

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

Financial Statements
for the Year Ended December 31, 2015
and Independent Auditors' Report

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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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, 2015, 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, 2015, 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 14, 2016

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FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
REVENUE		
Municipal grant	\$ 639,697	\$ 630,787
Interest	<u>1,762</u>	<u>1,363</u>
	641,459	632,150
Special projects		
Gaming Industry Marketing Campaign (Note 11)	<u>87,152</u>	<u>86,301</u>
TOTAL REVENUE	728,611	718,451
EXPENSES		
Administrative - Page 12		
Wages and benefits	325,604	368,094
Administrative	29,694	23,533
Equipment	10,205	5,813
Office	19,084	14,253
Premises	34,689	34,019
Telephone	<u>9,992</u>	<u>13,242</u>
	429,268	458,954
Program		
Branding program	50,817	44,565
Internal economic development	53,894	22,228
External economic development	<u>18,502</u>	<u>17,836</u>
	123,213	84,629
Special Projects		
Fort Erie Race Track Re-development Plan and Marketing	510	30,924
Year of the Horse Festival Sponsorship	-	31,182
Gaming Industry Marketing Campaign	117,152	116,301
Tourism Marketing (CTODS)	2,495	2,495
Industrial Land Development Strategy	<u>27,426</u>	<u>-</u>
	147,583	180,902
TOTAL EXPENSES	700,064	724,485
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	\$ 28,547	\$ (6,034)

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

STATEMENT OF CHANGES IN UNRESTRICTED SURPLUS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
UNRESTRICTED SURPLUS, BEGINNING OF YEAR	\$ 182,423	\$ 180,592
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	28,547	(6,034)
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS (Note 8)	(5,350)	(1,148)
ALLOCATION FROM THE GAMING INDUSTRY MARKETING CAMPAIGN FUND	-	9,013
UNRESTRICTED SURPLUS, END OF YEAR (Note 10)	\$ 205,620	\$ 182,423

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash	\$ 164,493	\$ 101,270
Cashable investment certificates	208,347	206,693
Accounts receivable (Note 2)	27,340	34,720
Prepaid expenses	34,193	33,292
	<u>434,373</u>	375,975
Investment in Fleet Canada Inc. (Note 3)	10,000	10,000
Furniture, fixtures and leasehold improvements (Note 4)	<u>16,837</u>	11,487
	<u>\$ 461,210</u>	<u>\$ 397,462</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 5)	\$ 73,696	\$ 34,981
Niagara Development Corridor Partnership Inc. (Note 6)	14,644	16,162
Deferred revenue (Note (Note 7))	413	2,409
Commitments (Note 10)		
	<u>88,753</u>	53,552
SURPLUS		
Invested in capital assets (Note 8)	16,837	11,487
Internally restricted - Emergency Marketing Response Fund (Note 9)	150,000	150,000
Unrestricted surplus (Note 10)	<u>205,620</u>	182,423
	<u>372,457</u>	343,910
	<u>\$ 461,210</u>	<u>\$ 397,462</u>

Approved by the Board:

..... Chair

..... Treasurer

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$ 28,547	\$ (6,034)
Depreciation, being an item not affecting cash	6,863	4,483
	35,410	(1,551)
Effects on cash from changes in operating assets and liabilities		
Accounts receivable	7,380	(1,292)
Prepaid expenses	(901)	654
Accounts payable and accrued charges	38,715	(10,882)
Niagara Development Corridor Partnership Inc.	(1,518)	(18,944)
Deferred revenue	(1,996)	(2,494)
	77,090	(34,509)
INVESTING ACTIVITY		
Purchase of furniture, fixtures and leasehold improvements	(12,213)	(5,631)
INCREASE (DECREASE) IN CASH	64,877	(40,140)
CASH, BEGINNING OF YEAR	307,963	348,103
CASH, END OF YEAR	\$ 372,840	\$ 307,963
CASH IS REPRESENTED BY:		
Cash	\$ 164,493	\$ 101,270
Cashable investment certificates	208,347	206,693
	\$ 372,840	\$ 307,963

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 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, 2015

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 the 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, 2015

2. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Trade accounts receivable	\$ 8,910	\$ 15,532
Other receivables	<u>18,430</u>	<u>19,188</u>
	<u>\$ 27,340</u>	<u>\$ 34,720</u>

