



Memorandum

Office of the City Clerk
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TO: Members of Council
FROM: Krista Power, City Clerk
DATE: Thursday, June 16, 2022
SUBJECT: **Additional Information**
City Council (Special Session – CEDC AGM) – June 20, 2022

CITY COUNCIL (SPECIAL SESSION) CEDC AGM

Additional Information

1. CEDC Draft Financial Statements December 31, 2021.

**Thunder Bay Community
Economic Development Commission Inc.**
Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

To the Directors
Thunder Bay Community Economic Development Commission Inc.

Opinion

We have audited the financial statements of Thunder Bay Community Development Commission Inc. ("the Entity"), which comprise the statement of financial position as at December 31, 2021, and the statement of operations and changes in fund balances, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations, changes in fund balances, and its cash flows for the year then ended in accordance with Canadian public sector 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 these financial statements in accordance with Canadian public sector 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.

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.

Independent Auditor's Report (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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 Entity's internal control.
- 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 Entity'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 Entity 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.

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
June 20, 2022

THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.
STATEMENT OF FINANCIAL POSITION
as at December 31, 2021

	Operating Fund	Investment Reserve Fund	MAT Reserve Fund	2021 Total	2020 Total
	\$	\$	\$	\$	\$
Assets					
Cash	-	206,630	2,567,769	2,774,399	2,255,677
Accounts receivable	-	117	1,958	2,075	3,224
Accounts receivable - grants	3,021,524	24,006	-	3,045,530	307,889
Prepaid expenses	12,002	-	-	12,002	-
Due from City of Thunder Bay	1,715,924	-	306,337	2,022,261	1,700,185
Due from MAT Reserve Fund (Note 10)	221,983	-	-	221,983	162,368
	<u>4,971,433</u>	<u>230,753</u>	<u>2,876,064</u>	<u>8,078,250</u>	<u>4,429,343</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	6,148	3,500	30,360	40,008	56,938
Due to Operating Fund (Note 10)	-	-	221,983	221,983	153,893
Due to Investment Reserve Fund	-	-	-	-	8,475
Due to Tbaytel (Note 13)	2,907,729	-	-	2,907,729	-
Deferred revenue (Note 4)	183,277	9,772	-	193,049	146,992
	<u>3,097,154</u>	<u>13,272</u>	<u>252,343</u>	<u>3,362,769</u>	<u>366,298</u>
Net Assets					
Unrestricted	1,874,279	217,481	2,623,721	4,715,481	4,063,045
	<u>4,971,433</u>	<u>230,753</u>	<u>2,876,064</u>	<u>8,078,250</u>	<u>4,429,343</u>

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**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.**
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
Year ended December 31, 2021

	Operating Fund <u>Budget</u>	Operating Fund <u>Actual</u>	Investment Reserve Fund <u>Actual</u>	MAT Reserve Fund <u>Actual</u>	2021 <u>Total</u>	2020 <u>Total</u>
	\$ (Note 11)	\$	\$	\$	\$	\$
Revenue						
Contribution from City of Thunder Bay	2,896,600	2,896,600	-	907,266	3,803,866	3,590,581
Other revenue	-	33,143	51,543	-	84,686	123,000
Provincial grants	186,000	3,096,075	69,969	-	3,166,044	615,144
Federal grants	-	187,153	-	-	187,153	103,582
Interest revenue	-	645	16,613	14,503	31,761	21,329
	<u>3,082,600</u>	<u>6,213,616</u>	<u>138,125</u>	<u>921,769</u>	<u>7,273,510</u>	<u>4,453,636</u>
Expenditure						
Advertising and promotion	149,700	185,065	-	-	185,065	151,758
Administration	773,800	825,493	-	-	825,493	965,065
Contribution to City of Thunder Bay (Note 7)	-	123,777	-	-	123,777	38,130
Contribution to Thaytel (Note 13)	-	2,907,729	-	-	2,907,729	-
Professional fees	178,600	190,715	-	-	190,715	402,659
Projects	-	-	242,123	206,500	448,623	336,688
Special events	43,100	63,399	-	-	63,399	59,509
Rent (Note 7)	104,200	103,554	-	-	103,554	102,546
Salaries and benefits	1,806,600	1,757,451	-	-	1,757,451	1,668,693
Travel	61,100	15,268	-	-	15,268	45,474
	<u>3,117,100</u>	<u>6,172,451</u>	<u>242,123</u>	<u>206,500</u>	<u>6,621,074</u>	<u>3,770,522</u>
Excess (deficiency) of revenue over expenditure	(34,500)	41,165	(103,998)	715,269	652,436	683,114
Fund Balances, beginning of year	4,063,045	1,602,990	321,479	2,138,576	4,063,045	3,379,931
Transfers to Operating Fund (Note 10)	34,500	230,124	-	(230,124)	-	-
Fund Balances, end of year	<u>4,063,045</u>	<u>1,874,279</u>	<u>217,481</u>	<u>2,623,721</u>	<u>4,715,481</u>	<u>4,063,045</u>

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**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2021**

