

Financial Statements of

**DOWNTOWN SUDBURY**

Year ended December 31, 2016



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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, 2016, 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, 2016 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.

*Comparative Information*

The financial statements of Downtown Sudbury as at and for the year ended December 31, 2015 were prepared by another chartered professional accountant dated April 14, 2016.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

May 4, 2017

Sudbury, Canada

# DOWNTOWN SUDBURY

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial assets</b>		
Cash	\$ 106,161	\$ 40,986
Investments (note 2)	501,760	453,512
Accounts receivable	22,555	23,450
	<u>630,476</u>	<u>517,948</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	65,636	53,994
Payable and accruals to the City of Greater Sudbury	7,333	2,655
	<u>72,969</u>	<u>56,649</u>
Net financial assets	557,507	461,299
Non-financial assets:		
Tangible capital assets (note 4)	4,294	7,986
Prepaid expenses	6,518	8,956
	<u>10,812</u>	<u>16,942</u>
Commitments (note 3)		
Accumulated surplus (note 6)	<u>\$ 568,319</u>	<u>\$ 478,241</u>

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, 2016, with comparative information for 2015

	Budget	Total	Total
	2016	2016	2015
	(note 1(i))		
Revenue:			
Tax levy on Central Business District Members collected by the City of Greater Sudbury	\$ 510,205	510,205	\$ 502,605
Tax levy adjustments	-	(21,103)	(13,145)
Ribfest (note 5)	70,000	141,986	126,863
Human Resources and Skills Development Canada	-	7,102	-
Interest	3,000	3,474	3,300
Other community partnerships and other revenues	6,000	9,498	11,968
	589,205	651,162	631,591
Expenses (note 7):			
Special events	184,000	230,627	214,433
Development	96,505	61,057	47,842
Marketing	60,000	18,496	44,388
Member/board development	13,700	10,565	14,051
Administration	235,000	235,403	220,756
Special projects	-	4,936	-
	589,205	561,084	541,470
Excess of revenue over expenses for year	-	90,078	90,121
Accumulated surplus, beginning of year	478,241	478,241	388,120
Accumulated surplus, end of year	\$ 478,241	\$ 568,319	\$ 478,241

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Statement of Changes in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Excess of revenue over expenses	\$ 90,078	\$ 90,121
Amortization of tangible capital assets	6,355	5,874
Tangible capital asset additions	(2,663)	-
Change in prepaid expenses	2,438	827
Change in net financial assets	96,208	96,822
Net financial assets, beginning of year	461,299	364,477
Net financial assets, end of year	\$ 557,507	\$ 461,299

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 90,078	\$ 90,121
Adjustments for:		
Amortization of tangible capital assets	6,355	5,874
	<u>96,433</u>	<u>95,995</u>
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	895	(2,496)
Decrease in prepaid expenses	2,438	827
Increase in accounts payable and accrued liabilities	11,642	1,869
Increase (decrease) in payable and accruals to the City of Greater Sudbury	4,678	(95,973)
Net change in operating activities	<u>116,086</u>	<u>222</u>
Investing activities:		
Increase in investments	(48,248)	(551)
Purchase of tangible capital assets	(2,663)	-
Net change in investing activities	<u>(50,911)</u>	<u>(551)</u>
Increase (decrease) in cash during the year	65,175	(329)
Cash, beginning of year	40,986	41,315
Cash, end of year	<u>\$ 106,161</u>	<u>\$ 40,986</u>
Supplementary information:		
Interest received	\$ 3,474	\$ 3,300

See accompanying notes to financial statements.

# DOWNTOWN SUDBURY

## Notes to Financial Statements

Year ended December 31, 2016

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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, 2016

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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:

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

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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 writedowns 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, 2016

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## 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 .60% and .95%. The fair value of these investments is approximately equal to cost.

## 3. Commitments:

The Organization rents office space under a lease that commenced on March 1, 2012 and expired on February 28, 2017. The maximum annual rent paid under the lease agreement is \$17,600 in years one and two, \$19,200 in years three and four and \$20,800 in year five.

The Organization has made an accepted offer to lease rental space for a period of five years commencing on April 1, 2017. The maximum annual rent to be 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, 2016, \$100,298 of this commitment had been incurred with \$4,936 (2015 - \$Nil) being recorded in development expenses during the year. The remaining commitment at December 31, 2016 is \$24,702.

# DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2016

## 4. Tangible capital assets:

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

2015	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and other	\$ 25,017	17,715	7,302
Computer equipment	6,050	5,366	684
Computer software	975	975	–
	\$ 32,042	24,056	7,986

## 5. Ribfest:

Ribfest consists of:

	2016	2015
Event proceeds	\$ 100,574	88,463
Event registration	30,642	30,400
	131,216	118,863
Community partnerships:		
Ontario Lottery and Gaming Corporation	4,500	4,500
Labatt Breweries of Canada	1,770	–
City of Greater Sudbury	1,500	1,500
Sudbury Credit Union Limited	2,000	1,000
Bell Media – CTV Television Network	500	500
Bank of Montreal	500	–
Niagara Inflatables & Games	–	500
	10,770	8,000
Total revenue	\$ 141,986	126,863

# DOWNTOWN SUBURBY

## Notes to Financial Statements

Year ended December 31, 2016

### 6. Accumulated surplus:

2016	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	\$ 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

2015	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	\$ 90,121	–	–	–	90,121
Allocation of amortization to tangible capital assets	5,874	(5,874)	–	–	–
Allocation of interest earnings to reserves	(1,467)	–	969	498	–
Net increase (decrease) for the year	94,528	(5,874)	969	498	90,121
Balance, beginning of year	178,440	13,860	129,324	66,496	388,120
Balance, end of year	\$ 272,968	7,986	130,293	66,994	478,241

# DOWNTOWN SUDBURY

## Notes to Financial Statements

Year ended December 31, 2016

### 7. Expenses:

	2016	2015
Marketing	\$ 18,496	44,388
Special events:		
Ribfest	139,965	129,479
Christmas	41,565	42,325
Up Here	15,069	12,500
Yard Sale	9,671	9,169
Blues for Food	7,441	7,268
Movie Night	5,061	5,538
Sudbury Public Library – Graphic Con	5,000	–
Sudbury Indie Festival	2,500	–
Other	4,355	3,066
The Tale of a Town	–	5,088
Total special events	230,627	214,433
Member/board development communications and services	10,565	14,051
Administration:		
Salaries, wages and benefits	175,706	164,548
Rent and utilities	21,059	19,818
Office and general	11,401	10,121
Audit and accounting	10,057	11,269
Telephone	6,837	6,006
Amortization	6,355	5,874
Conferences and professional development	3,988	3,120
Total administration	235,403	220,756
Development:		
Beautification	37,064	41,737
Economic development:		
Partnership	16,812	–
Expressing Vibrancy	7,181	6,105
Total development	61,057	47,842
Special projects:		
Streetscape	4,936	–
Total expenses	\$ 561,084	541,470

# DOWNTOWN SUDBURY

Notes to Financial Statements

Year ended December 31, 2016

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## **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.