

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

Financial Statements
for the Year Ended December 31, 2016
and Independent Auditors' Report

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know SMALL ENOUGH TO CARE.

INDEPENDENT AUDITORS' REPORT

To the Directors of
Fort Erie Economic Development & Tourism Corporation:

We have audited the financial statements of Fort Erie Economic Development & Tourism Corporation, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in unrestricted surplus and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fort Erie Economic Development & Tourism Corporation as at December 31, 2016, and the results of its operations, changes in unrestricted surplus and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Durward Jones Barkwell & Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

April 20, 2017

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FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Municipal grant	\$ 648,852	\$ 639,697
Interest	1,158	1,762
	<u>650,010</u>	<u>641,459</u>
Special projects		
Gaming Industry Marketing Campaign (Note 9)	126,273	87,152
TOTAL REVENUE	<u>776,283</u>	<u>728,611</u>
EXPENSES		
Administrative - Page 11		
Wages and benefits	367,060	325,604
Administrative	43,367	29,694
Equipment	10,714	10,205
Office	24,538	19,084
Premises	36,310	34,689
Telephone	11,038	9,992
	<u>493,027</u>	<u>429,268</u>
Program		
Grow and retain business	132,580	16,058
Grow and retain job opportunity	5,740	18,596
Attract new investment opportunity	77,348	51,500
Capacity building program	3,414	2,495
Promote and build Fort Erie's profile	209,645	182,147
	<u>428,727</u>	<u>270,796</u>
TOTAL EXPENSES	<u>921,754</u>	<u>700,064</u>
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES BEFORE OTHER INCOME	<u>(145,471)</u>	<u>28,547</u>
GAIN FROM INSURANCE PROCEEDS - FURNITURE AND COMPUTERS	<u>10,356</u>	<u>-</u>
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	<u>\$ (135,115)</u>	<u>\$ 28,547</u>

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

STATEMENT OF CHANGES IN UNRESTRICTED SURPLUS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
UNRESTRICTED SURPLUS, BEGINNING OF YEAR	\$ 205,620	\$ 182,423
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	(135,115)	28,547
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS (Note 6)	<u>(9,023)</u>	<u>(5,350)</u>
UNRESTRICTED SURPLUS, END OF YEAR (Note 8)	\$ 61,482	\$ 205,620

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 91,010	\$ 164,493
Cashable investment certificates	210,013	208,347
Accounts receivable (Note 2)	49,817	27,340
Prepaid expenses	5,455	34,193
	356,295	434,373
Investment in Fleet Canada Inc. (Note 3)	10,000	10,000
Furniture, fixtures and leasehold improvements (Note 4)	25,860	16,837
	\$ 392,155	\$ 461,210
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 5)	\$ 154,813	\$ 73,696
Niagara Development Corridor Partnership Inc.	-	14,644
Deferred revenue	-	413
Commitments (Note 8)		
	154,813	88,753
SURPLUS		
Invested in capital assets (Note 6)	25,860	16,837
Internally restricted - Emergency Marketing Response Fund (Note 7)	150,000	150,000
Unrestricted surplus (Note 8)	61,482	205,620
	237,342	372,457
	\$ 392,155	\$ 461,210

Approved by the Board:


..... Chair


..... Treasurer

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of (expenses over revenue) revenue over expenses	\$ (135,115)	\$ 28,547
Items not affecting cash		
Depreciation	9,384	6,863
Gain from insurance proceeds - furniture and computers	(10,356)	-
	<u>(136,087)</u>	<u>35,410</u>
Effects on cash from changes in operating assets and liabilities		
Accounts receivable	(22,477)	7,380
Prepaid expenses	28,738	(901)
Accounts payable and accrued charges	81,117	38,715
Niagara Development Corridor Partnership Inc.	(14,644)	(1,518)
Deferred revenue	(413)	(1,996)
	<u>(63,766)</u>	<u>77,090</u>
INVESTING ACTIVITIES		
Purchase of furniture, fixtures and leasehold improvements	(18,407)	(12,213)
Proceeds from insurance - furniture and computers	10,356	-
	<u>(8,051)</u>	<u>(12,213)</u>
INCREASE (DECREASE) IN CASH	(71,817)	64,877
CASH, BEGINNING OF YEAR	372,840	307,963
CASH, END OF YEAR	\$ 301,023	\$ 372,840
CASH IS REPRESENTED BY:		
Cash	\$ 91,010	\$ 164,493
Cashable investment certificates	210,013	208,347
	<u>\$ 301,023</u>	<u>\$ 372,840</u>

