

Financial Statements

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

Year ended December 31, 2023

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Financial Statements Index

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Board of Management of the Downtown Improvement Area (the "Organization"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and 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 Board of Management of the Downtown Improvement Area as at December 31, 2023, 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 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 Organization 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.



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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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibility 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 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Organization'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 Organization 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 represents 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Canada

June 5, 2024

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets		
Cash (Note 3)	\$ 180,743	\$ 165,818
Accounts receivable (Note 4)	15,105	11,204
	<u>195,848</u>	<u>177,022</u>
Financial Liabilities		
Accounts payable and accrued liabilities	51,358	45,539
	<u>144,490</u>	<u>131,483</u>
Net financial assets		
	144,490	131,483
Non-financial assets		
Prepaid expenses	1,736	1,239
Tangible capital assets (Note 5)	37,195	43,613
	<u>38,931</u>	<u>44,852</u>
	<u>183,421</u>	<u>176,335</u>
Accumulated surplus (Note 6)	\$ 183,421	\$ 176,335

On behalf of the Board:

_____ Director

_____ Director

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(Unaudited)		
	(Note 7)		
Revenues:			
Corporation of the City of North Bay:			
Tax levy	\$ 137,441	\$ 137,441	\$ 137,938
Tax adjustments	(1,000)	(3,725)	(474)
	136,441	133,716	137,464
Beautification Grant	-	7,143	7,980
Government grants	18,547	-	-
Marketing, fundraising and Other	26,500	27,370	10,226
	181,488	168,229	155,670
Expenses: (Note 9)			
Management	106,295	95,675	90,102
Marketing	40,000	43,355	44,542
Beautification	35,193	22,113	24,140
	181,488	161,143	158,784
Annual surplus (deficit)	-	7,086	(3,114)
Accumulated surplus, beginning of year		176,335	179,449
Accumulated surplus, end of year (Note 6)	\$ -	\$ 183,421	\$ 176,335

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Annual surplus (deficit)	\$ 7,086	\$ (3,114)
Acquisition of tangible capital assets	(3,245)	-
Amortization of tangible capital assets	9,663	11,926
	13,504	8,812
Acquisition of prepaid expenses	(1,736)	(1,239)
Use of prepaid expenses	1,239	1,859
	(497)	620
Net change in net financial assets	13,007	9,432
Net financial assets, beginning of year	131,483	122,051
Net financial assets, end of year	\$ 144,490	\$ 131,483

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating transactions:		
Annual surplus (deficit) for the year	\$ 7,086	\$ (3,114)
Item not involving cash:		
Amortization of tangible capital assets	9,663	11,926
	16,749	8,812
Changes in non-cash working capital balances:		
Accounts receivable	(3,901)	(7,574)
Prepaid expenses	(497)	620
Accounts payable and accrued liabilities	5,819	4,538
	18,170	6,396
Capital transactions:		
Purchase of tangible capital assets	(3,245)	-
Increase in cash during the year	14,925	6,396
Cash and cash equivalents, beginning of year	165,818	159,422
Cash and cash equivalents, end of year	\$ 180,743	\$ 165,818

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

1. 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 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	- 2 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, 2023

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 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.

Financial Instruments

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

1. Significant Accounting Policies (continued):

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operation. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from accumulated remeasurement gains and recognized in the statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded at fair value, as described below:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

2. Change in accounting policies:

The Organization adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments.

PS 1201 Financial Statement Presentation replaces *PS 1200 Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces *PS 2600 Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

2. Change in accounting policies (continued):

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date.

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. There was no impact from the adoption of this standard.

On January 1, 2023, the Organization adopted Public Accounting Standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. An asset retirement obligation has not been recorded by the Organization, as it does not possess tangible capital assets that meet the recognition criteria.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

3. Cash:

Included in cash is \$88,581 (2022 - \$72,692) with respect to the Reserve Fund.

4. Accounts Receivable:

	2023	2022
Government of Canada	\$ 1,552	\$ 2,439
City of North Bay	13,313	8,765
Other	240	-
	\$ 15,105	\$ 11,204

5. Tangible Capital Assets:

	2023			
	Equipment	Signs	Computer Equipment	
Cost, beginning of year	\$ 84,114	\$ 68,522	\$ 7,213	\$ 159,849
Additions	-	3,244	-	3,244
Write-offs	-	-	-	-
Cost, end of year	84,114	71,766	7,213	163,093
Accumulated amortization, beginning of year	57,263	52,774	6,199	116,236
Write-offs	-	-	-	-
Amortization	3,115	5,898	649	9,662
Accumulated amortization, end of year	60,378	58,672	6,848	125,898
Net book value, end of year	\$ 23,736	\$ 13,094	\$ 365	\$ 37,195
	2022			
	Equipment	Signs	Computer Equipment	Total
Cost, beginning of year	\$ 84,114	\$ 68,522	\$ 7,213	\$ 159,849
Additions	-	-	-	-
Write-offs	-	-	-	-
Cost, end of year	84,114	68,522	7,213	159,849
Accumulated amortization, beginning of year	52,070	46,974	5,266	104,310
Write-offs	-	-	-	-
Amortization	5,193	5,800	933	11,926
Accumulated amortization, end of year	57,263	52,774	6,199	116,236
Net book value, end of year	\$ 26,851	\$ 15,748	\$ 1,014	\$ 43,613

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

6. Accumulated Surplus:

	2023	2022
Invested in tangible capital assets	\$ 37,195	\$ 43,613
Reserve fund (i)	88,581	72,692
Cash surplus from operations	57,645	60,030
	\$ 183,421	\$ 176,335

(i) Reserve fund:

	2023	2022
Revenues		
Investment Income	\$ 3,942	\$ 1,728
Expenses		
	-	-
Excess of Revenues over expenses	3,942	1,728
Balance, beginning of year	72,692	70,964
Transfer from general surplus	11,947	-
Expenditures for the year	-	-
Balance, end of year	\$ 88,581	\$ 72,692

7. Related Party Transactions:

During the year, the Board entered into transactions with the Board's directors in the amount of \$896 (2022 - \$261).

During the year, the Board rented parking and office space from the City of North Bay in the amount of \$400 (2022 - \$650) and purchased permits from the City of North Bay in the amount of \$816 (2022 - \$Nil).

Included in accounts receivable is \$13,313 (2022 - \$8,765) owed from the City of North Bay.

Included in accounts payable and accrued liabilities is \$22,942 (2022 - \$8,769) owed to the City of North Bay.

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.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

8. Budget Data:

The unaudited 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.

9. Expenses by Object:

	2023 Budget	2023 Actual	2022 Actual
Management:			
Wages and statutory benefits	\$ 80,341	\$ 60,310	\$ 58,272
Office rent and parking	8,056	8,163	6,320
Executive director and board members' development	2,000	1,017	140
Office supplies, postage, photocopying and other	1,150	415	589
Insurance	3,406	3,677	3,240
Audit and accounting	7,292	7,292	7,190
Telephone and internet	754	851	860
Committee meetings	300	-	1,140
Memberships, fees and scholarships	996	1,347	426
Computer system upgrade	2,000	2,940	-
Amortization of tangible capital assets	-	9,663	11,926
	106,295	95,675	90,103
Marketing:			
Advertising and promotion	40,000	43,355	44,542
Beautification:			
Maintenance/refurbishment	35,193	22,113	24,140
	\$ 181,488	\$ 161,143	\$ 158,785