



**Burlington Economic
Development Corporation**

Financial Statements
for the year ended
December 31, 2018

Burlington Economic Development Corporation

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Independent Auditor's Report

To the Members of Burlington Economic Development Corporation and Members of Council of the Corporation of the City of Burlington

Opinion

We have audited the financial statements of Burlington Economic Development Corporation (the "BEDC"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BEDC as at December 31, 2018, and the results of its operations 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 ("Canadian GAAS"). 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 BEDC 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 opinion.

Responsibilities of Management and the Board of Directors 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 BEDC'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 BEDC or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the BEDC'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 GAAS 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 GAAS, 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 BEDC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 BEDC'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 BEDC 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 the Board of Directors 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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized, cursive font followed by "LLP" in a simpler, bold font.

Chartered Professional Accountants
Licensed Public Accountants
March 26, 2019

Burlington Economic Development Corporation
Statement of Financial Position
As at December 31, 2018

	Notes	2018 \$	2017 \$
Financial assets			
Due from City of Burlington	6	907,041	745,217
Accounts receivable			
Other receivables		12,170	—
		<u>919,211</u>	<u>745,217</u>
Liabilities			
Accounts payable and accrued liabilities	5	251,434	125,239
Deferred revenue	6	17,638	16,662
		<u>269,072</u>	<u>141,901</u>
Net financial assets		<u>650,139</u>	<u>603,316</u>
Non-financial assets			
Tangible capital assets	2	112,305	137,980
Prepaid expenses		24,803	—
		<u>137,108</u>	<u>137,980</u>
Accumulated surplus	7	<u>787,247</u>	<u>741,296</u>

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

Approved by the Board

_____ Director

_____ Director

Burlington Economic Development Corporation
Statement of Operations
Year ended December 31, 2018

	Notes	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Revenue				
City of Burlington contribution	6	1,341,225	1,341,225	1,314,926
Grant				
Canada		7,500	7,594	51,625
Other - Fresh Insights		—	—	51,860
Other - TechPlace	3	101,000	84,754	28,838
Events		9,000	12,480	11,655
Interest		—	16,924	15,854
Contributed tangible capital assets		—	—	19,650
		1,458,725	1,462,977	1,494,408
Expenses				
Amortization of tangible capital assets		26,448	25,675	13,854
Loss on disposal of tangible capital assets		—	—	2,800
Business travel		11,200	6,158	9,575
Corporate memberships		2,400	2,840	2,686
Communication services		17,182	12,950	10,657
Marketing projects expenses		177,000	197,546	195,682
Meeting expenses		10,000	6,391	6,697
Office rent		268,725	273,598	144,683
Office supplies		38,600	18,667	16,247
Advertising & promotion		30,000	5,797	24,000
Professional services		4,500	4,681	5,285
Events		7,000	8,655	6,417
Contracted services		13,500	11,264	29,901
Salaries and benefits	5	913,436	818,595	886,641
Board of Directors expenses		7,000	7,708	6,398
Website		28,000	16,501	26,265
		1,554,991	1,417,026	1,387,788
Annual (deficit) surplus		(96,266)	45,951	106,620
Accumulated surplus, beginning of year		741,296	741,296	634,676
Accumulated surplus, end of year	7	645,030	787,247	741,296

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

Burlington Economic Development Corporation
Statement of Changes in Net Financial Assets
Year ended December 31, 2018

	Actual 2018 \$	Actual 2017 \$
Annual surplus	45,951	106,620
Contributed tangible capital assets	—	(19,650)
Acquisition of tangible capital assets	—	(97,968)
Loss on disposal of tangible capital assets	—	2,800
Amortization of tangible capital assets	25,675	13,854
Acquisition of prepaid expenses	(24,803)	—
	872	(100,964)
Change in net financial assets	46,823	5,656
Net financial assets, beginning of year	603,316	597,660
Net financial assets, end of year	650,139	603,316

