



April 23, 2018

Janelle Arendt, MPAcc, CPA, CA
Financial Analyst
City of Saskatoon
222 3rd Avenue N
Saskatoon, SK S7K 0J5

Dear Ms. Arendt,

Re: 2017 Downtown Saskatoon Financial Statements

Please find attached the 2017 Financial Statements for Downtown Saskatoon.

As noted in the financial statements, we ended the year with an excess of revenue over expenditures in our general fund. The reason for this is primarily attributed to salary savings over the course of the year due to position vacancies as a result of maternity leave and reorganization.

The Downtown Saskatoon Board of Directors is in the planning process for how best to allocate these funds for strategic projects in 2018.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Brent Penner'.

Brent Penner
Executive Director

DOWNTOWN SASKATOON
FINANCIAL STATEMENTS
DECEMBER 31, 2017





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INDEPENDENT AUDITOR'S REPORT

To the Members of Downtown Saskatoon

We have audited the accompanying financial statements of Downtown Saskatoon, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditor's 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 auditor's 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 organization'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.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Downtown Saskatoon as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

SASKATOON, SASKATCHEWAN

April 10, 2018

Buchberger Baerq & Partners LLP

Chartered Professional Accountants

DOWNTOWN SASKATOON

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>General fund</u>	Externally restricted fund	Internally restricted fund	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>					
Current assets					
Cash	\$ 473,259	\$ -	\$ 200,000	\$ 673,259	\$ 602,821
Accounts receivable	38,484	-	-	38,484	40,490
Prepaid expenses	11,620	-	-	11,620	9,793
Interfund receivable	-	135,311	-	-	-
	<u>523,363</u>	<u>135,311</u>	<u>200,000</u>	<u>723,363</u>	<u>653,104</u>
Capital assets (Note 3)	78,176	27,136	-	105,313	114,789
	<u>\$ 601,539</u>	<u>\$ 162,447</u>	<u>\$ 200,000</u>	<u>\$ 828,676</u>	<u>\$ 767,893</u>
<u>LIABILITIES</u>					
Current liabilities					
Accounts payable and accrued liabilities (Note 4)	\$ 41,377	\$ -	\$ -	\$ 41,378	\$ 24,495
Deferred revenue	-	37,500	-	37,500	69,483
Interfund payable	135,311	-	-	-	-
	<u>176,688</u>	<u>37,500</u>	<u>-</u>	<u>78,878</u>	<u>93,978</u>
Commitments (Note 7)					
<u>NET ASSETS</u>					
General fund	424,851	-	-	424,851	355,299
Internally restricted fund	-	-	200,000	200,000	200,000
Externally restricted fund	-	124,947	-	124,947	118,616
	<u>424,851</u>	<u>124,947</u>	<u>200,000</u>	<u>749,798</u>	<u>673,915</u>
	<u>\$ 601,539</u>	<u>\$ 162,447</u>	<u>\$ 200,000</u>	<u>\$ 828,676</u>	<u>\$ 767,893</u>

See accompanying notes

Approved on behalf of the members

Director _____

Director _____

DOWNTOWN SASKATOON

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>General fund</u>	<u>Externally restricted fund</u>	<u>Internally restricted fund</u>	<u>2017</u>	<u>2016</u>
Revenue					
Business tax levy	\$ 700,885	\$ -	\$ -	\$ 700,885	\$ 602,461
City of Saskatoon grant	-	438,000	-	438,000	403,000
Parking grant	35,900	-	-	35,900	35,900
Other grant revenue (Note 6)	12,218	-	-	12,218	17,120
Event revenues	21,100	-	-	21,100	18,450
Investment and other earnings	13,599	-	-	13,599	19,047
Street maintenance	25,500	-	-	25,500	27,895
	<u>809,202</u>	<u>438,000</u>	<u>-</u>	<u>1,247,202</u>	<u>1,123,873</u>
Expenditures					
Amortization	17,044	8,426	-	25,470	33,376
Events	32,497	-	-	32,496	31,779
Marketing	67,723	-	-	67,723	65,071
Board meetings	6,451	-	-	6,451	6,909
Office and administration (Note 5)	115,967	57,912	-	173,881	151,968
Research and education	12,621	8,002	-	20,623	16,807
Street cleaning	192,690	13	-	192,702	178,828
Wages and salaries	294,657	357,316	-	651,973	587,588
	<u>739,650</u>	<u>431,669</u>	<u>-</u>	<u>1,171,319</u>	<u>1,072,326</u>
Excess of revenue over expenditures before other items	69,552	6,331	-	75,883	51,547
Rebranding expenses	-	-	-	-	(40,827)
Loss on disposal of capital assets	-	-	-	-	(641)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,468)</u>
Excess of revenue over expenditures	<u>\$ 69,552</u>	<u>\$ 6,331</u>	<u>\$ -</u>	<u>\$ 75,883</u>	<u>\$ 10,079</u>

