

Financial Statements

**BOARD OF MANAGEMENT FOR THE
DOWNTOWN IMPROVEMENT AREA**

Year ended December 31, 2014

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Financial Statements Index

Year ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Board of Management for the Downtown Improvement Area which comprise the statement of financial position as at December 31, 2014, the statements of operations, 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 an 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 disclosures 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, the financial statements present fairly, in all material respects, the financial position of Board of Management for the Downtown Improvement Area as at December 31, 2014, and its results of operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

May 5, 2015
North Bay, Canada

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA


Statement of Financial Position

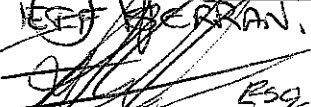
December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets		
Cash (Note 1)	\$ 31,359	\$ 46,777
Accounts receivable (Note 2)	26,777	2,916
	58,136	49,693
Financial liabilities		
Accounts payable and accrued liabilities	12,363	16,440
Net financial assets	45,773	33,253
Non-financial assets		
Prepaid expenses	1,243	1,040
Tangible capital assets (Note 3)	18,951	18,328
	20,194	19,368
Commitments (Note 6)		
Accumulated surplus (Note 4)	\$ 65,967	\$ 52,621

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

On behalf of the Board:


 _____ Director
 JEFF BERRAN, EXECUTIVE DIRECTOR


 _____ Director
 ROBERT ALGER, CHAIRPERSON

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget	2014 Actual	2013 Actual
	(Note 7)		
Revenues:			
Corporation of the City of North Bay:			
Tax levy	\$ 117,342	\$ 117,342	\$ 112,162
Tax adjustments	(1,000)	1,278	715
	116,342	118,620	112,877
Government grants	34,449	33,564	6,090
Marketing, fundraising and forums	12,000	10,856	10,508
	162,791	163,040	129,475
Expenses: (Note 8)			
Management	112,163	113,084	86,440
Marketing	23,260	27,872	32,652
Beautification	14,800	3,643	4,114
Economic development	12,568	5,095	6,458
	162,791	149,694	129,664
Annual surplus (deficit)	-	13,346	(189)
Accumulated surplus, beginning of year	52,621	52,621	52,810
Accumulated surplus, end of year	\$ 52,621	\$ 65,967	\$ 52,621

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

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Annual surplus (deficit)	\$ 13,346	\$ (189)
Acquisition of tangible capital assets	(8,202)	(20,367)
Amortization of tangible capital assets	7,579	6,178
	12,723	(14,378)
Acquisition of prepaid expenses	(1,243)	(1,040)
Use of prepaid expenses	1,040	1,572
	(203)	532
Net change in net financial assets (debt)	12,520	(13,846)
Net financial assets, beginning of year	33,253	47,099
Net financial assets, end of year	\$ 45,773	\$ 33,253

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

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating transactions:		
Annual surplus (deficit)	\$ 13,346	\$ (189)
Item not involving cash:		
Amortization of tangible capital assets	7,579	6,178
	20,925	5,989
Changes in non-cash working capital balances:		
Accounts receivable	(23,861)	844
Prepaid expenses	(203)	532
Accounts payable and accrued liabilities	(4,077)	10,406
	(7,216)	17,771
Capital transactions:		
Purchase of tangible capital assets	(8,202)	(20,367)
Decrease in cash during the year	(15,418)	(2,596)
Cash, beginning of year	46,777	49,373
Cash, end of year	\$ 31,359	\$ 46,777

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

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2014

Significant Accounting Policies:

Nature of Operations

The Board of Management for the Downtown Improvement Area (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 general accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accounts of Canada.

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 lives of the tangible capital assets 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.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2014

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 forums 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 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. Significant estimates include assumptions used in estimating the useful life of tangible capital assets. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the year they become known. Actual results could differ from those estimates.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2014

1. Cash:

Included in cash is \$13,407 (2013 - \$15,787) with respect to the Reserve Fund.