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

Burlington Economic Development Corporation
Statement of Cash Flows
Year ended December 31, 2018

	Actual 2018 \$	Actual 2017 \$
Operating activities		
Annual surplus	45,951	106,620
Items not affecting cash		
Contributed tangible capital assets	—	(19,650)
Loss on disposal of tangible capital assets	—	2,800
Amortization of tangible capital assets	25,675	13,854
Changes in non-cash operating working capital items		
Due from City of Burlington	(161,824)	(198,972)
Accounts receivable	(12,170)	71,212
Accounts payable and accrued liabilities	126,195	111,602
Deferred revenue	976	10,502
Prepaid expenses	(24,803)	—
	—	97,968
Capital transactions		
Acquisition of tangible capital assets	—	(97,968)
Net change in cash	—	—
Cash, beginning of year	—	—
Cash, end of year	—	—

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

Burlington Economic Development Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Burlington Economic Development Corporation ("BEDC") is a non-profit organization incorporated under the Community Development Corporation Act. The mission of the BEDC is "to promote a healthy and prosperous community by facilitating opportunities for economic growth." The BEDC is exempt from tax under section 149(1)(d) of the Canadian Income Tax Act.

1. Summary of significant accounting policies

Basis of accounting

The financial statements are prepared in accordance with Canadian public sector accounting standards for local government entities, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Revenue recognition

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

Where funding has been received in advance of expenses for a specific program, the amount has been recorded as deferred revenue and will be recognized as revenue in a future period when the related expenses are incurred.

Non-cash contributions

Non-cash contributions donated as materials and services that would otherwise be paid for by the BEDC are recorded at fair market value when provided.

Tangible capital assets

Purchased capital assets are recorded at cost. Amortization for furniture and equipment assets estimated is calculated on a straight line basis over the useful lives of 5 years to 10 years.

Reserve funds

The Strategic Initiatives Reserve Fund (formerly Marketing Campaign Reserve Fund) represents funds that are designated for the marketing and promotion of Burlington as a place for businesses to locate and expand. All funds received and expensed for this purpose are recorded through the Strategic Initiatives Reserve Fund that is an internally restricted reserve fund.

On an annual basis, the Board approves a marketing plan for the year which directs how the funds will be collected and disbursed.

The Innovation Centre reserve fund was created to provide for capital works and/or unforeseen operating expenses of TechPlace.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the useful lives of tangible capital assets. Actual results could differ from those estimates.

Burlington Economic Development Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

2. Tangible capital assets

Details of the furniture and equipment capital assets include:

	2018	2017
Cost		
Balance, beginning of year	\$ 175,077	\$ 92,759
Additions and betterments during the year	—	117,618
Disposals	—	(35,300)
Balance, end of year	\$ 175,077	\$ 175,077
Accumulated amortization		
Balance, beginning of year	\$ 37,097	\$ 55,743
Amortization for the year	25,675	13,854
Disposals	—	(32,500)
Balance, end of year	\$ 62,772	\$ 37,097
Net book value	\$ 112,305	\$ 137,980

3. Change in operating model

During 2017, the BEDC undertook to support the City's strategic plan in the strategic objective of Promoting Economic Growth. This was accomplished through the opening of an innovation centre designed to help technology, talent and ideation come together under one roof. The centre known as TechPlace opened in June 2017. The operations are consolidated in the Statement of Operations as follows:

	2018 Budget	2018 Actual	2017 Actual
TechPlace			
Revenue			
City of Burlington contribution	\$ 30,000	\$ 28,324	\$ 28,838
Launchpad rental & corporate sponsorships	71,000	56,430	—
Contributed tangible capital assets	—	—	19,650
	101,000	84,754	48,488
Expenses			
Office rent	227,725	230,904	101,322
Office supplies	23,000	6,767	4,220
Communication services	14,832	9,331	6,436
Contracted services	—	620	17,845
Advertising & promotion	30,000	8,058	23,175
Website	—	—	8,556
	295,557	255,680	161,554
Annual deficit - TechPlace	\$ (194,557)	\$ (170,926)	\$ (113,066)

