

**FORT ERIE ECONOMIC DEVELOPMENT
& TOURISM CORPORATION**

Financial Statements
for the Year Ended December 31, 2010
and Independent Auditors' Report

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2010

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CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Directors of
Fort Erie Economic Development & Tourism Corporation:

We have audited the accompanying financial statements of the Fort Erie Economic Development & Tourism Corporation, which comprise the statement of financial position as at December 31, 2010, 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 generally accepted accounting principles 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 controls 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 controls. 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, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Durward Jones Barkwell & Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

March 30, 2011



Big enough to know
SMALL ENOUGH TO CARE

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2010

	2010	2009
REVENUE		
Municipal grant	\$ 593,195	\$ 585,720
Interest	685	11,367
	593,880	597,087
Special projects		
Fort Erie Race Track Re-development Plan	32,241	2,250,000
1812-2012 Feasibility Project	15,751	9,971
Gaming Industry Marketing Campaign (Note 10)	135,000	137,500
GTA Marketing Campaign	15,375	2,050
NIBS Tradeshow	10,674	10,755
World Energy Congress	15,559	-
	818,480	3,007,363
EXPENSES		
Administrative - Page 12		
Wages and benefits	355,329	302,116
Administrative	30,369	31,425
Equipment	9,803	11,167
Office	12,478	11,972
Premises	29,015	26,975
Telephone	16,064	14,206
	453,058	397,861
Program		
Branding program	36,485	14,972
Internal economic development	37,782	32,461
External economic development	27,547	19,823
	101,814	67,256
Special Projects		
Fort Erie Race Track Re-development Plan	24,626	2,330,283
1812-2012 Feasibility Project	15,751	9,971
Brownfields Community Improvement Plan study	-	2,500
Gaming Industry Marketing Campaign	165,000	132,652
GTA Marketing Campaign	15,375	2,050
NIBS Tradeshow	10,674	10,755
World Energy Congress	15,559	-
Tourism marketing (CTODS)	3,834	3,690
	250,819	2,491,901
	805,691	2,957,018
EXCESS OF REVENUE OVER EXPENSES	\$ 12,789	\$ 50,345

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF CHANGES IN UNRESTRICTED SURPLUS
YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
UNRESTRICTED SURPLUS, BEGINNING OF YEAR	\$ 154,151	\$ 101,943
EXCESS OF REVENUE OVER EXPENSES - Page 2	12,789	50,345
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS (Note 8)	5,596	9,211
ALLOCATION TO THE EMERGENCY MARKETING RESPONSE FUND (Note 9)	(50,000)	-
ALLOCATION FROM THE GAMING INDUSTRY MARKETING CAMPAIGN FUND (Note 10)	6,906	(7,348)
UNRESTRICTED SURPLUS, END OF YEAR	\$ 129,442	\$ 154,151

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash	\$ 188,961	\$ 193,320
Cashable investment certificates	200,709	198,711
Accounts receivable (Note 2)	67,334	40,687
Prepaid expenses	32,310	37,359
	489,314	470,077
Investment in Fleet Canada Inc. (Note 3)	10,000	10,000
Furniture, fixtures and leasehold improvements (Note 4)	16,903	22,499
	\$ 516,217	\$ 502,576
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 5)	\$ 56,272	\$ 57,181
Niagara Development Corridor Partnership (Note 6)	60,569	48,814
Deferred revenue (Note 7)	94,018	104,012
Commitments (Note 13)		
	210,859	210,007
SURPLUS		
Invested in capital assets (Note 8)	16,903	22,499
Internally restricted - Emergency Marketing Response Fund (Note 9)	150,000	100,000
Externally restricted - Gaming Industry Marketing Campaign Fund (Note 10)	9,013	15,919
Unrestricted surplus	129,442	154,151
	305,358	292,569
	\$ 516,217	\$ 502,576

Approved by the Board:



