

**DOWNTOWN MONCTON
CENTRE-VILLE INC.**

Financial Statements
For the year ended
December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Downtown Moncton Centre-Ville Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Downtown Moncton Centre-Ville Inc., which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 entity 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 Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 organization's internal control.

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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 organization'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 organization 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 those charged with governance 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.

Thiel Greene

CHARTERED PROFESSIONAL ACCOUNTANTS

Moncton, NB
March 19, 2019

DOWNTOWN MONCTON CENTRE-VILLE INC.

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For the year ended December 31, 2018

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DOWNTOWN MONCTON CENTRE-VILLE INC.
Statement of Financial Position

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As at December 31,	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 118,256	\$ 113,349
Accounts receivable (note 3)	39,528	48,588
Prepaid expenses	597	597
	158,381	162,534
Capital assets (note 4)	127,196	129,649
Restricted cash (note 5)	271,132	241,985
	\$ 556,709	\$ 534,168
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 22,332	\$ 18,948
Due to the Province of New Brunswick	23,632	42,303
	45,964	61,251
NET ASSETS		
Unrestricted	112,417	101,283
Invested in capital assets	127,196	129,649
Internally restricted (note 5)	271,132	241,985
	510,745	472,917
	\$ 556,709	\$ 534,168

COMMITMENTS (note 6)

Signed on Behalf of the Board

_____ Member

_____ Member

See accompanying notes

DOWNTOWN MONCTON CENTRE-VILLE INC.
Statement of Changes in Net Assets

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For the year ended December 31,

	Unrestricted	Invested in capital assets	Internally restricted	Total 2018	Total 2017
BALANCE, BEGINNING OF YEAR	\$ 101,283	\$ 129,649	\$ 241,985	\$ 472,917	\$ 430,251
Excess (deficiency) of revenues over expenditures	63,045	(29,364)	4,147	37,828	42,666
Investments in capital assets	(26,911)	26,911	-	-	-
Transfer to restricted funds	(25,000)	-	25,000	-	-
BALANCE, END OF YEAR	\$ 112,417	\$ 127,196	\$ 271,132	\$ 510,745	\$ 472,917

See accompanying notes

DOWNTOWN MONCTON CENTRE-VILLE INC.
Statement of Operations

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For the year ended December 31,	2018 Budget	2018 Actual	2017 Actual
REVENUES			
Special levy	\$ 749,518	\$ 751,663	\$ 755,128
Program Income, Schedule 1	76,183	86,826	86,686
Interest income	4,000	7,065	5,781
Loss on sale of capital assets	-	-	(2,752)
	829,701	845,554	844,843
EXPENDITURES			
Amortization	20,000	29,364	26,569
Bad debts (recovered)	1,000	232	(4,237)
Meetings and hospitality	13,000	19,948	14,252
Office	49,000	36,096	40,587
Professional fees	15,015	27,026	20,539
Rent	31,000	31,970	32,303
Salaries and related benefits	242,500	239,994	238,066
Stakeholder Services, Schedule 2	404,900	404,370	413,394
Telephone	8,000	7,638	8,701
Travel	18,000	11,088	12,003
	802,415	807,726	802,177
EXCESS OF REVENUES OVER EXPENDITURES FOR THE			
YEAR	\$ 27,286	\$ 37,828	\$ 42,666

See accompanying notes

DOWNTOWN MONCTON CENTRE-VILLE INC.
Statement of Cash Flows

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For the year ended December 31,	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 37,828	\$ 42,666
Adjustments for		
Amortization	29,364	26,569
Loss on disposal of capital assets	-	2,752
	67,192	71,987
Change in non-cash working capital items		
Accounts receivable	9,060	(3,781)
Accounts payable and accrued liabilities	3,384	(8,894)
Employee deductions payable	-	(8,557)
Due to the Province of New Brunswick	(18,671)	(13,872)
	60,965	36,883
INVESTING ACTIVITIES		
Purchase of capital assets	(26,911)	(51,958)
Restricted cash	(29,147)	(28,316)
	(56,058)	(80,274)
INCREASE (DECREASE) IN CASH	4,907	(43,391)
CASH, BEGINNING OF YEAR	113,349	156,740
CASH, END OF YEAR	\$ 118,256	\$ 113,349

See accompanying notes

DOWNTOWN MONCTON CENTRE-VILLE INC.

Notes to the Financial Statements

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For the year ended December 31, 2018

1. STATUS AND NATURE OF ACTIVITIES

Downtown Moncton Centre-Ville Inc. is the representative agency for all businesses located within the Moncton Business Improvement Area which includes the merchants in the Main Street and St. George Street business areas. The Corporation is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

Special levy, program income and interest income is recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received for capital purposes are recognized as an increase to the capital surplus in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Corporation considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash equivalents. Bank borrowings are considered to be financing activities.

