

**Board of Management for the
Waterfront District
Business Improvement Area
Financial Statements**
For the year ended December 31, 2019

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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, 2019 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 on comparative information 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, 2019 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

In the prior year, the Business Improvement Area derived 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 year ended December 31, 2018, current assets as at December 31, 2018, and accumulated surplus as at January 1, 2019 and December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope. As a result, our opinion on the current year's financial position and results of operations and cash flows is modified because of the possible effects of this matter on the comparability of the current year's figures and the comparative information.

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

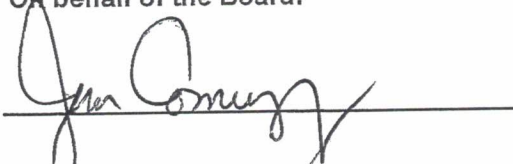
Chartered Professional Accountants, Licensed Public Accountants


Thunder Bay, Ontario
September 1, 2020

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
as at December 31, 2019
with comparative figures at December 31, 2018**

	<u>2019</u>	<u>2018</u>
	\$	\$
<u>Financial assets</u>		
Cash	29,758	38,711
Accounts receivable	8,981	3,969
HST receivable	1,445	2,206
Due from City of Thunder Bay	1,000	-
	<u>41,184</u>	<u>44,886</u>
<u>Liabilities</u>		
Accounts payable	11,223	14,478
Gift certificates payable	19,490	12,470
Deferred revenue	300	600
Due to City of Thunder Bay	-	13
	<u>31,013</u>	<u>27,561</u>
Net financial assets	<u>10,171</u>	<u>17,325</u>
<u>Non-financial assets</u>		
Prepaid expenses	1,021	1,726
Tangible capital assets (Note 2)	11,765	12,651
	<u>12,786</u>	<u>14,377</u>
Accumulated surplus (Schedule)	<u>22,957</u>	<u>31,702</u>

On behalf of the Board:





President

Treasurer

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA
STATEMENT OF OPERATIONS AND
ACCUMULATED SURPLUS**

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Year ended December 31, 2019

with comparative figures at December 31, 2018

	Budget	Actual	Actual
	<u>2019</u>	<u>2019</u>	<u>2018</u>
	\$	\$	\$
<u>Revenues</u>			
Taxes levied	81,500	81,500	81,505
Contribution from City of Thunder Bay	81,500	81,500	81,500
Employment and Social Development Canada - wage subsidy	-	19,706	15,425
Digital Main Street - Community Economic Development Corporation			
- Operating	-	8,892	-
- Administration	-	2,754	-
Contribution from other sources	-	12,030	5,670
Ribfest event	-	-	11,029
	163,000	206,382	195,129
<u>Expenses</u>			
Advertising and promotion	40,000	48,349	51,094
Amortization of tangible capital assets	-	4,897	5,852
Co-ordinator	40,000	47,077	43,338
Bookkeeping	6,750	8,001	5,706
Digital Main Street expenses	-	8,892	-
Falconry	18,000	19,587	18,412
Meetings	8,600	4,186	3,118
Office	1,600	2,538	3,135
Other	2,388	6,481	5,749
Professional fees	-	3,053	3,053
Rent	8,400	6,106	4,223
Repairs and maintenance	15,500	16,819	15,202
Ribfest expenses	-	307	2,585
Salaries and benefits - maintenance	11,282	6,899	1,838
Salaries and benefits - summer students	-	23,511	18,735
Sponsorships	10,000	6,700	7,600
Telephone and utilities	480	1,724	910
	163,000	215,127	190,550
Annual surplus (deficit)	-	(8,745)	4,579
Accumulated surplus, beginning of year	31,702	31,702	27,123
Accumulated surplus, end of year	31,702	22,957	31,702

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, 2019
with comparative figures at December 31, 2018

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	Budget	Actual	Actual
	<u>2019</u>	<u>2019</u>	<u>2018</u>
	\$	\$	\$
Annual surplus (deficit)	-	(8,745)	4,579
Acquisition of tangible capital assets	-	(4,011)	(4,619)
Amortization of tangible capital assets	-	4,897	5,852
(Increase) decrease in prepaid expenses	-	705	(1,035)
Change in net financial assets	-	(7,154)	4,777
Net financial assets, beginning of year	17,325	17,325	12,548
Net financial assets, end of year	17,325	10,171	17,325

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**

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Year ended December 31, 2019

with comparative figures at December 31, 2018

	Actual 2019 \$	Actual 2018 \$
<u>Cash flows from operating activities</u>		
Annual surplus (deficit)	(8,745)	4,579
Non-cash charge to operations		
Amortization of tangible capital assets	4,897	5,852
	<u>(3,848)</u>	<u>10,431</u>
Change in non-cash working capital balances		
Accounts receivable	(5,012)	(441)
HST receivable	761	4,241
Due from City of Thunder Bay	(1,000)	377
Prepaid expenses	705	(1,035)
Accounts payable	(3,255)	1,799
Gift certificates payable	7,020	5,510
Deferred revenue	(300)	600
Due to City of Thunder Bay	(13)	13
	<u>(4,942)</u>	<u>21,495</u>
<u>Cash flows from investing activities</u>		
Purchase of tangible capital assets	<u>(4,011)</u>	<u>(4,619)</u>
Increase (decrease) in cash for the year	(8,953)	16,876
Cash, beginning of year	<u>38,711</u>	<u>21,835</u>
Cash, end of year	<u>29,758</u>	<u>38,711</u>

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, 2019**

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. 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		2019	2018
Cost, beginning of year	\$	50,239	\$	50,239
Add: Additions during the year		4,011		4,619
Cost, end of year	\$	54,250	\$	54,250
Accumulated amortization, beginning of year	\$	37,588	\$	37,588
Amortization		4,897		5,852
Accumulated amortization, end of year	\$	42,485	\$	42,485
Net book value of tangible capital assets	\$	11,765	\$	11,765

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, 2019**

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. Subsequent events

The global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

7. Comparative information

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation in the 2019 financial statements

**BOARD OF MANAGEMENT FOR THE
WATERFRONT DISTRICT BUSINESS IMPROVEMENT AREA**
SCHEDULE - ACCUMULATED SURPLUS
Year ended December 31, 2019
with comparative figures at December 31, 2018

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	<u>Actual 2019</u>	<u>Actual 2018</u>
Investment in tangible capital assets	\$ 11,765	\$ 12,651
General fund surplus	<u>11,192</u>	<u>19,051</u>
Accumulated surplus	<u>\$ 22,957</u>	<u>\$ 31,702</u>