..... Chair



..... Treasurer

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 12,789	\$ 50,345
Depreciation, being an item not affecting cash	8,771	10,106
	21,560	60,451
Effects on cash from changes in operating assets and liabilities		
Accounts receivable	(26,647)	(12,129)
Prepaid expenses	5,049	(11,167)
Accounts payable and accrued charges	(909)	44,685
Niagara Development Corridor Partnership	11,755	6,600
Deferred revenue	(9,994)	(1,468,653)
	814	(1,380,213)
INVESTING ACTIVITY		
Purchase of furniture, fixtures and leasehold improvements	(3,175)	(895)
DECREASE IN CASH	(2,361)	(1,381,108)
CASH, BEGINNING OF YEAR	392,031	1,773,139
CASH, END OF YEAR	\$ 389,670	\$ 392,031
CASH IS REPRESENTED BY:		
Cash	\$ 188,961	\$ 193,320
Cashable investment certificates	200,709	198,711
	\$ 389,670	\$ 392,031

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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 equipment, 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 equipment and sign	20%
Computer equipment	30%
Leasehold improvements	5 years

Financial instruments

Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities, are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with the change in fair value recorded as a change in net assets. Gains or losses on the available-for-sale financial assets are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

The organization has classified its financial instruments as follows:

- Cash and cashable investment certificates have been classified as held-for-trading.
- Accounts receivable are classified as loans and receivables.
- Accounts payable and accrued charges and Niagara Development Corridor Partnership are classified as other liabilities.

The fair value of cash, cashable investment certificates, accounts receivable, accounts payable and accrued charges and the Niagara Development Corridor Partnership approximate their carrying values due to the relatively short-term nature of these instruments.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (CONTINUED)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Significant estimates and assumptions are used when accounting for items such as determination of useful life of furniture, fixtures and leasehold improvements and revenue recognition. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Future accounting standards

The CICA's Accounting Standards Board has released new accounting standards for not-for-profit organizations which are effective for years beginning on or after January 1, 2012. Alternatively, not-for-profit organizations may choose International Financial Reporting Standards. Management is currently evaluating the impact of the adoption of these new standards on its financial statements.

2. ACCOUNTS RECEIVABLE

	<u>2010</u>	<u>2009</u>
Trade accounts receivable	\$ 56,449	\$ 34,113
Other receivables	10,885	6,574
	<u>\$ 67,334</u>	<u>\$ 40,687</u>

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>2010</u>			<u>2009</u>
	Assets at Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office furniture and sign	\$ 35,367	\$ 31,229	\$ 4,138	\$ 2,335
Computer equipment	71,797	60,238	11,559	16,512
Leasehold improvements	12,231	11,025	1,206	3,652
	<u>\$ 119,395</u>	<u>\$ 102,492</u>	<u>\$ 16,903</u>	<u>\$ 22,499</u>

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

5. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2010</u>	<u>2009</u>
Trade	\$ 22,748	\$ 13,759
Accrued charges		
Gaming Industry Marketing Campaign	-	28,319
Professional fees	5,000	3,750
Town of Fort Erie	2,759	-
Vacation and sick time	19,707	7,735
Wages	6,058	3,618
	<u>\$ 56,272</u>	<u>\$ 57,181</u>

6. NIAGARA DEVELOPMENT CORRIDOR PARTNERSHIP

The Niagara Development Corridor Partnership was established in 2004 and is comprised of the economic development organizations/departments for St. Catharines, Welland, Niagara Falls, Port Colborne, The Region of Niagara as well as Fort Erie.

As the administrator for the various marketing initiatives, the organization collects funds from surrounding communities to fund the various shared community economic development expenses. The balance represents funds held by the organization at year end. The amounts are repayable on demand and have therefore been classified as current liabilities.

	<u>2010</u>	<u>2009</u>
Niagara Falls	\$ 11,220	\$ 16,171
Port Colborne	12,398	6,205
	<u>23,618</u>	<u>22,376</u>
NIBS Tradeshow	36,951	26,438
	<u>\$ 60,569</u>	<u>\$ 48,814</u>

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>2010</u>	<u>2009</u>
GTA Marketing Campaign	75,240	90,615
1812-2012 Feasibility Project	14,278	10,029
NIBS Tradeshow	4,500	3,368
	<u>\$ 94,018</u>	<u>\$ 104,012</u>

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

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

8. SURPLUS INVESTED IN CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Surplus, beginning of year	\$ 22,499	\$ 31,710
Depreciation	(8,771)	(10,106)
Purchase of capital assets	3,175	895
Surplus, end of year	\$ 16,903	\$ 22,499

9. EMERGENCY MARKETING RESPONSE FUND

	<u>2010</u>	<u>2009</u>
Surplus, beginning of year	\$ 100,000	\$ 100,000
Allocation in year	50,000	-
Surplus, end of year	\$ 150,000	\$ 100,000

The above-noted reserve fund is internally restricted and was created by the organization during 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.

