
Financial statements of Burlington Downtown

December 31, 2018

Draft

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Independent Auditor's Report

To the Members of Burlington Downtown
and Members of Council of the Corporation
of the City of Burlington

Opinion

We have audited the financial statements of Burlington Downtown BIA (the "BIA"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change 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 BIA 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 BIA 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 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 BIA'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 BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 BIA'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 BIA'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 BIA 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.

Chartered Professional Accountants
Licensed Public Accountants
April 10, 2019

Burlington Downtown
Statement of financial position
As at December 31, 2018

	Notes	2018	2017
		\$	\$
Financial assets			
Cash		213,231	210,247
Accounts receivable		17,127	26,683
Due from City of Burlington		306,771	230,391
		537,129	467,321
Liabilities			
Accounts payable and accrued liabilities		45,616	21,148
Due to City of Burlington		18,199	18,684
		63,815	39,832
Net financial assets		473,314	427,489
Non-financial assets			
Prepaid expenses		1,680	1,680
Tangible capital assets, net	5	47,100	49,496
		48,780	51,176
Accumulated surplus	4	522,094	478,665

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

Approved by the Board

_____, Director

_____, Management

Burlington Downtown

Statement of operations

Year ended December 31, 2018

		Budget	Actual	Actual
	Notes	2018	2018	2017
		\$	\$	\$
Revenue				
Business improvement levy	3	758,400	758,400	741,870
Supplementary taxes	3	6,000	142	5,580
		764,400	758,542	747,450
Interest earned on reserves		—	6,888	5,873
Special events		30,000	39,000	43,250
		794,400	804,430	796,573
Expenses				
Administration	3	243,500	240,428	238,235
Customer Attraction - Marketing		66,000	53,398	51,866
Customer Attraction - Events		38,000	40,909	36,616
Customer Attraction - Sponsorships		71,000	70,356	72,639
Amortization		—	15,574	17,087
Infrastructure improvements and programs		163,000	142,586	151,371
Stakeholder relations		89,500	85,103	70,733
General expenses	3	91,000	60,727	61,281
Membership engagement		24,900	19,244	14,759
Capital works		70,000	32,676	—
		856,900	761,001	714,587
Annual (deficit) surplus		(62,500)	43,429	81,986
Accumulated surplus, beginning of year		478,665	478,665	396,679
Accumulated surplus, end of year		416,165	522,094	478,665

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

Burlington Downtown**Statement of change in net financial assets**

Year ended December 31, 2018

		Budget	Actual	Actual
	Notes	2018	2018	2017
		\$	\$	\$
Annual (deficit) surplus		(62,500)	43,429	81,986
Acquisition of tangible capital assets	5	62,500	(13,178)	—
Amortization of tangible capital assets	5	17,100	15,574	17,087
		79,600	2,396	17,087
Acquisition of prepaid expenses		—	(1,680)	(1,680)
Use of prepaid expenses		—	1,680	1,680
		—	—	—
Change in net financial assets		17,100	45,825	99,073
Net financial assets, beginning of year		427,489	427,489	328,416
Net financial assets, end of year		444,589	473,314	427,489

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

Burlington Downtown
Statement of cash flows
Year ended December 31, 2018

	Notes	2018	2017
		\$	\$
Operating activities			
Annual surplus		43,429	81,986
Items not affecting cash			
Amortization	5	15,574	17,087
Changes in non-cash operating working capital items			
Accounts receivable		9,556	12,561
Due to/from City of Burlington		(76,865)	(52,280)
Accounts payable and accrued liabilities		24,468	(5,451)
		16,162	53,903
Investing activity			
Acquisition of tangible capital assets	5	(13,178)	—
Net change in cash		2,984	53,903
Cash, beginning of year		210,247	156,344
Cash, end of year		213,231	210,247

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

1. Nature of operations

Burlington Downtown was established by the Council of the City of Burlington (the "City") and has been entrusted with the improvements, beautification and maintenance of municipality owned lands, buildings and structures in the improvement area, beyond such expenses by the City. Burlington Downtown is also responsible for the promotion of this improvement area for business and shopping.

Burlington Downtown is financed by a special levy charged upon businesses in the improvement area.

2. Accounting policies

Basis of accounting

The financial statements of Burlington Downtown (the "Board") are prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Board are as follows:

Revenue recognition

Revenues are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Amounts received but not yet recognized as revenue are recorded as deferred revenue. Contributed materials and services are recognized when they can be reasonably estimated and relate to the development of a tangible capital asset, which has future economic value.

Expenses

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.

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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful lives as follows:

Office equipment	3 - 10 years
Outside equipment	10 years
Christmas program	10 years

The half year rule has been applied to assets purchased within the year.

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 disclosures of contingent 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 these estimates. Significant estimates in these financial statements included accrued liabilities and amortization of tangible capital assets.

2. Accounting policies (continued)

Special projects reserve fund

The City of Burlington holds a special projects reserve fund in trust for the Board. These funds are internally restricted and on an annual basis the Board approves a plan and budget that direct how the funds will be disbursed.

Financial instruments

The estimated value of cash, accounts receivable, due from (to) the City of Burlington, and accounts payable and accrued liabilities approximate their carrying value due to the relatively short-term nature of the instruments.

The Board's revenues are dependent on commercial property tax levies and bad debts have not been significant. As such, concentrations of credit risk are considered to be minimal.

Leases

The leases held by the Board are classified as operating leases and the related lease payments are charged to expenses as incurred.

Government transfers

Government transfers are recognized as revenues by the Board in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized as the stipulation has been met.

3. Related party transactions

During the year, Burlington Downtown recorded the following transactions with the City of Burlington:

	2018	2017
	\$	\$
Revenue		
Member levies collected on behalf of Burlington Downtown	758,400	741,870
Supplementary taxes	142	5,580
Expenses		
Occupancy costs, group benefits, printing, postage, telephone and other	63,191	46,398
Write off of member levies on behalf of Burlington Downtown	17,579	11,875

Burlington Downtown
Notes to the financial statements
December 31, 2018

4. Accumulated surplus

	2018	2017
	\$	\$
Consists of		
Operating surplus	184,889	198,953
Reserves (Note 6)	290,105	230,216
Investment in tangible capital assets	47,100	49,496
	522,094	478,665

5. Tangible capital assets

	Office equipment	Outside equipment	Christmas program	Total 2018	Total 2017
	\$	\$	\$	\$	\$
Cost					
Balance, beginning of year	19,976	72,939	151,657	244,572	244,572
Add: additions during the year	—	13,178	—	13,178	—
Balance, end of year	19,976	86,117	151,657	257,750	244,572
Accumulated amortization					
Balance, beginning of year	19,945	55,442	119,689	195,076	177,989
Add: amortization during the year	21	3,345	12,208	15,574	17,087
Balance, end of year	19,966	58,787	131,897	210,650	195,076
Net book value of tangible capital assets	10	27,330	19,760	47,100	49,496

6. Reserves

	2018	2017
	\$	\$
Balance, beginning of year	230,216	200,343
Interest, net of administration fee	6,888	5,873
Funds from operations	53,001	24,000
Balance, end of year	290,105	230,216

7. Commitments

The Board is committed to payments under operating leases for office space to the City of Burlington that expires on July 31, 2023. Future lease payments aggregate \$139,209 and include the following amounts payable over the next five years:

	\$
2019	30,373
2020	30,373
2021	30,373
2022	30,373
2023 and thereafter	<u>17,717</u>
	<u>139,209</u>

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