



Burlington Economic Development Corporation

Financial Statements
for the year ended
December 31, 2019

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, 2019, 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, 2019, 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 signature "Deloitte LLP" is written in a cursive, handwritten style.

Chartered Professional Accountants
Licensed Public Accountants
March 26, 2020

Burlington Economic Development Corporation**Statement of Financial Position**

As at December 31, 2019

	Notes	2019	2018
		\$	\$
Financial assets			
Due from City of Burlington	6	962,236	907,041
Accounts receivable			
Other receivables		5,000	12,170
		967,236	919,211
Liabilities			
Accounts payable and accrued liabilities	5	152,266	251,434
Deferred revenue	6	32,100	17,638
		184,366	269,072
Net financial assets		782,870	650,139
Non-financial assets			
Tangible capital assets	2	125,744	112,305
Prepaid expenses		24,960	24,803
		150,704	137,108
Accumulated surplus	7	933,574	787,247

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, 2019

	Notes	Budget	Actual 2019	Actual 2018
		\$	\$	\$
Revenue				
City of Burlington contribution	6	1,368,050	1,368,050	1,341,225
Grants				
Canada		110,350	11,054	7,594
Other - TechPlace	3	124,710	92,335	84,754
Events		9,000	20,010	12,480
Interest		—	19,627	16,924
		1,612,110	1,511,076	1,462,977
Expenses				
Amortization of tangible capital assets		22,787	29,013	25,675
Loss on disposal of tangible capital assets		—	711	—
Business travel		10,000	9,312	6,158
Corporate memberships		2,900	2,932	2,840
Communication services		16,200	12,514	12,950
Marketing projects expenses		462,700	129,166	197,546
Meeting expenses		10,000	9,652	6,391
Office rent		317,220	326,960	273,598
Office supplies		24,100	19,454	18,667
Advertising & promotion		35,000	2,451	5,797
Professional services		4,500	4,272	4,681
Events		7,000	14,146	8,655
Contracted services		13,500	6,768	11,264
Salaries and benefits	5	865,130	775,933	818,595
Board of Directors expenses		7,000	4,750	7,708
Website		19,580	16,715	16,501
		1,817,617	1,364,749	1,417,026
Annual (deficit) surplus		(205,507)	146,327	45,951
Accumulated surplus, beginning of year		787,247	787,247	741,296
Accumulated surplus, end of year	7	581,740	933,574	787,247

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, 2019

	Actual 2019	Actual 2018
	\$	\$
Annual surplus	146,327	45,951
Acquisition of tangible capital assets	(43,163)	—
Loss on disposal of tangible capital assets	711	—
Amortization of tangible capital assets	29,013	25,675
Change in prepaid expenses	(157)	(24,803)
	(13,596)	872
Change in net financial assets	132,731	46,823
Net financial assets, beginning of year	650,139	603,316
Net financial assets, end of year	782,870	650,139

The accompanying notes are an integral part of the financial statements

Burlington Economic Development Corporation**Statement of Cash Flows**

Year ended December 31, 2019

	Actual 2019	Actual 2018
	\$	\$
Operating activities		
Annual surplus	146,327	45,951
Items not affecting cash		
Loss on disposal of tangible capital assets	711	—
Amortization of tangible capital assets	29,013	25,675
Changes in non-cash operating working capital items		
Due from City of Burlington	(55,195)	(161,824)
Accounts receivable	7,170	(12,170)
Accounts payable and accrued liabilities	(99,168)	126,195
Deferred revenue	14,462	976
Prepaid expenses	(157)	(24,803)
	43,163	—
Capital transactions		
Acquisition of tangible capital assets	(43,163)	—
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, 2019

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. Expenditures are reported on the accrual basis of accounting which recognizes expenditures 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 expenditures 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 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 expended 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.

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, 2019

2. Tangible capital assets

Details of the furniture and equipment capital assets include:

	2019	2018
Cost		
Balance, beginning of year	\$ 175,077	\$ 175,077
Additions and betterments during the year	43,163	-
Disposals	(960)	-
Balance, end of year	\$ 217,280	\$ 175,077
Accumulated amortization		
Balance, beginning of year	\$ 62,772	\$ 37,097
Amortization for the year	29,013	25,675
Disposals	(249)	-
Balance, end of year	\$ 91,536	\$ 62,772
Net book value	\$ 125,744	\$ 112,305

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:

	2019 Budget	2019 Actual	2018 Actual
<u>TechPlace</u>			
Revenue			
City of Burlington contribution	\$ 30,000	\$ 19,168	\$ 28,324
Launchpad Rental & Corporate Sponsorships	94,710	73,167	56,430
	124,710	92,335	84,754
Expenses			
Office rent	272,120	281,876	230,904
Office supplies	15,000	7,343	6,767
Communication services	13,400	8,777	9,331
Contracted services	-	2,729	620
Advertising & promotion	35,000	2,451	8,058
	335,520	303,176	255,680
Annual deficit - TechPlace	\$ (210,810)	\$ (210,841)	\$ (170,926)

Burlington Economic Development Corporation

Notes to the Financial Statements

For the Year Ended December 31, 2019

4. Scholarships

At December 31, 2019 the Burlington Foundation is holding a fund balance of \$45,204 (2018 - \$51,929) 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 \$9,018 (2018 - \$15,743) of which \$6,489 (2018 - \$14,614) is available to the BEDC. In 2019 a withdrawal of \$10,000 was made from the grant component which was paid out to Haltech \$5,000 and Python's Pit \$5,000 to be awarded as scholarships.

5. Accounts payable and accrued liabilities

Included in "Accounts payable and accrued liabilities" on the Statement of Financial Position is an amount of \$17,862 (2018 - \$9,037) in respect of outstanding vacation that would be payable to salaried employees in the event that they terminated employment from BEDC at December 31, 2019. 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 \$85,088 (2018 - \$110,614) 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 2019 The City of Burlington also provided sponsorship funds of \$20,000 (2018 - \$10,000) and partnership funds of \$10,000 (2018 - \$10,000) to TechPlace which has 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, 2019

7. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
Surplus		
Invested in tangible capital assets	\$ 125,744	\$ 112,305
Total surplus	125,744	112,305
Reserve funds		
Operating	394,073	238,945
Strategic Initiatives	280,414	273,849
Innovation Centre	133,343	162,148
Total reserve funds	807,830	674,942
Accumulated surplus	\$ 933,574	\$ 787,247

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 marketing reserve fund. Funds transferred between the reserve funds represent the amounts to which the operations support the projects and totalled \$Nil in 2019 (2018 - \$16,722). Transactions of the reserve funds are as follows:

	2019 Actual	2018 Actual
Operating reserve fund		
Balance beginning of year	\$ 238,945	\$ 318,645
Interest earned	8,703	8,877
Transfers from Innovation Centre reserve fund	43,163	16,722
Annual surplus	113,262	54,701
Transfers from operating reserve fund	(10,000)	(160,000)
Operating reserve fund, end of year	394,073	238,945
Strategic Initiatives reserve fund		
Balance beginning of year	273,849	284,671
Transfers to operating reserve fund	-	(16,722)
Interest earned	6,565	5,900
Strategic Initiatives reserve fund, end of year	280,414	273,849
Innovation Centre reserve fund		
Balance beginning of year	162,148	-
Interest earned	4,358	2,148
Transfers to operating reserve fund	(43,163)	-
Transfers from operating reserve fund	10,000	160,000
Innovation Centre reserve fund, end of year	133,343	162,148
Total reserve funds, end of year	\$ 807,830	\$ 674,942