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 \$135,000 (2009 - \$137,500) for the Gaming Industry Marketing Campaign. The local gaming industry contributed \$95,000 (2009 - \$97,500) of these funds, with an additional \$40,000 (2009 - \$40,000) contributed by the Ontario Tourism Marketing Partnership Corporation.

The following represents the surplus from current and prior years:

	<u>2010</u>	<u>2009</u>
Surplus, beginning of year	\$ 15,919	\$ 8,571
Allocation in year	-	7,348
Less: withdrawal in year	(6,906)	-
Surplus, end of year	\$ 9,013	\$ 15,919

The above-noted, externally restricted surplus, held by the organization, is set aside by the Gaming Industry Marketing Campaign partners. This amount is to be used for any additional costs incurred through efforts to continue the Campaign through the off-season until the beginning of the 2011 racing season.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

11. WAGES AND BENEFITS

During the current year it came to the attention of the organization that the salaries being paid to staff were a number of years behind the current salary grid being used by the Town of Fort Erie. As a result, at the April, 2010 Board meeting the Board approved the adjustment of all salaries to be consistent with the salary grid of the Town of Fort Erie. The Board decision was to forego the retroactive adjustment for all years prior to 2010 and as a result, the adjustments were effective January 1, 2010.

12. CAPITAL MANAGEMENT

The organization defines its capital as fund balances, specifically its surplus including net assets invested in capital assets.

The organization's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and its stakeholders.

The organization sets the amount of net asset balances in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

13. 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, 2014 and requires total annual rent of \$35,715. The organization is responsible for 60% of this amount or \$21,429 per annum, while the Chamber of Commerce has assumed responsibility for the balance. At December 31, 2010, the organization has prepaid this expense to December 31, 2011. There is an option to renew the lease for a further five years at an amount to be negotiated six months prior to renewal.

14. ECONOMIC DEPENDENCE

The organization derives a substantial portion of its revenue from the Town of Fort Erie. During the current year, the organization received \$645,436 (2009 - \$875,720) in fee for service contracts with the Town of Fort Erie. It should be noted that, 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 do things like attracting private investment or borrow money.

15. RISK MANAGEMENT

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest rate, currency, liquidity or credit risks arising from its financial instruments.

FORT ERIE ECONOMIC DEVELOPMENT & TOURISM CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

16. SUBSEQUENT EVENTS

Subsequent to the year end, the organization entered into an agreement with Metcor Inc., whereby the amount of \$9,353 was loaned to them for payment of fees relating to a Phase 2 Environmental Assessment of 425 Phipps Street in Fort Erie. The assessment is required in order to prepare the property for lease or sale, at which time the organization will be repaid.

17. 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, 2010

EXPENSES	<u>2010</u>	<u>2009</u>
Wages and benefits (Note 11)		
Wages and salaries	\$ 280,589	\$ 238,639
Subcontractors	4,955	4,587
Employee benefits	69,785	58,890
	355,329	302,116
Administrative		
Advertising and promotion	369	1,188
Audit and legal	19,188	16,524
Bank charges	345	997
Computer software and support	-	225
Insurance	6,256	5,875
Professional development	689	2,229
Travel	3,522	4,387
	30,369	31,425
Equipment		
Depreciation	8,771	10,106
Lease	1,032	1,061
	9,803	11,167
Office		
Computer supplies	3,751	3,822
Meetings	2,664	1,742
Paper and supplies	3,584	2,573
Postage and courier	759	768
Printing and stationery	1,175	2,111
Subscriptions and reference material	545	956
	12,478	11,972
Premises		
Cleaning	4,534	4,388
Rent	22,162	20,165
Repairs and maintenance	315	490
Utilities	2,004	1,932
	29,015	26,975
Telephone	16,064	14,206
	\$ 453,058	\$ 397,861