2. Accounts Receivable:

	2014	2013
Northern Ontario Heritage Fund	\$ 20,942	\$ -
Government of Canada	1,148	2,243
Other	4,687	673
	\$ 26,777	\$ 2,916

3. Tangible Capital Assets:

	2014				
	Equipment	Signs	Computer Equipment	Leasehold Improvements	
Cost, beginning of year	\$ 29,190	\$ 38,973	\$ 4,883	\$ 1,406	\$ 74,452
Additions	8,202	-	-	-	8,202
Write-offs	-	-	-	-	-
Cost, end of year	37,392	38,973	4,883	1,406	82,654
Accumulated amortization, beginning of year	12,896	37,714	4,108	1,406	56,124
Amortization	5,715	1,259	605	-	7,579
Accumulated amortization, end of year	18,611	38,973	4,713	1,406	63,703
Net book value, end of year	\$ 18,781	\$ -	\$ 170	\$ -	\$ 18,951
	2013				
Cost, beginning of year	\$ 8,823	\$ 38,973	\$ 4,883	\$ 1,406	\$ 54,085
Additions	20,367	-	-	-	20,367
Write-offs	-	-	-	-	-
Cost, end of year	29,190	38,973	4,883	1,406	74,452
Accumulated amortization, beginning of year	8,583	36,454	3,503	1,406	49,946
Amortization	4,313	1,260	605	-	6,178
Accumulated amortization, end of year	12,896	37,714	4,108	1,406	56,124
Net book value, end of year	\$ 16,294	\$ 1,259	\$ 775	-	\$ 18,328

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2014

4. Accumulated Surplus:

	2014	2013
Invested in tangible capital assets	\$ 18,951	\$ 18,328
Reserve fund (i)	13,407	7,632
Cash surplus from operations	33,609	26,661
	\$ 65,967	\$ 52,621

(i) Reserve fund:

	2014	2013
Balance, beginning of year	\$ 7,632	\$ 27,645
Transfer from general surplus	5,775	353
Expenditures for the year	-	(20,366)
Balance, end of year	\$ 13,407	\$ 7,632

5. Related Party Transactions:

During the year, the Board entered into transactions with the Board's directors in the amount of \$5,984 (2013 - \$3,164). These expenses were incurred in the normal course of operations and are measured at exchange amounts being the amounts agreed upon by the two parties. Included in accounts receivable is \$3,941 due from the City of North Bay related to an intern reimbursement

6. Commitments:

- a. The Board has entered into a three year contract to rent office space at 133 Main Street West at a cost of \$522 monthly, beginning April 1, 2012 and expiring March 31, 2015.
- 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

Year ended December 31, 2014

7. Budget Data:

The budget data presented in these financial statements is based upon the operating and capital budgets approved by the Board. Amortization was not a consideration in the development of the budget and, as such, has not been included.

8. Expenses by Object:

	2014 Budget	2014 Actual	2013 Actual
Management:			
Wages and statutory benefits	\$ 85,538	\$ 82,133	\$ 55,940
Office rent and parking (Note 6 a)	6,147	6,147	6,287
Executive director and board members' development	3,000	3,575	3,624
Office supplies, postage, photocopying and other	4,923	2,365	2,292
Audit and accounting	4,205	4,256	4,182
Telephone and internet	4,460	3,351	3,327
Member development and committee meetings	1,000	1,115	1,627
Equipment lease	1,650	1,601	1,866
Memberships, fees and scholarships	740	962	1,017
Computer system upgrade	500	-	100
Amortization of tangible capital assets	-	7,579	6,178
	112,163	113,084	86,440
Marketing:			
Advertising and promotion	23,260	27,872	32,652
Beautification:			
Maintenance/refurbishment	14,800	3,643	4,114
Economic Development:			
Recruitment, seminars and forums	12,568	5,095	6,458
	\$ 162,791	\$ 149,694	\$ 129,664



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PRIVATE & CONFIDENTIAL

Mr. Jeff Serran
Executive Director
Board of Management for the Downtown
Improvement Area
133 Main Street West, Suite 101
North Bay, Ontario P1B 2T6

March 31, 2015

Dear Sir:

The purpose of this letter is to outline the terms of our engagement to audit the financial statements of Board of Management for the Downtown Improvement Area (the "Entity"), commencing for the period ending December 31, 2014.

This letter supersedes our previous letter to the Entity dated January 1, 2012. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

The financial statements will be prepared and presented in accordance with Canadian public sector accounting standards (hereinafter referred to as the "financial reporting framework").

