | 1,066 | (1,066) |
| Decrease (increase) in prepaid expenses | 6,884 | (6,360) |
| Increase (decrease) in accounts payable and accrued liabilities | 32,466 | (8,323) |
| Increase (decrease) in payable and accruals to the City of Greater Sudbury | 14,671 | (6,531) |
| Net change in operating activities | (77,772) | 226,738 |
| Investing activities: | | |
| Decrease (increase) in investments | 104,596 | (295,701) |
| Purchase of tangible capital assets | (1,159) | (2,399) |
| Net change in investing activities | 103,437 | (298,100) |
| Increase (decrease) in cash during the year | 25,665 | (71,362) |
| Cash, beginning of year | 103,778 | 175,140 |
| Cash, end of year | \$ 129,443 | \$ 103,778 |
| Supplementary information: | | |
| Interest received | \$ 2,415 | \$ 6,935 |

See accompanying notes to financial statements.

DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2021

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, 2021

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, 2021

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 within a year and paying interest rates of 0.25%. The fair value of these investments is approximately equal to cost.

3. Accounts receivable:

Included in accounts receivable are government remittances receivable of \$15,207 (2020 - \$12,513), which includes amounts receivable for harmonized sales tax.

4. Accounts payable:

Included in accounts payable are government remittances payable of \$4,441 (2020 - \$2,994), 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 has renewed the lease for an additional 2 years. The maximum annual rent paid under the lease extension is \$26,780 in year one and \$28,180 in year two.

The Organization made a new commitment of \$100,000 in 2020 towards the Retrofit LED lighting program in the Downtown. This is a 50/50 funding partnership with the City of Greater Sudbury. At December 31, 2021, this program has been completed and the \$100,000 of this commitment had been paid to the City.

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

DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2021

6. Tangible capital assets:

| 2021 | Cost | Accumulated Amortization | Net Book Value |
|--------------------------------|------------------|-----------------------------|-------------------|
| Furniture, equipment and other | \$ 25,338 | \$ 25,338 | \$ - |
| Computer equipment | 9,295 | 7,723 | 1,572 |
| Computer software | 1,463 | 1,463 | - |
| Leasehold improvements | 53,586 | 53,586 | - |
| | <u>\$ 89,682</u> | <u>\$ 88,110</u> | <u>\$ 1,572</u> |

| 2020 | Cost | Accumulated Amortization | Net Book Value |
|--------------------------------|------------------|-----------------------------|-------------------|
| Furniture, equipment and other | \$ 25,338 | \$ 24,794 | \$ 544 |
| Computer equipment | 8,136 | 6,536 | 1,600 |
| Computer software | 1,463 | 1,463 | - |
| Leasehold improvements | 53,586 | 42,796 | 10,790 |
| | <u>\$ 88,523</u> | <u>\$ 75,589</u> | <u>\$ 12,934</u> |

DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2021

7. Accumulated surplus:

| 2021 | 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 | \$ (113,590) | \$ - | \$ - | \$ - | \$ (113,590) |
| Allocation of amortization to tangible capital assets | 12,521 | (12,521) | - | - | - |
| Tangible capital asset additions | (1,159) | 1,159 | - | - | - |
| Allocation of interest earnings to reserves | (647) | - | 501 | 146 | - |
| Net increase (decrease) for the year | (102,875) | (11,362) | 501 | 146 | (113,590) |
| Balance, beginning of year | 677,464 | 12,934 | 241,484 | 70,247 | 1,002,129 |
| Balance, end of year | \$ 574,589 | \$ 1,572 | \$ 241,985 | \$ 70,393 | \$ 888,539 |

| 2020 | 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 | \$ 227,917 | \$ - | \$ - | \$ - | \$ 227,917 |
| Allocation of amortization to tangible capital assets | 12,134 | (12,134) | - | - | - |
| Tangible capital asset additions | (2,399) | 2,399 | - | - | - |
| Allocation of interest earnings to reserves | (2,426) | - | 1,880 | 546 | - |
| Net increase (decrease) for the year | 235,226 | (9,735) | 1,880 | 546 | 227,917 |
| Balance, beginning of year | 442,238 | 22,669 | 239,604 | 69,701 | 774,212 |
| Balance, end of year | \$ 677,464 | \$ 12,934 | \$ 241,484 | \$ 70,247 | \$ 1,002,129 |

DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2021

8 Expenses:

| | 2021 | 2020 |
|------------------------------------------------------|------------|------------|
| Marketing and Promotion | | |
| Marketing "Downtown Sudbury" | \$ 39,919 | \$ 24,367 |
| Christmas | 8,116 | 25,091 |
| Sponsorships | 52,036 | 32,000 |
| Gift Card Program | 28,246 | - |
| Other events | - | 1,938 |
| Total Marketing and Promotion | 128,317 | 83,396 |
| Member/board development communications and services | 9,516 | 6,093 |
| Administration: | | |
| Salaries, wages and benefits | 196,065 | 191,338 |
| Rent and utilities | 29,388 | 29,388 |
| Office and general | 13,441 | 10,030 |
| Audit and accountings | 10,669 | 9,326 |
| Telephone | 7,424 | 5,364 |
| Amortization | 12,521 | 12,134 |
| Conferences and professional development | 6,044 | 1,056 |
| Total administration | 275,552 | 258,636 |
| Enhancing & Beautifying Commons | 38,836 | 37,949 |
| Partnership Programs | | |
| City Greater Sudbury Streetscape | 100,000 | - |
| O Vacancy Christmas | 4,462 | - |
| Safety & Cleanup | 23,989 | - |
| Patio Program | 121,345 | - |
| Partnerships Other | - | 4,834 |
| Total Partnership Programs | 249,796 | 4,834 |
| Total expenses | \$ 702,017 | \$ 390,908 |

DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2021

9. 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.

10. Financial risk:

(a) Other risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Board put in place measures to limit and control access to the office based on recommendations from Public Health Ontario.

In response to the adverse impact the pandemic has had on certain revenue streams, the Board has undertaken certain cost cutting measures.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. The impact of Social issues within the Downtown have been amplified as a result of COVID-19.