

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

Financial Statements
for the Year Ended December 31, 2013
and Independent Auditors' Report

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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CHARTERED ACCOUNTANTS

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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, 2013, 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, 2013, 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 7, 2014



Big enough to know
SMALL ENOUGH TO CARE

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
REVENUE		
Municipal grant	\$ 622,027	\$ 613,427
Interest	2,171	2,135
	624,198	615,562
Special projects		
Fort Erie Race Track Re-development Plan	-	29,623
1812-2012 Feasibility Project	9,725	33,154
Gaming Industry Marketing Campaign (Note 10)	90,000	129,049
TOTAL REVENUE	723,923	807,388
EXPENSES		
Administrative - Page 12		
Wages and benefits	383,896	369,018
Administrative	30,515	33,544
Equipment	5,212	6,655
Office	14,547	11,239
Premises	31,605	31,344
Telephone	16,979	13,107
	482,754	464,907
Program		
Branding program	33,703	32,290
Internal economic development	22,010	17,674
External economic development	21,380	7,774
	77,093	57,738
Special Projects		
Fort Erie Race Track Re-development Plan	1,124	32,783
1812-2012 Feasibility Project	11,038	33,154
Gaming Industry Marketing Campaign	120,000	159,049
Tourism marketing (CTODS)	2,495	3,742
	134,657	228,728
TOTAL EXPENSES	694,504	751,373
EXCESS OF REVENUE OVER EXPENSES	\$ 29,419	\$ 56,015

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

STATEMENT OF CHANGES IN UNRESTRICTED SURPLUS
YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
UNRESTRICTED SURPLUS, BEGINNING OF YEAR	\$ 148,393	\$ 87,229
EXCESS OF REVENUE OVER EXPENSES - Page 2	29,419	56,015
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS (Note 8)	<u>2,780</u>	<u>5,149</u>
UNRESTRICTED SURPLUS, END OF YEAR (Note11)	<u>\$ 180,592</u>	<u>\$ 148,393</u>

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash	\$ 143,050	\$ 188,709
Cashable investment certificates	205,053	203,022
Accounts receivable (Note 2)	33,428	39,828
Prepaid expenses	33,946	32,191
	415,477	463,750
Investment in Fleet Canada Inc. (Note 3)	10,000	10,000
Furniture, fixtures and leasehold improvements (Note 4)	10,339	13,119
	\$ 435,816	\$ 486,869
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 5)	\$ 45,863	\$ 78,398
Niagara Development Corridor Partnership Inc. (Note 6)	35,106	66,576
Deferred revenue (Note 7)	4,903	21,370
Commitments (Note 11)		
	85,872	166,344
SURPLUS		
Invested in capital assets (Note 8)	10,339	13,119
Internally restricted - Emergency Marketing Response Fund (Note 9)	150,000	150,000
Externally restricted - Gaming Industry Marketing Campaign Fund (Note 10)	9,013	9,013
Unrestricted surplus (Note 11)	180,592	148,393
	349,944	320,525
	\$ 435,816	\$ 486,869

Approved by the Board:

..... Chair

..... Treasurer

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 29,419	\$ 56,015
Depreciation, being an item not affecting cash	4,053	5,149
	<u>33,472</u>	61,164
Effects on cash from changes in operating assets and liabilities		
Accounts receivable	6,400	9,483
Prepaid expenses	(1,755)	2,266
Accounts payable and accrued charges	(32,535)	(99,313)
Niagara Development Corridor Partnership Inc.	(31,470)	(8,025)
Deferred revenue	(16,467)	(32,777)
	<u>(42,355)</u>	(67,202)
INVESTING ACTIVITY		
Purchase of furniture, fixtures and leasehold improvements	(1,273)	-
	<u>(1,273)</u>	-
DECREASE IN CASH	(43,628)	(67,202)
CASH, BEGINNING OF YEAR	391,731	458,933
CASH, END OF YEAR	\$ 348,103	\$ 391,731
CASH IS REPRESENTED BY:		
Cash	\$ 143,050	\$ 188,709
Cashable investment certificates	205,053	203,022
	<u>\$ 348,103</u>	<u>\$ 391,731</u>

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 equipment, 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 equipment and sign	20%
Computer equipment	30%
Leasehold improvements	5 years

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

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, 2013

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 and the Niagara Development Corridor Partnership Inc.

(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 from accounts receivable.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Trade accounts receivable	\$ 16,403	\$ 17,408
Other receivables	17,025	22,420
	\$ 33,428	\$ 39,828

Included in trade accounts receivable is an amount owing from Metcor totalling \$8,754 (2012 - \$8,754). This amount will be repaid upon sale or lease of Metcor's property to a third party.

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>2013</u>		<u>2012</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Office furniture and sign	\$ 35,367	\$ 33,248	\$ 35,367	\$ 32,718
Computer equipment	82,878	74,658	81,605	71,135
Leasehold improvements	12,231	12,231	12,231	12,231
	130,476	120,137	129,203	116,084
Net book value		\$ 10,339		\$ 13,119

5. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2013</u>	<u>2012</u>
Trade	\$ 16,524	\$ 6,835
Government remittances	3,129	3,281
Accrued charges		
Professional fees	15,697	14,220
Vacation and sick time	5,081	14,868
Wages	5,432	5,145
Other	-	34,049
	\$ 45,863	\$ 78,398

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

6. NIAGARA DEVELOPMENT CORRIDOR PARTNERSHIP INC.

The Fort Erie Economic Development & Tourism Corporation continues to act as the administrator for the Niagara Development Corridor Partnership Inc. in carrying out its various marketing initiatives. At the year end the Organization held funds in trust for the Niagara Development Corridor Partnership Inc as follows

	<u>2013</u>	<u>2012</u>
Niagara Development Corridor Partnership Inc. (unrestricted reserve)	\$ 19,834	\$ 20,412

In addition to the above noted trust funds, the Organization also collects funds from surrounding communities to fund various shared community economic development expenses. These amounts are repayable on demand.