The financial statements will include an adequate description of the financial reporting framework.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above
- (b) ensuring that all transactions have been recorded and are reflected in the financial statements
- (c) 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- (d) providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
- (e) providing us with additional information that we may request from management for the purpose of the audit
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it



- necessary to obtain audit evidence
- (g) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion when management does not provide certain written representations required

An audit does not relieve management or those charged with governance of their responsibilities.

AUDITORS' RESPONSIBILITIES REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the financial statements

We will conduct the audit of the Entity's financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation 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
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards

AUDITORS' DELIVERABLES

The expected form and content of our audit report(s) is provided in Appendix - Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.



In addition, if we become aware of information that relates to the financial statements after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to the audit committee; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG and expected by the Entity to prevent further reliance on our audit report. Such steps include, but may not be limited to, appropriate disclosures by the Entity of the newly discovered facts and the impact to the financial statements.

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

ADDITIONAL SERVICES

- Selected accounting assistance.
- Financial statements presentation and disclosure.
- Attendance at such meetings as are called to discuss our work and reports. We shall provide such information as requested which will enhance the understanding of the members of the board of directors concerning matters pertaining to the annual financial statements. At a minimum, an annual presentation to the Entity's board summarising the financial statements and financial affairs of the Entity. We shall meet regularly, in the course of the year, with the appropriate Entity staff to provide for effective co-ordination of work plans and to discuss matters of mutual concern.

FEES

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The upset fee for the services described in this letter is \$3,150.

* * * * *

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable to the Entity, please sign the duplicate of this letter in the space provided and return it to us.



Board of Management for the Downtown Improvement Area
March 31, 2015

Yours very truly,

KPMG LLP

Oscar Poloni, CPA, CA, CBV

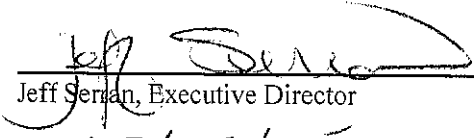
Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

705-675-8500

Enclosure

c.c: Board of Directors

The terms of the engagement for Board of Management for the Downtown Improvement Area set out are as agreed:



Jeff Serian, Executive Director

07/05/15

Date (DD/MM/YY)



APPENDIX - EXPECTED FORM OF REPORT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Board of Management for the Downtown Improvement Area, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net debt 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 an 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 disclosures 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, the financial statements present fairly, in all material respects, the financial position of Board of Management for the Downtown Improvement Area as at December 31, 2014, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



The Terms and Conditions are an integral part of the accompanying engagement letter from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter.

1. SEVERABILITY.

If any of the provisions of this Engagement Letter are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

2. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province of Canada.

3. LLP STATUS.

KPMG LLP is a registered limited liability Partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or by any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

4. DOCUMENTS AND INFORMATION.

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. KPMG shall be entitled to share all information provided by the Entity with all other member firms of KPMG International Cooperative ("KPMG International") performing services hereunder. All work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG.

5. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information (e.g. entries into KPMG's time and billing system and into KPMG's conflicts database) collected by KPMG during the course of this engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms performing services hereunder or third party service providers. KPMG represents to the Entity that each KPMG International member firm and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to the Entity's information. Further, KPMG is responsible to the Entity for causing third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to the Entity for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by third party service providers shall be performed in accordance with the terms of this Engagement Letter, but KPMG shall remain responsible to the Entity for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not

provide the same level of protection for such information as will Canadian laws.

6. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement.

The Entity represents and warrants that: (i) it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice of the potential processing of such personal information outside of Canada (as described in paragraph 5 above). KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

The Entity consents to KPMG sending to the Entity, its officers, directors and employees, as applicable, electronic messages (including emails) relating to KPMG products and services and other matters of interest to the Entity. The Entity, its officers, directors or employees may withdraw such consent by contacting KPMG's National Office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5, Attention: Unsubscribe; or info@kpmg.ca.

7. OFFERS OF EMPLOYMENT.

In order to allow issues of independence to be addressed, management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

8. OFFERING DOCUMENTS.

If the Entity wishes to include or incorporate by reference the financial statements and our report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in offering documents. If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s) in an offering document, or wishes us to provide a comfort or advice letter, we will be required to perform procedures as required by professional standards; any agreement to perform such procedures will be documented in a separate engagement letter. Management agrees to provide us with adequate notice of the preparation of such documents.

