

Financial Statements

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

Year ended December 31, 2021

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Financial Statements Index

Year ended December 31, 2021

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INDEPENDENT AUDITORS' 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, 2021
- 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, 2021, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' 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.

Other Matter - Comparative Information

The financial statements of the Organization for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 5, 2021.



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 Corporation'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.

Auditors' 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 auditors' 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Canada

November 15, 2022

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash (Note 2)	\$ 159,422	\$ 125,672
Accounts receivable (Note 3)	3,630	57,780
	<u>163,052</u>	<u>183,452</u>
Financial Liabilities		
Accounts payable and accrued liabilities	41,001	50,145
	<u>122,051</u>	<u>133,307</u>
Net financial assets	122,051	133,307
Non-financial assets		
Prepaid expenses	1,859	-
Tangible capital assets (Note 4)	55,539	59,531
	<u>57,398</u>	<u>59,531</u>
Accumulated surplus (Note 5)	\$ 179,449	\$ 192,838

On behalf of the Board:

_____ Director

_____ Director

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Operations and Accumulated Surplus

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

	2021 Budget	2021 Actual	2020 Actual
	(Unaudited)		
	(Note 7)		
Revenues:			
Corporation of the City of North Bay:			
Tax levy	\$ 138,913	\$ 138,913	\$ 142,177
Tax adjustments	(1,000)	(4,656)	(3,297)
	137,913	134,257	138,880
Beautification grant	-	-	40,241
Government grants	31,500	-	-
Marketing, fundraising and other	21,210	10,789	19,070
	190,623	145,046	198,191
Expenses: (Note 8)			
Management	103,128	83,756	62,860
Marketing	45,905	40,032	45,506
Beautification	41,590	34,647	66,600
	190,623	158,435	174,966
Annual (deficit) surplus	-	(13,389)	23,225
Accumulated surplus, beginning of year	-	192,838	169,613
Accumulated surplus, end of year	\$ -	\$ 179,449	\$ 192,838

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

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

	2021	2020
Annual (deficit) surplus	\$ (13,389)	\$ 23,225
Acquisition of tangible capital assets	(10,308)	(24,651)
Amortization of tangible capital assets	14,300	8,080
	(9,397)	6,654
Acquisition of prepaid expenses	(1,859)	-
Use of prepaid expenses	-	858
	(1,859)	858
Net change in net financial assets	(11,256)	7,512
Net financial assets, beginning of year	133,307	125,795
Net financial assets, end of year	\$ 122,051	\$ 133,307

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating transactions:		
Annual (deficit) surplus for the year	\$ (13,389)	\$ 23,225
Item not involving cash:		
Amortization of tangible capital assets	14,300	8,080
	911	31,305
Changes in non-cash working capital balances:		
Accounts receivable	54,150	(1,883)
Prepaid expenses	(1,859)	858
Accounts payable and accrued liabilities	(9,144)	24,601
Deferred revenue	-	(5,373)
	44,058	49,508
Capital transactions:		
Purchase of tangible capital assets	(10,308)	(24,651)
Increase in cash during the year	33,750	24,857
Cash, beginning of year	125,672	100,815
Cash, end of year	\$ 159,422	\$ 125,672

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2021

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.

Reserves and Reserve Fund

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

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2021

1. Significant Accounting Policies (continued):

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 in conformity with Canadian public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the useful life of tangible capital assets, accounts receivable, and accounts payable and accrued liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year they become known.

Financial Instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Municipality subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of operations and accumulated surplus.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred revenues.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2021

2. Cash:

Included in cash is \$70,434 (2020 - \$56,709) with respect to the Reserve Fund.

3. Accounts Receivable:

	2021	2020
Government of Canada	\$ 2,431	\$ 4,889
City of North Bay	1,199	52,241
Other	-	650
	\$ 3,630	\$ 57,780

4. Tangible Capital Assets:

	2021			
	Equipment	Signs	Computer Equipment	Total
Cost, beginning of year	\$ 81,601	\$ 62,186	\$ 5,755	\$ 149,542
Additions	2,513	6,336	1,459	10,308
Write-offs	-	-	-	-
Cost, end of year	84,114	68,522	7,214	159,850
Accumulated amortization, beginning of year	45,182	40,623	4,206	90,011
Write-offs	-	-	-	-
Amortization	6,889	6,350	1,061	14,300
Accumulated amortization, end of year	52,071	46,973	5,267	104,311
Net book value, end of year	\$ 32,043	\$ 21,549	\$ 1,947	\$ 55,539
	2020			
	Equipment	Signs	Computer Equipment	Total
Cost, beginning of year	\$ 77,748	\$ 42,274	\$ 4,869	\$ 124,891
Additions	3,853	19,912	886	24,651
Write-offs	-	-	-	-
Cost, end of year	81,601	62,186	5,755	149,542
Accumulated amortization, beginning of year	38,877	39,523	3,531	81,931
Write-offs	-	-	-	-
Amortization	6,305	1,100	675	8,080
Accumulated amortization, end of year	45,182	40,623	4,206	90,011
Net book value, end of year	\$ 36,419	\$ 21,563	\$ 1,549	\$ 59,531

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2021

5. Accumulated Surplus:

	2021	2020
Invested in tangible capital assets	\$ 55,539	\$ 59,531
Reserve fund (i)	70,964	56,709
Cash surplus from operations	52,946	76,598
	\$ 179,449	\$ 192,838

(i) Reserve fund:

	2021	2020
Revenues		
Investment Income	\$ 530	\$ 630
Expenses		
	-	-
Excess of Revenues over expenses	530	630
Balance, beginning of year	56,709	56,079
Transfer from general surplus	23,225	-
Expenditures for the year	(9,500)	-
Balance, end of year	\$ 70,964	\$ 56,709

6. Related Party Transactions:

During the year, the Board entered into transactions with the Board's directors in the amount of \$19,530 (2020 - \$44,995). 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.

7. 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.

BOARD OF MANAGEMENT FOR THE DOWNTOWN IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2021

8. Expenses by Object:

	2021 Budget	2021 Actual	2020 Actual
Management:			
Wages and statutory benefits	\$ 84,500	\$ 51,653	\$ 39,378
Office rent and parking	5,800	6,213	6,074
Executive director and board members' development	1,000	200	41
Office supplies, postage, photocopying and other	1,350	915	764
Insurance	3,370	1,887	3,370
Audit and accounting	3,618	7,088	3,618
Telephone and internet	744	659	373
Committee meetings	300	-	119
Memberships, fees and scholarships	446	563	672
Computer system upgrade	2,000	278	371
Amortization of tangible capital assets	-	14,300	8,080
	103,128	83,756	62,860
Marketing:			
Advertising and promotion	45,905	40,032	45,506
Beautification:			
Maintenance/refurbishment	41,590	34,647	66,600
	\$ 190,623	\$ 158,435	\$ 174,966

9. Uncertainty due to COVID-19

The Organization's main sources of revenue are tax levies and government grants. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Federal and Provincial governments enacting emergency measures to combat the spread of the virus. The Organization halted all in-person activity and moved to delivery of essential services in a virtual environment based on recommendations from Public Health Ontario. During the year, all planned events were either cancelled or reformatted, with funds redirected from events to gift card promotions.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.