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Nature of business

The Organization is a non-profit corporation incorporated without share capital under the Ontario Business Corporations Act, and as such is exempt from corporation income taxes. The Organization's purpose is to achieve a balance of environmentally sound economic development growth, to stabilize, enhance and expand the existing employment base and to attract new job sources in the Municipality of Fort Erie by creation and promotion of a positive image of the community and its resources in concert with other community activities, always sensitive to the concerns of its citizens and with a view of enhancing the quality of life in the Greater Fort Erie area.

Revenue recognition

Revenues and expenditures are recorded on an accrual basis. For the special projects, the revenue and expenditures are recognized as the related activities are completed.

Basis of presentation

The Organization uses the deferral method of accounting for its revenue contributions, in which contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Investment in Fleet Canada Inc.

The Organization accounts for its investment on the cost basis.

Furniture, fixtures and leasehold improvements

Furniture, fixtures and leasehold improvements are recorded at cost. Office furniture, sign and computer equipment are depreciated on the declining-balance basis and leasehold improvements are depreciated on the straight-line method at the following rates:

Office furniture and sign	20%
Computer equipment	30%
Leasehold improvement	5 years

In the year of acquisition, depreciation is calculated at the normal rates. In the year of disposal, no depreciation is taken.

Long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

Financial instruments

(a) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include cashable investment certificates.

Financial liabilities measured at amortized cost include accounts payable and accrued charges.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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. Significant estimates and assumptions are used when accounting for such items as determination of useful lives of capital assets, impairment of long-lived assets, revenue recognition, contingent liabilities and allowances for accounts receivable.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Trade accounts receivable	\$ 8,986	\$ 8,910
Insurance proceeds receivable	11,771	-
HST recoverable	27,405	16,846
Niagara Development Corridor Partnership Inc.	657	-
Other receivables	998	1,584
	\$ 49,817	\$ 27,340

3. INVESTMENT IN FLEET CANADA INC.

The Organization acquired 20,000 common shares in Fleet Canada Inc. in 2004, for cash consideration of \$10,000. The 20,000 common shares represents a minority shareholding position.

4. FURNITURE, FIXTURES AND LEASEHOLD IMPROVEMENTS

	<u>2016</u>		<u>2015</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Office furniture and sign	\$ 34,231	\$ 27,131	\$ 36,328	\$ 34,356
Computer equipment	103,446	87,101	99,761	84,896
Leasehold improvements	11,749	9,334	12,231	12,231
	149,426	123,566	148,320	131,483
Net book value		\$ 25,860		\$ 16,837

5. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2016</u>	<u>2015</u>
Trade	\$ 105,918	\$ 37,513
Government remittances	6,765	3,138
Accrued charges		
Professional fees	7,300	7,300
Vacation and sick time	27,842	20,779
Wages	6,988	4,966
	\$ 154,813	\$ 73,696

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

6. SURPLUS INVESTED IN CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Surplus, beginning of year	\$ 16,837	\$ 11,487
Depreciation	(9,384)	(6,863)
Purchase of capital assets	<u>18,407</u>	<u>12,213</u>
Surplus, end of year	<u>\$ 25,860</u>	<u>\$ 16,837</u>

7. EMERGENCY MARKETING RESPONSE FUND

	<u>2016</u>	<u>2015</u>
Surplus, beginning of year	\$ 150,000	\$ 150,000
Net allocation in year	<u>-</u>	<u>-</u>
Surplus, end of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>

The above-noted reserve fund is internally restricted and was created by the Organization in 2003. The funds are restricted in use at the discretion of the Board, in whole or in part, to create/operate a communications/marketing program intended to offset press or communication events that may negatively affect the image of Fort Erie.