Cash and cash equivalents are composed of the following:

Balances with banks	\$118,256
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Capital assets

Rates and bases of depreciation applied to write-off the cost less estimated salvage value of property and equipment over their estimated lives are as follows:

Furniture and fixtures	20% Declining balance
Christmas lights	20% Declining balance
Robinson court improvements	20% Declining balance
Bike racks and side walk clusters	20% Declining balance
Sidewalk sweeper	20% Declining balance
Leasehold improvements	10% Straight-line

DOWNTOWN MONCTON CENTRE-VILLE INC.

Notes to the Financial Statements

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For the year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: allowance for doubtful accounts and estimated useful lives of capital assets. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. ACCOUNTS RECEIVABLE

	2017 and prior levy arrears	2018 levy arrears	Other receivables	2018	2017
Receivables	\$ 6,393	\$ 25,777	\$ 8,279	\$ 40,449	\$ 49,277
Allowance for doubtful accounts	(921)	-	-	(921)	(689)
	\$ 5,472	\$ 25,777	\$ 8,279	\$ 39,528	\$ 48,588

DOWNTOWN MONCTON CENTRE-VILLE INC.
Notes to the Financial Statements

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For the year ended December 31, 2018

4. CAPITAL ASSETS

	2018			2017	
	Cost	Accumulated amortization	Net	Net	
Furniture and fixtures	\$ 117,703	\$ 95,611	\$ 22,092	\$ 27,615	
Christmas lights	364,792	285,424	79,368	68,934	
Robinson court improvements	43,318	41,110	2,208	2,761	
Bike racks and side walk clusters	31,664	20,607	11,057	13,821	
Sidewalk sweeper	49,767	38,025	11,742	14,677	
Leasehold improvements	11,117	10,388	729	1,841	
	\$ 618,361	\$ 491,165	\$ 127,196	\$ 129,649	

5. RESTRICTED CASH

	2018	2017
Restricted for Downtown Events Centre	\$ 271,132	\$ 241,985

The Corporation has chosen to set aside certain funds for its future commitment to the Downtown Events Centre.

6. COMMITMENTS

The Corporation has committed to contribute \$3,750,000 to be paid in non-consecutive instalments over a period not to exceed 30 years, towards the construction costs of the Downtown Events Centre. As of December 31, 2018, no instalments were made and the full amount remains outstanding.

The Corporation entered into a ten-year lease in November 2009 for office space for \$11,099 annually plus a proportionate share of operating costs.

The Corporation entered into a five-year lease in December 2018 for storage space for \$2,795 monthly in year one, \$2,995 monthly in year two, and \$3,295 monthly in years three to five.

The Corporation has also made a commitment to help fund the YMCA ReConnect program at \$25,000 for 2019.

For the year ended December 31, 2018

7. BANK INDEBTEDNESS

The Corporation has an established line of credit, to a maximum of \$40,000, with interest at prime plus 1.25%, all of which is unused as of December 31, 2018.

As security for the line of credit, the Corporation has pledged a general security agreement and assignment of receivables.

8. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments. The following analysis provides information about the Corporation's risk exposure and concentration as of December 31, 2018.

(a) Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Corporation is not exposed to significant market risk.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from property owners on assessed levies. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has receivables from a significant number of property owners which minimizes concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its receipt of funds from property owners, the government and other related sources, and accounts payable. The Corporation mitigates this risk with an established line of credit.

9. ECONOMIC DEPENDENCE

The Corporation's special levy revenue is dependent on the City of Moncton's approval of its operating budget for the year. Should the City of Moncton not approve this operating budget, the Corporation would not receive the special levy revenue and it is management's opinion that continued viable operations would be doubtful.

10. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year net assets.

DOWNTOWN MONCTON CENTRE-VILLE INC.
Schedules to the Financial Statements

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For the year ended December 31,

SCHEDULE OF PROGRAM INCOME

Schedule 1

	2018 Budget	2018 Actual	2017 Actual
City of Moncton			
Light display	\$ 27,683	\$ 27,683	\$ 27,683
Downtown maintenance	17,000	17,000	17,000
Ambassador program	25,000	30,000	30,000
	69,683	74,683	74,683
Federal government			
Summer student program	6,500	12,143	12,003
	\$ 76,183	\$ 86,826	\$ 86,686

SCHEDULE OF STAKEHOLDER SERVICES

Schedule 2

	2018 Budget	2018 Actual	2017 Actual
Summer student program	\$ 15,000	\$ 20,581	\$ 20,355
Annual meeting	8,000	7,069	8,462
ReConnect Program	25,000	25,000	25,000
Christmas lights	60,000	47,244	47,345
Christmas promotion	15,000	12,396	9,560
Downtown development	82,400	76,644	97,633
Downtown maintenance	75,000	91,072	76,369
Downtown gift cards	13,000	12,676	11,771
General advertising	19,000	11,147	15,504
Security	25,000	30,019	30,058
Special events	35,000	35,412	40,780
Street banners	22,500	25,908	20,623
Website	10,000	9,202	9,934
	\$ 404,900	\$ 404,370	\$ 413,394