	<u>2021</u>	<u>2020</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditure for year		
Operations	41,165	(25,450)
Investment reserve fund	(103,998)	(62,226)
MAT reserve fund	715,269	770,790
	<u>652,436</u>	<u>683,114</u>
Net change in non-cash working capital balances		
Related to operations		
Accounts receivable	1,149	10,377
Accounts receivable - grants	170,088	(203,662)
Prepaid expenses	(12,002)	5,870
Accounts payable	(16,930)	45,394
Deferred revenue	46,057	(148,308)
Cash provided by operating activities	<u>840,798</u>	<u>392,785</u>
FINANCING ACTIVITIES		
Advances to City of Thunder Bay	(419,415)	(262,996)
Repayments from City of Thunder Bay	97,339	608,061
Cash (used in) provided by financing activities	<u>(322,076)</u>	<u>345,065</u>
Increase in cash during the year	518,722	737,850
Cash, beginning of year	<u>2,255,677</u>	<u>1,517,827</u>
Cash, end of year	<u><u>2,774,399</u></u>	<u><u>2,255,677</u></u>

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**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2021

1. Nature of Operations

Thunder Bay Community Economic Development Commission Inc. (CEDC) acts as the primary economic development agency for the City of Thunder Bay. The main object of the CEDC is to promote economic development and tourism with the co-operation and participation of the community by encouraging, facilitating and supporting community strategic planning to increase self-reliance through investment and job creation within the community. The CEDC is a not-for-profit corporation with no share capital incorporated under the Ontario Corporations Act and is exempt from income tax under section 149(1) of the Canadian Income Tax Act. The CEDC was incorporated on November 9, 2006.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations. The significant accounting policies are summarized as follows:

(i) **Management's Responsibility for the Financial Statements**
The financial statements of the CEDC are the responsibility of management.

(ii) **Basis of Accounting**
The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations, as established by The Public Sector Accounting Board.

(iii) **Fund Accounting**
The organization follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The investment reserve fund represents amounts set aside to fund specific Economic Development initiatives which comply with the criteria for funding approval.

The municipal accommodation tax (MAT) reserve fund represents amounts received to be used exclusively for purposes of tourism promotion.

(iv) **Cash**
Cash is comprised of cash on hand and bank balances with maturities of three months or less.

(v) **Revenue recognition**
The CEDC follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.**
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2021

Contributed materials and services are recorded at fair value when the fair value can be reasonably estimated and the material and services are used in the normal course of the corporation's operations.

(vi) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. The principal estimate used in the preparation of these financial statements is the determination of the loan impairment. Actual results could differ from those estimates.

(vii) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

(viii) Impairment of long lived assets

The CEDC recognizes an impairment loss when the carrying amount of an asset exceeds the sum of undiscounted cash flows expected from the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair market value.

(ix) Pension agreements

The CEDC is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for the Plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2021

3. Loans Receivable

	2021	2020
4% (effective Jan 1, 2021) loan receivable from Lakehead Superior Centre for Regenerative Regenerative Medicine Inc. (LSCRMI), no payments until April 1, 2021 resulting in a balance of \$595,667 on that date; blended payments of \$5,904 beginning April 1, 2021; on April 1, 2025 the borrower shall pay the remainder of the loan	\$ 554,528	\$ 591,667
4% (effective Jan 1, 2021) loan receivable from Lakehead Superior Centre for Regenerative Regenerative Medicine Inc. (LSCRMI), no payments until April 1, 2021 resulting in a balance of \$149,791 on that date; blended payments of \$1,489 beginning April 1, 2021; on April 1, 2025 the borrower shall pay the remainder of the loan	\$ 139,387	\$ 148,791
Provision for impairment	\$ (693,915)	\$ (740,458)
	<u>\$ -</u>	<u>\$ -</u>

In March 2021, LSCRMI and CEDC entered into an amending loan agreement where accrued interest since March 2011 to December 31, 2020 has been added to the loan principal, resulting in loan balances of \$591,667 and \$148,791 respectively on that date. The CEDC will only reverse provisions for impairment when cash payments are received.

4. Deferred Revenue

	2021	2020
Digital Main Street Project, Ontario BIA Association	\$ 46,809	\$ 61,453
Rural North Immigration Pilot, Government of Canada	\$ 27,116	\$ -
SBEC Core Initiatives Program, Province of Ontario	\$ 28,653	\$ -
Starter Company Program, Province of Ontario	\$ 23,188	\$ 23,188
Starter Company Plus Program, Province of Ontario	\$ 48,209	\$ 48,209
Summer Company Program, Province of Ontario	\$ 19,074	\$ 14,142
	<u>\$ 193,049</u>	<u>\$ 146,992</u>

Funding for the Digital Main Street Project, which runs until February 28, 2022 was provided by the Ontario BIA Association. Funding for the Rural North Immigration Pilot, which runs until December 31, 2022 was provided by the Minister of Economic Development and Official Languages. Funding for SBEC Core Initiatives Program which runs until March 31, 2022 was provided by Minister of Energy, Northern Development and Mines. Funding for the Starter Company and Summer Company Program, which runs until March 31, 2022 was provided by the Ministry of Economic Development, Job Creation and Trade.