	<u>2013</u>	<u>2012</u>
Niagara Falls	\$ 2,371	\$ 3,375
Port Colborne	-	30,289
St. Catharines	4,901	5,000
Welland	8,000	7,500
	15,272	46,164
 Total	 \$ 35,106	 \$ 66,576

7. DEFERRED REVENUE

Funds received by the Organization prior to the year end and relating to expenses anticipated to be incurred subsequent to year end are reported as deferred revenue and consist of the following:

	<u>2013</u>	<u>2012</u>
GTA Marketing Campaign	4,903	4,903
1812-2012 Feasibility Project	-	16,467
	\$ 4,903	\$ 21,370

It is anticipated that these funds will be utilized within the upcoming fiscal year and have therefore been classified as current liabilities.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

8. SURPLUS INVESTED IN CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>
Surplus, beginning of year	\$ 13,119	\$ 18,268
Depreciation	(4,053)	(5,149)
Purchase of capital assets	1,273	-
	\$ 10,339	\$ 13,119

9. EMERGENCY MARKETING RESPONSE FUND

	<u>2013</u>	<u>2012</u>
Surplus, beginning of year	\$ 150,000	\$ 150,000
Net allocation in year	-	-
	\$ 150,000	\$ 150,000

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.

10. 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 \$90,000 (2012 - \$129,049) for the Gaming Industry Marketing Campaign. The local gaming industry contributed \$60,000 (2012 - \$95,000) of these funds, with an additional \$30,000 (2012 - \$34,049) contributed by the Ontario Tourism Marketing Partnership Corporation.

The following represents the surplus from current and prior years:

	<u>2013</u>	<u>2012</u>
Surplus, beginning of year	\$ 9,013	\$ 9,013
Net allocation in year	-	-
	\$ 9,013	\$ 9,013

The above-noted, externally restricted surplus, held by the Organization, is set aside by the Gaming Industry Marketing Campaign partners. This amount is to be used for any additional costs incurred through efforts to continue the Campaign through the off-season until the beginning of the 2014 racing season.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

11. COMMITMENTS

The Organization, along with the Greater Fort Erie Chamber of Commerce, has entered into a joint lease agreement for the rental of premises which expires July 31, 2014 and requires total annual rent of \$35,715 plus HST. The Organization is responsible for 60% of this amount or \$24,912 plus HST per annum, while the Chamber of Commerce has assumed responsibility for the balance. At December 31, 2013, the Organization has prepaid this expense to December 31, 2014. There is an option to renew the lease for a further six years at an amount to be negotiated six months prior to renewal.

Of the Organization's Unrestricted Surplus, End of Year formal commitments have been made, by Board resolutions as follows:

Canadian Tourism Organization Directional Signage (CTODS) 5 year contract pre-payment (Hwy 3 Crystal Beach / Ridgeway, QEW sign)	\$ 5,088
Professional services costs for one time funding of Freedom of information requests	7,500
Warren DAC/NPC Marina statement of claim	7,500
Crystal Beach BIA (Marketing/Events Coordinator - OJCP Program)	7,500
Fort Erie Tourism Usage & Attitude and Travel Intention Study	13,500
Fort Erie EDTC Niagara Development Corridor Partnership funding/contribution	20,000
Year of the Horse Festival - Development and Professional Services (Racing Future)	33,900
Operating cash flow reserve fund (10% of annual operating budget)	60,000
	\$ 154,988

12. ECONOMIC DEPENDENCE

The Organization derives a substantial portion of its revenue from the Town of Fort Erie. During the current year, the Organization received \$622,027 (2012 - \$656,388) 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 do things like attracting private investment or borrow money.

13. 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.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED DECEMBER 31, 2013

EXPENSES	2013	2012
Wages and benefits		
Wages and salaries	\$ 316,663	\$ 303,548
Subcontractors	4,989	4,989
Employee benefits	62,244	60,481
	383,896	369,018
Administrative		
Advertising and promotion	1,358	529
Audit and legal	16,603	19,196
Bank charges	477	495
Computer software and support	274	908
Insurance	6,562	6,367
Professional development	1,226	2,128
Travel	4,015	3,921
	30,515	33,544
Equipment		
Depreciation	4,053	5,149
Lease	1,159	998
Maintenance	-	508
	5,212	6,655
Office		
Computer supplies	892	914
Meetings	4,200	1,694
Paper and supplies	5,050	4,572
Postage and courier	1,390	983
Printing and stationery	2,299	2,621
Subscriptions and reference material	716	455
	14,547	11,239
Premises		
Cleaning	4,294	4,160
Rent	24,161	23,871
Repairs and maintenance	796	1,165
Utilities	2,354	2,148
	31,605	31,344
Telephone	16,979	13,107
	\$ 482,754	\$ 464,907