

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

Financial Statements
for the Year Ended December 31, 2017
and Independent Auditors' Report

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 19, 2018

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BURLINGTON

GRIMSBY

HAMILTON

ST. CATHARINES

WELLAND

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Municipal grant (Note 11)		
Base funding	\$ 657,158	\$ 648,852
Reserve replenishment	50,000	-
Interest	1,221	1,158
	<u>708,379</u>	650,010
Special projects		
Gaming Industry Marketing Campaign (Note 10)	115,317	126,273
TOTAL REVENUE	<u>823,696</u>	<u>776,283</u>
EXPENSES		
Administrative - Page 12		
Wages and benefits	361,192	367,945
Administrative	29,003	46,104
Equipment	9,000	10,814
Office	20,711	26,369
Premises	53,488	38,709
Telephone	8,354	11,862
	<u>481,748</u>	501,803
Program		
Grow and retain business	31,617	140,291
Grow and retain job opportunity	17,600	6,169
Attract new investment opportunity	17,364	82,005
Capacity building program	20,890	3,669
Promote and build Fort Erie's profile	64,410	57,357
Gaming industry marketing campaign	140,317	156,273
SMARTlabs study	33,900	-
	<u>326,098</u>	445,764
TOTAL EXPENSES INCLUDING HST	<u>807,846</u>	947,567
HST RECOVERED ON EXPENSES	<u>(22,054)</u>	(25,813)
EXPENSES AFTER HST RECOVERY	<u>785,792</u>	921,754
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE OTHER INCOME	<u>37,904</u>	(145,471)
GAIN FROM INSURANCE PROCEEDS - FURNITURE AND COMPUTERS	-	10,356
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	<u>\$ 37,904</u>	<u>\$ (135,115)</u>

**FORT ERIE ECONOMIC DEVELOPMENT & TOURISM
CORPORATION**

STATEMENT OF CHANGES IN UNRESTRICTED SURPLUS
YEAR ENDED DECEMBER 31, 2017

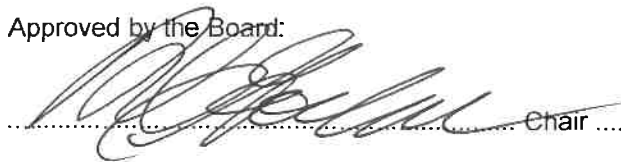
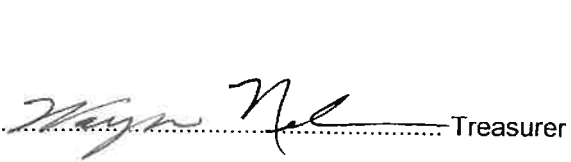
	<u>2017</u>	<u>2016</u>
UNRESTRICTED SURPLUS, BEGINNING OF YEAR	\$ 61,482	\$ 205,620
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	37,904	(135,115)
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS (Note 6)	6,927	(9,023)
CHANGE IN EMERGENCY MARKETING RESPONSE FUND (Note 7)	33,900	-
CHANGE IN OPERATING RESERVE (Note 8)	<u>(60,000)</u>	<u>-</u>
UNRESTRICTED SURPLUS, END OF YEAR (Note 9)	\$ 80,213	\$ 61,482

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash	\$ 217,156	\$ 91,010
Cashable investment certificates	116,496	210,013
Accounts receivable (Note 2)	17,057	49,817
Prepaid expenses	5,723	5,455
	356,432	356,295
Investment in Fleet Canada Inc.	-	10,000
Furniture, fixtures and leasehold improvements (Note 3)	18,933	25,860
	\$ 375,365	\$ 392,155
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 4)	\$ 75,119	\$ 154,813
Deferred revenue (Note 5)	25,000	-
Commitments (Note 9)		
	100,119	154,813
SURPLUS		
Invested in capital assets (Note 6)	18,933	25,860
Internally restricted - Emergency Marketing Response Fund (Note 7)	116,100	150,000
Internally restricted - Operating Reserve (Note 8)	60,000	-
Unrestricted surplus (Note 9)	80,213	61,482
	275,246	237,342
	\$ 375,365	\$ 392,155

Approved by the Board:

 Chair
  Treasurer

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$ 37,904	\$ (135,115)
Items not affecting cash		
Depreciation	6,927	9,384
Gain from insurance proceeds - furniture and computers	-	(10,356)
	<u>44,831</u>	<u>(136,087)</u>
Effects on cash from changes in operating assets and liabilities		
Accounts receivable	32,760	(22,477)
Prepaid expenses	(268)	28,738
Accounts payable and accrued charges	(79,694)	81,117
Niagara Development Corridor Partnership Inc.	-	(14,644)
Deferred revenue	25,000	(413)
	<u>22,629</u>	<u>(63,766)</u>
INVESTING ACTIVITIES		
Purchase of furniture, fixtures and leasehold improvements	-	(18,407)
Proceeds from insurance - furniture and computers	-	10,356
	<u>-</u>	<u>(8,051)</u>
FINANCING ACTIVITY		
Fleet/ Fort Erie Economic Development & Tourism Corporation bursary	10,000	-
INCREASE (DECREASE) IN CASH	32,629	(71,817)
CASH, BEGINNING OF YEAR	301,023	372,840
CASH, END OF YEAR	\$ 333,652	\$ 301,023
CASH IS REPRESENTED BY:		
Cash	\$ 217,156	\$ 91,010
Cashable investment certificates	116,496	210,013
	<u>\$ 333,652</u>	<u>\$ 301,023</u>