**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.**
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2021

5. Unrestricted Net Assets

The Corporation of the City of Thunder Bay ("the City") entered into an agreement with the Thunder Bay Community Economic Development Commission Inc. (CEDC) on November 10, 2006. Under the terms of this agreement, the CEDC retains any operating surpluses (i.e. any net favourable variance between the budgeted contribution from the City and actual expenditures for the year to be carried forward to subsequent years).

6. Nature and Extent of Risks Arising from Financial Instruments

The Board of Directors has overall responsibility for the determination of the CEDC's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the organization's Chief Executive Officer. The Board of Directors receives quarterly reports from the organization's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The organization's financial instruments are exposed to certain financial risks, including credit and liquidity risk. It is management's opinion that the CEDC is not exposed to significant liquidity, foreign exchange or interest rate risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Credit Risk

Credit risk is the risk of financial loss to the CEDC if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the CEDC's receivables. The CEDC's loans receivables are held by one entity, exposing the organization to credit concentration risk. The organization does not believe it is exposed to significant credit concentrations of credit risk related to accounts receivable and accounts receivable grants. The organization maintains all cash within one financial institution bank account. The organization is exposed to credit risk as the balance exceeds the federally insured limit.

Liquidity Risk

Liquidity risk is the risk that the CEDC will not be able to meet its financial obligations as they fall due. The organization has a planning and budgeting process in place to help determine the funds required to support the organization's normal operating requirements on an ongoing basis. The organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.**
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2021

7. Related Party Transactions

The operations of the CEDC are dependent upon the continued financial support of the City of Thunder Bay.

The CEDC paid the City of Thunder Bay \$103,554 (2020 - \$102,546) for rent for the year and paid an administration fee of \$173,251 (2020 - \$174,771) and paid internal charges of \$216,361 (2020 - \$187,982).

The CEDC contributed to the City of Thunder Bay \$123,777 (2020 - \$38,130) for the Community Improvement Plan (CIP) and the Terry Fox Visitor Centre project.

8. Pension Agreements

The CEDC makes contributions to the Ontario Municipal Employees Retirement System Fund (OMERS), which is a multi-employer plan.

All employees are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS). The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Board of Trustees representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. OMERS provides pension services to more than half a million active, deferred and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of the OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million [2020 - \$113,055 million] in respect of benefits accrued for service with actuarial assets at that date of \$117,665 million [2020 - \$109,844 million] indicating an actuarial deficit of \$3,131 million [2020 - \$3,211 million]. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the CEDC does not recognize any share of the OMERS pension surplus or deficit. During the year ended December 31, 2021, CEDC contributed \$114,471 [2020 - \$112,478] to the plan.

9. Commitments

The CEDC has entered into an operating lease agreement for rental of office space from November 1, 2019 to October 31, 2024. The monthly payments under this lease are \$8,771 from January 1, 2022 to October 31, 2022, adjusted annually on November 1 for the consumer price index.

The CEDC has committed \$11,500 of the Investment Reserve Fund to various organizations. Scheduled payments are made at the time organizations meet previously agreed upon criteria.

The CEDC has committed \$1,422,501 of the MAT Reserve Fund to various organizations. Scheduled payments are made at the time organizations meet previously agreed upon criteria.

**THUNDER BAY COMMUNITY ECONOMIC
DEVELOPMENT COMMISSION INC.**
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2021

10. Fund Transfers

During the year, \$230,124 was transferred from the MAT Reserve Fund to the Operating Fund for Tourism Thunder Bay Marketing & Communication Proposal 2020-2021, administration fees related to administering the approved CEDC MAT projects and the purchase of Meridian's Check In Canada Referral Model Booking Engine.

11. Budget Figures

The operating budget approved by the Board of Directors for 2021 is reflected on the Statement of Financial Activities. Budget figures are not prepared for the Investment Reserve Fund or MAT Reserve Fund.

12. Pandemic

The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions both within Canada and internationally, which has had, and is expected to continue to have, a significant adverse impact on the organization's ability to continue promoting economic development and tourism in the Thunder Bay region. In 2021, the City of Thunder Bay has seen significant reduction in tourism activities and hotel occupancy rates compared to historic levels, which led to a reduction in Municipal Accommodation Tax revenues being collected. In the prior year, the City of Thunder Bay allocated Safe Restart Agreement Municipal Operating Funding received from the Province to CEDC to assist with the impact on operations. If the local tourism industry continues to experience difficulties or if government restrictions are in place for an extended period, the CEDC's 2021 contributions from the City of Thunder Bay's Municipal Accommodation Tax may be significantly reduced. The extent to which the pandemic affects the CEDC's operations is limiting the ability to provide funds to tourism projects throughout the City.

13. Tbaytel

During the year funding for the Rural Thunder Bay FTTH III project which runs until December 31, 2022 was provided by the Minister of Infrastructure under the Northern Ontario Heritage Fund including Tbaytel as a project Partner. Funding CEDC receives in connection with the project will be contributed to Tbaytel.

14. Comparative Amounts

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 financial statements.

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