

**Board of Management for the
Downtown Improvement Area
Financial Statements
For the year ended December 31, 2018**

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For the year ended December 31, 2018

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Independent Auditor's Report

To the members of Board of Management for the Downtown Improvement Area

Opinion

We have audited the financial statements of Board of Management for the Downtown Improvement Area (the Entity), which comprise the statement of financial position as at December 31, 2018, the statements of operations and accumulated surplus, statement of change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 financial performance and 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 responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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 ethical 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.

Responsibilities 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 these 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 risks 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, intentional 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 purpose 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 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 auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.

We 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.

 BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
May 1, 2019

Board of Management for the Downtown Improvement Area Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash and cash equivalents (Note 2)	\$ 91,416	\$ 104,253
Accounts receivable (Note 3)	13,191	1,975
	<u>104,607</u>	<u>106,228</u>
Liabilities		
Accounts payable and accrued liabilities	<u>8,870</u>	<u>7,452</u>
Net financial assets	<u>95,737</u>	<u>98,776</u>
Non-financial assets		
Prepaid expenses	652	651
Tangible capital assets (Note 6)	5,485	4,757
	<u>6,137</u>	<u>5,408</u>
Accumulated surplus (Note 5)	<u>\$ 101,874</u>	<u>\$ 104,184</u>

Commitments (Note 7)

On behalf of the Board:

_____ Director

_____ Director

Board of Management for the Downtown Improvement Area Statement of Operations and Accumulated Surplus

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenues			
Corporation of the City of North Bay			
Tax levy	\$ 133,327	\$ 133,312	\$ 128,844
Tax supplementary (write-offs)	(1,000)	1,812	2,296
	132,327	135,124	131,140
Government grants	20,199	3,787	18,512
Marketing, fundraising and other	26,100	13,268	20,463
	178,626	152,179	170,115
Expenses (Note 8)			
Administration	103,866	85,255	103,885
Marketing	45,810	56,322	42,251
Economic development	14,950	7,381	2,957
Beautification	14,000	5,531	6,994
	178,626	154,489	156,087
Annual (deficit) surplus	-	(2,310)	14,028
Accumulated surplus, beginning of year	104,184	104,184	90,156
Accumulated surplus, end of year	\$ 104,184	\$ 101,874	\$ 104,184

The accompanying notes are an integral part of these financial statements.

Board of Management for the Downtown Improvement Area Statement of Change in Net Financial Assets

For the year ended December 31	2018	2017
Annual (deficit) surplus	\$ (2,310)	\$ 14,028
Acquisition of tangible capital assets	(4,500)	(1,017)
Amortization of tangible capital assets	3,772	7,943
	(3,038)	20,954
Acquisition of prepaid expenses	(199)	(198)
Use of prepaid expenses	198	324
	(1)	126
Net change in net financial assets	(3,039)	21,080
Net financial assets, beginning of year	98,776	77,696
Net financial assets, end of year	\$ 95,737	\$ 98,776

The accompanying notes are an integral part of these financial statements.

Board of Management for the Downtown Improvement Area Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating transactions		
Annual (deficit) surplus for the year	\$ (2,310)	\$ 14,028
Items not involving cash		
Amortization of tangible capital assets	<u>3,772</u>	<u>7,943</u>
	1,462	21,971
Changes in non-cash working capital balances		
Accounts receivable	(11,216)	(1,092)
Prepaid expenses	(1)	126
Accounts payable and accrued liabilities	<u>1,418</u>	<u>(6,345)</u>
	(8,337)	14,660
Capital transactions		
Purchase of tangible capital assets	<u>(4,500)</u>	<u>(1,017)</u>
(Decrease) increase in cash and cash equivalents during the year	(12,837)	13,643
Cash and cash equivalents, beginning of year	<u>104,253</u>	<u>90,610</u>
Cash and cash equivalents, end of year	\$ 91,416	\$ 104,253

The accompanying notes are an integral part of these financial statements.

Board of Management for the Downtown Improvement Area

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies

Nature of Business The Board was created under the Municipal Act pursuant to the Corporation of the City of North Bay's By-Law #144-77. It was created to improve or beautify public properties within the designated business improvement area and to generally promote the area as a place of business, shopping and entertainment.

Basis of Accounting The financial statements of the Board are prepared in accordance with Canadian public sector accounting standards.

Sources of financing and expenses are reported on an accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable, expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Non-Financial Assets Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Equipment	- 3 to 5 years
Signs	- 5 years
Computer equipment	- 3 to 4 years
Leasehold improvements	- 3 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or their estimated useful lives.

In the year of acquisition half of the above stated amount is recorded.

