

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

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Independent Auditor's Report

To The Corporation of the City of Thunder Bay

Qualified Opinion

We have audited the accompanying financial statements of the Board of Management for the Waterfront District Business Improvement Area, (Business Improvement Area), which comprise the statement of financial position as at December 31, 2018 and the statements of operations and accumulated surplus, changes 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Business Improvement Area as at December 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Business Improvement Area derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Business Improvement Area. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and accumulated surplus as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Business Improvement Area 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

Independent Auditor's Report (cont'd)

In preparing the financial statements, management is responsible for assessing the Business Improvement Area'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 Business Improvement Area or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Business Improvement Area'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 Business Improvement Area's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Cont'd)

- 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 Business Improvement Area'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 Business Improvement Area 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

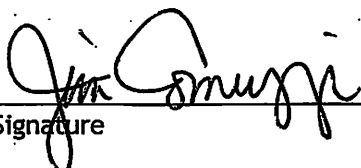
Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
November 6, 2019

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION**
as at December 31, 2018
with comparative figures at December 31, 2017

	<u>2018</u> \$	<u>2017</u> \$
<u>Financial assets</u>		
Cash	38,711	21,835
Accounts receivable	3,969	3,528
HST receivable	2,206	6,447
Due from City of Thunder Bay	-	377
	<u>44,886</u>	<u>32,187</u>
<u>Liabilities</u>		
Accounts payable	14,478	12,679
Gift certificates payable	12,470	6,960
Deferred revenue	600	-
Due to City of Thunder Bay	13	-
	<u>27,561</u>	<u>19,639</u>
Net financial assets	<u>17,325</u>	<u>12,548</u>
<u>Non-financial assets</u>		
Prepaid expenses	1,726	691
Tangible capital assets (Note 2)	12,651	13,884
	<u>14,377</u>	<u>14,575</u>
Accumulated surplus (Schedule)	<u>31,702</u>	<u>27,123</u>


On behalf of the Board:



Signature

Chair

Position



Signature

Treasurer

Position

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
STATEMENT OF OPERATIONS AND
ACCUMULATED SURPLUS
Year ended December 31, 2018
with comparative figures at December 31, 2017**

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	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
<u>Revenues</u>			
Taxes levied	81,500	81,505	65,000
Less: Taxes written off	-	-	(623)
	81,500	81,505	64,377
Contribution from City of Thunder Bay	81,500	81,500	62,000
Employment and Social Development Canada - wage subsidy	-	15,425	1,952
Contribution from other sources	-	5,670	15,501
Ribfest event	-	11,029	26,426
	163,000	195,129	170,256
<u>Expenses</u>			
Advertising and promotion	52,450	51,094	31,355
Amortization of tangible capital assets	-	5,852	7,972
Co-ordinator	30,000	41,428	24,121
Bookkeeping	-	5,706	4,561
Repairs and maintenance	43,262	15,202	30,256
Falconry	19,000	18,412	18,259
Meetings	1,856	3,118	5,221
Office	2,952	3,135	4,521
Other	4,000	5,749	9,679
Professional fees	3,000	3,053	2,035
Rent	4,200	4,223	4,825
Ribfest expenses	-	2,585	10,000
Salaries and benefits - maintenance	-	22,483	4,003
Sponsorships	-	7,600	3,950
Telephone and utilities	2,280	910	2,271
	163,000	190,550	163,029
Annual surplus	-	4,579	7,227
Accumulated surplus, beginning of year	27,123	27,123	19,896
Accumulated surplus, end of year	27,123	31,702	27,123

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

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**
Year ended December 31, 2018
with comparative figures at December 31, 2017

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	Budget	Actual	Actual
	<u>2018</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Annual surplus	-	4,579	7,227
Acquisition of tangible capital assets	-	(4,619)	-
Amortization of tangible capital assets	-	5,852	7,972
Increase (decrease) in prepaid expenses	-	(1,035)	60
Change in net financial assets	-	4,777	15,259
Net financial assets (debt), beginning of year	12,548	12,548	(2,711)
Net financial assets, end of year	12,548	17,325	12,548