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

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, 2017

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, 2017

2. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Trade accounts receivable	\$ 6,329	\$ 8,986
Insurance proceeds receivable	-	11,771
HST recoverable	10,160	27,405
Niagara Development Corridor Partnership Inc.	-	657
Other receivables	568	998
	\$ 17,057	\$ 49,817

3. FURNITURE, FIXTURES AND LEASEHOLD IMPROVEMENTS

	<u>2017</u>		<u>2016</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Office furniture and sign	\$ 34,231	\$ 28,551	\$ 34,231	\$ 27,131
Computer equipment	103,446	92,004	103,446	87,101
Leasehold improvements	11,749	9,938	11,749	9,334
	149,426	130,493	149,426	123,566
Net book value		\$ 18,933		\$ 25,860

4. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2017</u>	<u>2016</u>
Trade	\$ 32,404	\$ 105,918
Government remittances	4,184	6,765
Accrued charges		
Professional fees	7,300	7,300
Vacation and sick time	23,689	27,842
Wages	7,542	6,988
	\$ 75,119	\$ 154,813

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. DEFERRED REVENUE

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

	<u>2017</u>	<u>2016</u>
Why Fort Erie Magazine	\$ 25,000	\$ -

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

6. SURPLUS INVESTED IN CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Surplus, beginning of year	\$ 25,860	\$ 16,837
Depreciation	(6,927)	(9,384)
Purchase of capital assets	-	18,407
Surplus, end of year	<u>\$ 18,933</u>	<u>\$ 25,860</u>

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

7. EMERGENCY MARKETING RESPONSE FUND

	<u>2017</u>	<u>2016</u>
Surplus, beginning of year	\$ 150,000	\$ 150,000
SMARTlabs study	(33,900)	-
	\$ 116,100	\$ 150,000
Surplus, end of year	\$ 116,100	\$ 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.

8. OPERATING RESERVE

	<u>2017</u>	<u>2016</u>
Surplus, beginning of year	\$ -	\$ -
Allocation to operating reserve	60,000	-
	\$ 60,000	\$ -
Surplus, end of year	\$ 60,000	\$ -

The above-noted fund is internally restricted and created by the Organization in 2017. The funds are restricted in use at the discretion of the Board, in whole or in part, to ensure and maintain the financial integrity of the Fort Erie Economic Development and Tourism Corporation's operating cash flow. The Fort Erie Economic Development and Tourism Corporation created a reserve fund of 10% of the annual operating grant.

9. 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 \$31,105 for 2018 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. In 2017, the increase in rent, common charges, HST and utilities was due to the vacated sublease. Subsequent to year end a portion of the premises will be subleased to the Niagara Development Corridor Partnership Inc. on behalf of the Niagara Foreign Trade Zone (Note 13).

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

Fort Erie Gazette	\$ 2,000	
Operating reserve increase	10,000	
	\$ 12,000	
	\$ 12,000	

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 \$115,317 (2016 - \$126,273) for the Gaming Industry Marketing Campaign. The local gaming industry contributed \$85,000 (2016 - \$95,000) of these funds, with an additional \$30,317 (2016 - \$31,273) contributed by the Ontario Tourism Marketing Partnership Corporation.

11. ECONOMIC DEPENDENCE

The Organization derives a substantial portion of its revenue from the Town of Fort Erie. During the current year, the Organization received \$657,158 in base funding and \$50,000 of special funding for reserve replenishment (2016 - Base funding of \$648,852 and \$NIL replacement reserve funding) 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 borrowing money.

12. 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.

13. NIAGARA FOREIGN TRADE ZONE

The Organization is a member of the Niagara Development Corridor Partnership Inc. (NDCPI) and therefore the NDCPI is a related party. The Fort Erie Economic Development & Tourism Corporation will be leasing 33% of its office space to the NDCPI for the operation of the Niagara Foreign Trade Zone storefront. The NDCPI will be responsible for 33% of the rent, plus common area charges, HST and utilities. The lease agreement is for two years commencing on January 1, 2018. During the current year, the NDCPI contributed \$10,000 towards the rent, common area charges, utilities and HST which was netted against these operating costs.

Further the Niagara Region has approved \$250,000 in funding for 2018 and has budgeted \$250,000 in funding for 2019 for the operation of the Niagara Foreign Trade Zone through the Niagara Development Corridor Partnership Inc.

14. COMPARATIVE FIGURES

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

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED DECEMBER 31, 2017

EXPENSES	<u>2017</u>	<u>2016</u>
Wages and benefits		
Wages and salaries	\$ 284,959	\$ 291,632
Subcontractors	6,780	6,032
Employee benefits	69,453	70,281
	<u>361,192</u>	<u>367,945</u>
Administrative		
Advertising and promotion	626	7,822
Audit and legal	11,281	22,043
Bank charges	474	493
Computer software and support	1,280	1,064
Insurance	5,582	6,253
Professional development	5,370	3,833
Travel	4,390	4,596
	<u>29,003</u>	<u>46,104</u>
Equipment		
Depreciation	6,927	9,384
Lease	1,446	1,430
Maintenance	627	-
	<u>9,000</u>	<u>10,814</u>
Office		
Computer supplies	196	2,916
Meetings	2,882	4,872
Paper and supplies	5,046	5,738
Postage and courier	1,292	1,752
Printing and stationery	10,327	10,322
Subscriptions and reference material	968	769
	<u>20,711</u>	<u>26,369</u>
Premises		
Cleaning	4,180	4,180
Rent	42,656	29,594
Repairs and maintenance	2,428	2,013
Utilities	4,224	2,922
	<u>53,488</u>	<u>38,709</u>
Telephone	8,354	11,862
	<u>\$ 481,748</u>	<u>\$ 501,803</u>