Burlington Economic Development Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

4. Scholarships

At December 31, 2018 the Burlington Community Foundation is holding a fund balance of \$51,929 (2017 - \$49,975) in perpetuity for the Burlington Economic Development Corporation to earn income to support future entrepreneurial scholarships. Included in the above fund balance is net earned income in the amount of \$15,743 (2017 - \$13,789) of which \$14,614 (2017 - \$13,729) is available to the BEDC. The future use of this income and subsequent income from this source will be determined at a later date.

5. Accounts payable and accrued liabilities

Included in "Accounts payable and accrued liabilities" on the Statement of Financial Position is an amount of \$9,037 (2017 - \$3,291) in respect of outstanding vacation that would be payable to salaried employees in the event that they terminated employment from BEDC at December 31, 2018. This amount is also included in "Salaries and benefits" on the Statement of Operations.

Also included in "Accounts payable and accrued liabilities" on the Statement of Financial Position is an amount of \$110,614 (2017 - \$85,085) relating to deferred lease inducement received from the landlord for the TechPlace location. This amount will be amortized and included as part of "Office rent" on the Statement of Operations over the term of the lease.

6. Related party transactions

The City of Burlington and the BEDC have established a partnership agreement to encourage economic growth within the Burlington community. The City treats the BEDC as a local board for budgetary and administrative purposes. In 2018 The City of Burlington also provided sponsorship funds of \$10,000 (2017 - \$20,000) and partnership funds of \$10,000 (2017 - \$20,000) to TechPlace which have been recognized into revenue monthly. The balance of unspent funding has been recorded in deferred revenue.

Burlington Economic Development Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

7. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Surplus		
Invested in tangible capital assets	\$ 112,305	\$ 137,980
Total surplus	112,305	137,980
Reserve funds		
Operating	238,945	318,645
Strategic Initiatives	273,849	284,671
Innovation Centre	162,148	—
Total reserve funds	674,942	603,316
Accumulated surplus	\$ 787,247	\$ 741,296

8. Continuity of reserve funds

In the 2018 strategic plan for BEDC, partnering with the City in strategic marketing objectives was identified as a key initiative. To this end, a number of projects were identified to achieve the objectives. Funds allocated for these projects have been supported by the Strategic Initiatives reserve fund. Funds transferred between the reserve funds represent the amounts to which the operations support the projects and totalled \$16,722 in 2018 (2017 - \$55,682). In 2018, the Innovation Centre reserve fund was created to provide for capital works and/or unforeseen operating expenses of TechPlace. It was initially funded by a transfer from the Operating reserve fund of \$150,000 in 2018. As directed under the by-law, transfers are also made at year-end and \$10,000 was transferred (total of \$160,000 in 2018). Transactions of the reserve funds are as follows:

	2018 Actual	2017 Actual
Operating reserve fund		
Balance beginning of year	\$ 318,645	\$ 264,550
Interest earned	8,877	8,611
Transfers from strategic initiatives reserve fund	16,722	55,682
Annual surplus	54,701	(10,198)
Transfers from operating reserve fund	(160,000)	—
Operating reserve fund, end of year	238,945	318,645
Strategic Initiatives reserve fund		
Balance beginning of year	284,671	333,110
Transfers to operating reserve fund	(16,722)	(55,682)
Interest earned	5,900	7,243
Strategic Initiatives reserve fund, end of year	273,849	284,671
Innovation Centre reserve fund		
Balance beginning of year	—	—
Interest earned	2,148	—
Transfers from operating reserve fund	160,000	—
Innovation Centre reserve fund, end of year	162,148	—
Total reserve funds, end of year	\$ 674,942	\$ 603,316