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

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
STATEMENT OF CASH FLOWS**
Year ended December 31, 2018
with comparative figures at December 31, 2017

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	Actual 2018 \$	Actual 2017 \$
<u>Cash flows from operating activities</u>		
Annual surplus	4,579	7,227
Non-cash charge to operations		
Amortization of tangible capital assets	5,852	7,972
	<u>10,431</u>	<u>15,199</u>
Change in non-cash working capital balances		
Accounts receivable	(441)	(3,528)
HST receivable	4,241	(6,447)
Due from City of Thunder Bay	377	(377)
Prepaid expenses	(1,035)	60
Accounts payable	1,799	1,315
Gift certificates payable	5,510	6,960
HST payable	-	(7,337)
Due to City of Thunder Bay	13	(355)
Deferred revenue	600	-
	<u>21,495</u>	<u>5,490</u>
<u>Cash flows from investing activities</u>		
Purchase of tangible capital assets	<u>(4,619)</u>	<u>-</u>
Increase in cash for the year	16,876	5,490
Cash, beginning of year	21,835	16,345
Cash, end of year	38,711	21,835

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

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA**
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2018

The Board of Management for the Waterfront District Business Improvement Area ("Waterfront District BIA") is responsible for the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the improvement area which is located in the north core of the City of Thunder Bay. As well, the Waterfront District BIA is responsible for the promotion of the improvement area as a business or shopping area.

1. Significant accounting policies

(a) Basis of accounting:

The financial statements for the Waterfront District BIA are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants Canada.

(b) Financial instruments:

Financial instruments are recorded at fair value when acquired or issued. Financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

(c) Cash and cash equivalents:

Cash is comprised of cash on hand and cash held in banks.

(d) Revenue recognition:

Revenues consist of taxes levied on businesses within the business improvement area as well as contributions from the City of Thunder Bay and other sources which include fundraising events. Revenues are recorded on the accrual basis of accounting which recognizes revenues as they become available and measurable.

(e) Expenses:

Expenses are recorded on the accrual basis of accounting which recognizes expenses as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Machinery & equipment	3 to 10 years
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One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

(g) Government transfers:

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

1. Significant accounting policies (cont'd)

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates for amortization and the valuation of the accounts receivable.

(i) Contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

2. Tangible capital assets

	Machinery & Equipment		
	2018	2017	
Cost, beginning of year	\$ 45,620	\$ 45,620	\$ 45,620
Add: Additions during the year	4,619	4,619	-
Cost, end of year	\$ 50,239	\$ 50,239	\$ 45,620
Accumulated amortization, beginning of year	\$ 31,736	\$ 31,736	\$ 23,764
Amortization	5,852	5,852	7,972
Accumulated amortization, end of year	\$ 37,588	\$ 37,588	\$ 31,736
Net book value of tangible capital assets	\$ 12,651	\$ 12,651	\$ 13,884

3. Financial instruments

Management estimates that the fair value of all financial assets and liabilities are not materially different from their carrying values.

Financial instruments include cash, due to/from City of Thunder Bay and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Business Improvement Area is not exposed to significant currency, liquidity, market or credit risks arising from its financial instruments.

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2018**

4. Contaminated sites

As the BIA does not hold any property and it has not been directly responsible nor accepted responsibility for environmental matters, no liability has been accrued.

5. Commitments

The BIA has leased facilities for a three year period expiring October 31, 2021. The annual lease payments are \$6,000 plus HST.

6. Comparative information

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation in the 2018 financial statements.

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
SCHEDULE - ACCUMULATED SURPLUS
Year ended December 31, 2018
with comparative figures at December 31, 2017**

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	<u>Actual</u> 2018	<u>Actual</u> 2017
Investment in tangible capital assets	\$ 12,651	\$ 13,884
General fund surplus	<u>19,051</u>	<u>13,239</u>
Accumulated surplus	<u>\$ 31,702</u>	<u>\$ 27,123</u>