8. COMMITMENTS

The Organization has entered into a lease agreement for the rental of premises which expires July 31, 2020 and requires total annual rent of \$31,110 for 2017 plus common area charges and HST. There is an option to renew the lease for a further five years at an amount to be negotiated six months prior to renewal.

Of the Organization's unrestricted surplus, formal commitments have been made, by Board resolutions as follows:

Niagara Parks Marina RFP Advertisement	\$ 10,000
Operating Cash Flow Reserve Fund (10% of annual operating budget)	<u>70,000</u>
	<u>\$ 80,000</u>

9. GAMING INDUSTRY MARKETING CAMPAIGN

The Organization has entered into a partnership with the Ontario Tourism Marketing Partnership Corporation for purposes of promoting the gaming industry in Fort Erie. During the year, the Organization received a total of \$126,273 (2015 - \$87,152) for the Gaming Industry Marketing Campaign. The local gaming industry contributed \$95,000 (2015 - \$60,000) of these funds, with an additional \$31,273 (2015 - \$27,152) contributed by the Ontario Tourism Marketing Partnership Corporation.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

10. ECONOMIC DEPENDENCE

The Organization derives a substantial portion of its revenue from the Town of Fort Erie. During the current year, the Organization received \$648,852 (2015 - \$639,697) in fee for service contracts with the Town of Fort Erie. As a Municipal Services Corporation, the Organization is viewed as a separate legal entity from the Town of Fort Erie. As a result, the legislative provisions related to the Organization are intended to encourage the Organization to be independent of the municipality, with the ability to execute such activities as attracting private investment or borrow money.

11. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

It is management's opinion that the Organization is not exposed to significant interest rate, market (other price), currency, credit or liquidity risks arising from its financial instruments.

12. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's financial statement presentation.

13. SUBSEQUENT EVENT

The Board of Directors committed to transferring the investment in Fleet of 20,000 shares back to the company for a total of \$20,000 which will be used to fund an annual Fleet/Fort Erie Economic Development & Tourism Corporation Employee Recognition Award or Scholarship Trust Fund to Fleet employees and their families.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED DECEMBER 31, 2016

EXPENSES	<u>2016</u>	<u>2015</u>
Wages and benefits		
Wages and salaries	\$ 291,632	\$ 260,887
Subcontractors	5,613	5,301
Employee benefits	69,815	59,416
	<u>367,060</u>	<u>325,604</u>
Administrative		
Advertising and promotion	7,278	114
Audit and legal	20,511	13,829
Bank charges	493	596
Computer software and support	990	1,103
Insurance	6,253	6,884
Professional development	3,566	3,909
Travel	4,276	3,259
	<u>43,367</u>	<u>29,694</u>
Equipment		
Depreciation	9,384	6,863
Lease	1,330	1,340
Maintenance	-	2,002
	<u>10,714</u>	<u>10,205</u>
Office		
Computer supplies	2,713	2,348
Meetings	4,534	1,589
Paper and supplies	5,342	5,304
Postage and courier	1,630	1,007
Printing and stationery	9,604	8,437
Subscriptions and reference material	715	399
	<u>24,538</u>	<u>19,084</u>
Premises		
Cleaning	4,180	4,370
Rent	27,538	26,712
Repairs and maintenance	1,873	1,164
Utilities	2,719	2,443
	<u>36,310</u>	<u>34,689</u>
Telephone	<u>11,038</u>	<u>9,992</u>
	<u>\$ 493,027</u>	<u>\$ 429,268</u>