Included in trade accounts receivable is an amount owing from Metcor totalling \$8,754 (2014 - \$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>2015</u>		<u>2014</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Office furniture and sign	\$ 36,328	\$ 34,356	\$ 36,328	\$ 33,864
Computer equipment	99,761	84,896	87,548	78,525
Leasehold improvements	<u>12,231</u>	<u>12,231</u>	<u>12,231</u>	<u>12,231</u>
	<u>148,320</u>	<u>131,483</u>	136,107	124,620
Net book value		<u>\$ 16,837</u>		<u>\$ 11,487</u>

5. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2015</u>	<u>2014</u>
Trade	\$ 37,513	\$ 3,578
Government remittances	3,138	3,085
Accrued charges		
Professional fees	7,300	7,300
Vacation and sick time	20,779	9,442
Wages	4,966	5,001
Other	-	6,575
	<u>\$ 73,696</u>	<u>\$ 34,981</u>

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. NIAGARA DEVELOPMENT CORRIDOR PARTNERSHIP INC.

The Fort Erie Economic Development & Tourism Corporation (FEEDTC) previously acted as the administrator for the Niagara Development Corridor Partnership Inc. in collecting funds from surrounding communities to fund various shared community economic development expenses. During the year, funds carried over from the previous years were transferred to the Niagara Development Corridor Partnership Inc. to be maintained in their own bank account. The outstanding balance remaining at the year end relates to the FEEDTC's contribution for 2015.

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>2015</u>	<u>2014</u>
GTA Marketing Campaign	<u>\$ 413</u>	<u>\$ 2,409</u>

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

8. SURPLUS INVESTED IN CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Surplus, beginning of year	\$ 11,487	\$ 10,339
Depreciation	(6,863)	(4,483)
Purchase of capital assets	<u>12,213</u>	<u>5,631</u>
Surplus, end of year	<u>\$ 16,837</u>	<u>\$ 11,487</u>

9. EMERGENCY MARKETING RESPONSE FUND

	<u>2015</u>	<u>2014</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.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

10. 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, 2020 and requires total annual rent of \$29,833 plus common area charges and HST. The Organization is responsible for 60% of this amount or \$17,900 plus common area charges and HST per annum, while the Chamber of Commerce has assumed responsibility for the balance. At December 31, 2015, the Organization has prepaid this expense to December 31, 2016. 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:

External Legal	\$ 9,500
Bridgeburg BIA Marketing Support	5,000
Sponsorship to Fleet Canada - 10th Anniversary	5,000
Fort Erie Industrial Land Strategy (RCI Consulting)	38,000
CMS Travel and Admin	10,000
South Coast Tourism Association membership 2016	3,000
Labour Force Roundtable	5,000
Phone System Upgrade	5,000
Competitiveness Roundtable	1,500
Tourism Roundtable	2,500
Grand Business Development Study(ies)	85,000
Operating Cash Flow Reserve Fund (10% of annual operating budget)	60,000
	\$ 229,500

11. 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 \$87,152 (2014 - \$86,301) for the Gaming Industry Marketing Campaign. The local gaming industry contributed \$60,000 (2014 - \$60,000) of these funds, with an additional \$27,152 (2014 - \$26,301) contributed by the Ontario Tourism Marketing Partnership Corporation.

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 \$639,697 (2014 - \$630,787) 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.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

EXPENSES	<u>2015</u>	<u>2014</u>
Wages and benefits		
Wages and salaries	\$ 260,887	\$ 291,505
Subcontractors	5,301	5,301
Employee benefits	59,416	71,288
	<u>325,604</u>	<u>368,094</u>
Administrative		
Advertising and promotion	114	657
Audit and legal	13,829	6,801
Bank charges	596	450
Computer software and support	1,103	1,615
Insurance	6,884	6,700
Professional development	3,909	2,265
Travel	3,259	5,045
	<u>29,694</u>	<u>23,533</u>
Equipment		
Depreciation	6,863	4,483
Lease	1,340	1,330
Maintenance	2,002	-
	<u>10,205</u>	<u>5,813</u>
Office		
Computer supplies	2,348	1,298
Meetings	1,589	3,755
Paper and supplies	5,304	5,526
Postage and courier	1,007	1,369
Printing and stationery	8,437	1,649
Subscriptions and reference material	399	656
	<u>19,084</u>	<u>14,253</u>
Premises		
Cleaning	4,370	4,128
Rent	26,712	25,849
Repairs and maintenance	1,164	1,557
Utilities	2,443	2,485
	<u>34,689</u>	<u>34,019</u>
Telephone	9,992	13,242
	<u>\$ 429,268</u>	<u>\$ 458,954</u>