See accompanying notes

DOWNTOWN SASKATOON

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	<u>General fund</u>	<u>Externally restricted fund</u>	<u>Internally restricted fund</u>	<u>Total 2017</u>	<u>Total 2016</u>
Net assets, beginning of year	\$ 355,299	\$ 118,616	\$ 200,000	\$ 673,915	\$ 663,837
Excess of revenue over expenditures	<u>69,552</u>	<u>6,331</u>	<u>-</u>	<u>75,883</u>	<u>10,079</u>
Net assets, end of year	<u>\$ 424,851</u>	<u>\$ 124,947</u>	<u>\$ 200,000</u>	<u>\$ 749,798</u>	<u>\$ 673,916</u>

See accompanying notes

DOWNTOWN SASKATOON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Cash flows from (used in) operating activities		
Excess of revenue over expenditures	\$ 75,883	\$ 10,079
Items not affecting cash		
Amortization	25,470	33,376
Loss on disposal of capital assets	-	641
Net change in non-cash working capital items		
Accounts receivable	2,006	(1,670)
Prepaid expenses	(1,827)	(987)
Accounts payable and accrued liabilities	16,882	(126,118)
Deferred revenue	(31,983)	69,483
	<u>86,431</u>	<u>(15,196)</u>
Cash flows used in investing activities		
Purchase of capital assets	(15,993)	(40,174)
Proceeds on disposal of capital assets	-	2,600
	<u>(15,993)</u>	<u>(37,574)</u>
Net increase (decrease) in cash in the year	70,438	(52,770)
Cash, beginning of year	<u>602,821</u>	<u>655,591</u>
Cash, end of year	<u>\$ 673,259</u>	<u>\$ 602,821</u>

See accompanying notes

DOWNTOWN SASKATOON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Nature of operations

Downtown Saskatoon (the "organization") is a non-profit organization established through the Bylaws of the City of Saskatoon. The organization's mandate is to make the downtown core a better place to live, work, shop, visit, play and invest. The organization is exempt from income taxes under Section 149 of the Income Tax Act.

The organization entered into a Memorandum of Agreement with the City of Saskatoon to deliver and manage the Community Support Program (CSO Program). The purpose of the CSO Program is to deploy community support officers who will endeavour to address the community issues in the area of the downtown core. During the year ended December 31, 2015, the organization signed another Memorandum of Agreement with the City of Saskatoon to extend the CSO Program to December 31, 2018.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Fund accounting

The organization follows the principles of fund accounting.

The general fund accounts for the general operations and events of the organization. Unrestricted contributions and restricted contributions to be used for operations are reported in this fund.

The externally restricted fund accounts for the operations of the CSO program.

An interfund receivable and payable represents amounts received in the general fund for expenses not yet incurred in the externally restricted fund.

The internally restricted fund is established for the purposes of maintaining a reserve for future uncertain expenditures. The balances in the internally restricted fund are not available for any purpose without the authorization of the Board of Directors.