Board of Management for the Downtown Improvement Area

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Reserves and Reserve Fund Certain amounts, as approved by the Board, are set aside in reserves and reserve fund for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

Revenue Recognition The tax levy is recognized in the tax year that it relates to.

Marketing, fundraising and other revenues are recorded in the period earned, provided collection of the relevant receivable is probable and reasonable estimates of the amounts can be made.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Use of Estimates The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates in these financial statements include the useful life of tangible capital assets. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Included in cash and cash equivalents is \$55,040 (2017 - \$40,259) with respect to the Reserve Fund.

Board of Management for the Downtown Improvement Area Notes to Financial Statements

December 31, 2018

3. Accounts Receivable

	2018	2017
Government of Canada	\$ 1,907	\$ 826
City of North Bay	10,774	1,149
Other	510	-
	\$ 13,191	\$ 1,975

4. Related Party Transactions

During the year the Board entered into transactions with the Board's directors in the amount of \$21,966 (2017 - \$14,608). These transactions were measured at exchange amounts being the amounts agreed upon by the two parties.

In the normal course of business, the Board may also purchase services from many of its members.

5. Accumulated Surplus

	2018	2017
Invested in tangible capital assets	\$ 5,485	\$ 4,757
Reserve fund (i)	55,040	40,259
Current Fund	41,349	59,168
	\$ 101,874	\$ 104,184

(i) Reserve fund

	2018	2017
Revenues		
Investment income	\$ 753	\$ 388
Expenses	-	-
Excess of revenues over expenses	753	388
Balance, beginning of year	40,259	44,871
Add: Transfer from current fund	14,028	-
Less: Transfer to operating	-	(5,000)
	\$ 55,040	\$ 40,259

Board of Management for the Downtown Improvement Area Notes to Financial Statements

December 31, 2018

6. Tangible Capital Assets

	2018				
	Equipment	Signs	Computer Equipment	Leasehold Improvements	Total
Cost, beginning of year	\$ 35,644	\$ 38,973	\$ 3,775	\$ 1,406	\$ 79,798
Additions	4,500	-	-	-	4,500
Cost, end of year	40,144	38,973	3,775	1,406	84,298
Accumulated amortization, beginning of year	31,777	38,973	2,885	1,406	75,041
Amortization	3,518	-	254	-	3,772
Accumulated amortization, end of year	35,295	38,973	3,139	1,406	78,813
Net carrying amount, end of year	\$ 4,849	\$ -	\$ 636	\$ -	\$ 5,485
	2017				
	Equipment	Signs	Computer Equipment	Leasehold Improvements	Total
Cost, beginning of year	\$ 35,644	\$ 38,973	\$ 2,758	\$ 1,406	\$ 78,781
Additions		-	1,017	-	1,017
Cost, end of year	35,644	38,973	3,775	1,406	79,798
Accumulated amortization, beginning of year	23,961	38,973	2,758	1,406	67,098
Amortization	7,816	-	127	-	7,943
Accumulated amortization, end of year	31,777	38,973	2,885	1,406	75,041
Net carrying amount, end of year	\$ 3,867	\$ -	\$ 890	\$ -	\$ 4,757

7. Commitments

- a. The Board has entered into a three year contract to rent office space at 133 Main Street West at a cost of \$541 monthly, beginning April 1, 2018 expiring on March 31, 2021.
- b. The Board rents a photocopier under a long-term operating lease at a cost of \$135, plus applicable taxes, monthly, beginning August 13, 2013 expiring February 13, 2019.

Board of Management for the Downtown Improvement Area Notes to Financial Statements

December 31, 2018

8. Expenses by Object

	2018 Budget	2018 Actual	2017 Actual
Administration			
Wages and statutory benefits (management and summer students)	\$ 73,591	\$ 59,993	\$ 71,361
Office rent (Note 7a)	6,307	6,833	6,321
Telephone and internet	3,800	3,402	3,771
Audit and accounting	2,526	2,734	2,526
Executive director and board members' development	5,340	279	1,361
Office supplies, postage, photocopying and other	2,450	1,375	1,105
Equipment lease	1,650	1,649	1,649
Committee meetings	5,000	4,829	6,960
Memberships, fees and scholarships	678	389	796
Amortization of tangible capital assets	-	3,772	7,943
Computer system upgrade	1,500	-	91
General contingency	1,024	-	-
	<u>103,866</u>	<u>85,255</u>	<u>103,884</u>
Marketing			
Advertising and promotion	45,810	56,322	42,251
Beautification			
Maintenance/refurbishment	14,000	5,531	6,994
Economic Development			
Development partnerships	14,950	7,381	2,957
	<u>\$ 178,626</u>	<u>\$ 154,489</u>	<u>\$ 156,086</u>