9. FEE AND OTHER ARRANGEMENTS.

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Entity on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Entity and KPMG agree to revise the estimated fee. No significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Entity any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Routine administrative expenses such as long distance telephone calls, photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance



will be charged on the basis of a percentage of KPMG's professional costs. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this engagement letter and may be subject to written terms and conditions supplemental to those in this letter.

Canadian Public Accountability Board (CPAB) participation fees, when applicable, are charged to the Entity based on the annual fees levied by CPAB.

To the extent that KPMG partners and employees are on the Entity's premises, the Entity will take all reasonable precautions for the safety of KPMG partners and employees at the Entity's premises.

10. LEGAL PROCESSES.

The Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to hereby acknowledge that KPMG may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including working papers and other work-product relating to the affairs of the Entity, its subsidiaries and affiliates. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of KPMG's audit of the Entity, KPMG will advise the Entity of the request or order. The Entity hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from, the Entity, its subsidiaries and affiliates.

When such an authority requests access to KPMG's working papers and other work-product relating to the Entity's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Entity has expressly informed KPMG at the time of delivery that the Entity asserts privilege, except where disclosure of documents is required by law. The Entity must mark any document over which it asserts privilege as "privileged". If and only if the authority requires such access to privileged documents pursuant to the laws of a jurisdiction in which express consent is required for such disclosure, then the Entity hereby provides its consent.

Where privileged Entity documents are disclosed, KPMG is directed to advise the authority that the Entity is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Entity does not intend to waive privilege for any other purpose and that the Entity expects its documents to be held by the authority as privileged and confidential material (held securely, limited distribution, etc.). For greater certainty, the Entity and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Entity expressly relies upon the privilege protections afforded under statute and otherwise under law.

The Entity agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

11. KPMG INTERNATIONAL MEMBER FIRMS.

The Entity agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International Cooperative ("KPMG International") member firms participating in this engagement or such third party service providers referred to in Section 5 above.

12. CONNECTING TO THE ENTITY'S IT NETWORK.

KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

13. DELIVERABLES OR COMMUNICATIONS.

KPMG may issue other deliverables or communications as part of the services described in this Engagement Letter. Such deliverables or communications may not be included in, summarized in, quoted from or otherwise used or referred to, in whole or in part, in any documents or public oral statement.

KPMG expressly does not consent to the use of any communication, report, statement or opinion prepared by us on the interim financial statements and such communication, report, statement or opinion may not be included in, summarized in, quoted from or otherwise used in any document or public oral statement.

14. ALTERNATIVE DISPUTE RESOLUTION.

The parties hereby agree that they will first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the dispute. In the event that the parties are unable to settle or resolve their dispute through negotiation within 30 days of the dispute first arising or such longer period as the parties may mutually agree upon, such dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules"). Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA
133 MAIN STREET WEST, SUITE 101
NORTH BAY, ONTARIO P1B 2T6

KPMG LLP
925 Stockdale Road, Ste. 300, PO Box 990
North Bay, Ontario P1B 8K3
Canada

May 5, 2015

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Board of Management for the Downtown Improvement Area ("the Entity") as at and for the period ended December 31, 2014.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

GENERAL:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated January 1, 2012, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
 - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, regulators, or others
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions / balances of which we are aware and all related party relationships and transactions / balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

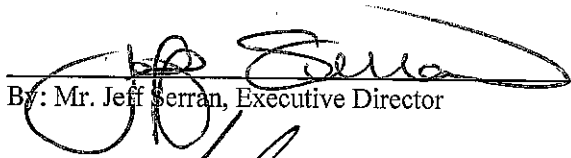
- 6) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

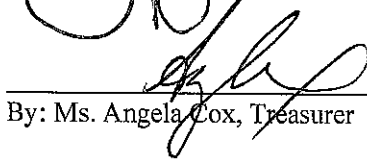
NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 7) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA


By: Mr. Jeff Serran, Executive Director


By: Ms. Angela Cox, Treasurer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with Canadian accounting standards for the public sector (PSAB) *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Canadian accounting standards for the public sector (PSAB) a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.