Capital assets

Capital assets are recorded at cost, less accumulated amortization. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Computer equipment	45%
Database	20%
Leasehold improvements	20%
Office equipment	20%
Banners and outdoor signage	33%
Vehicles	30%

DOWNTOWN SASKATOON

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant accounting policies (continued)

Impairment of long-lived assets

Long-lived assets, which comprise capital assets, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

Revenue recognition

The organization follows the deferral method of accounting for contributions, which includes grants and donations. Contributions of capital assets are included as deferred contributions and capital assets.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Investment and other income is recognized as earned.

Donated material and services

The work of the organization is dependant on a substantial number of individuals that have made significant contributions of their time to the organization. The value of the contributed time is not reflected in these financial statements.

Financial instruments

The organization initially records a financial instrument at its fair value, except for a related party transaction, which is recorded at the carrying or exchange amount depending on the circumstances.

Transaction costs are recognized in excess of revenues over expenditures in the period incurred. However, transaction costs associated with financial instruments carried at cost or amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the expected life of the instrument.

Financial assets and financial liabilities subsequently measured at amortized cost include cash, accounts receivable, and accounts payable and accrued liabilities.

DOWNTOWN SASKATOON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. **Significant accounting policies (continued)**

Financial instruments (continued)

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected, the proceeds that could be realized from the sale of the financial asset, or the amount that could be realized by exercising the right to any collateral held to secure repayment of the asset. Such impairments can be subsequently reversed to the extent that the improvement can be related to an event occurring after the impairment was recognized.

Use of estimates

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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the useful lives of capital assets and related amortization.

3. **Capital assets**

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Total 2017</u>	<u>Total 2016</u>
General fund				
Computer equipment	\$ 23,035	\$ 22,557	\$ 478	\$ 1,139
Leasehold improvements	18,555	18,217	338	-
Office equipment	46,217	31,521	14,696	12,999
Banners and outdoor signage	91,641	80,557	11,084	16,400
Vehicles	<u>74,783</u>	<u>23,202</u>	<u>51,581</u>	<u>57,569</u>
	254,231	176,054	78,177	88,107
Externally restricted fund				
Computer equipment	4,427	4,427	-	251
Database	8,880	889	7,991	-
Leasehold improvements	25,671	25,671	-	4,007
Office equipment	11,949	11,337	612	1,739
Vehicles	<u>23,913</u>	<u>5,380</u>	<u>18,533</u>	<u>20,685</u>
	74,840	47,704	27,136	26,682
Total capital assets	<u>\$ 329,071</u>	<u>\$ 223,758</u>	<u>\$ 105,313</u>	<u>\$ 114,789</u>

DOWNTOWN SASKATOON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

4. Government remittances

Government remittances as at year end were \$6,245 (2016 - \$4,635) related to sales tax remittances, and are included in accounts payable and accrued liabilities.

5. Related party transactions

During the year, the company paid research costs of \$11,300 (2016 - \$0) to Fast Consulting, which is controlled by a board member. These expenses are recorded in office and administration expense.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Operating grants

During the year, the organization received grants from the Government of Canada for Canada Summer Jobs in the amount of \$7,718 (2016 - \$15,120), and a sponsorship from Tourism Saskatoon for \$2,500 (2016 - \$nil). The organization also received a Graffiti Removal Grant from the City of Saskatoon in the amount of \$2,000 (2016 - \$2,000).

7. Commitments

The organization has entered into a lease agreement for office space ending April 30, 2023. Minimum annual lease payments for the next five years under this operating lease with a third party is as follows:

2018	\$	63,645
2019		56,145
2020		56,145
2021		57,524
2022		58,214

8. Economic dependence

The organization receives a significant portion of its funding from the City of Saskatoon through a special levy on property assessments from the businesses located in the downtown district. The organization's ability to continue its viable operations is dependent upon maintaining that funding.

DOWNTOWN SASKATOON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. Financial instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to its accounts receivable, however, this risk is mitigated by the fact that all or nearly all of the amounts in this account are receivable from a government agency.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial instruments. The organization's approach is to establish an internally restricted fund whose purpose is to ensure it maintains an amount sufficient to meet its liabilities when due, under both normal and stressed circumstances.

10. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the new presentation required by the City of Saskatoon. The changes do not affect prior year net assets.