

Financial Statements of

**DOWNTOWN HAMILTON  
BUSINESS IMPROVEMENT AREA**

Year ended December 31, 2019



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## **INDEPENDENT AUDITORS' REPORT**

To the Chairman and Members of the Board of Management of the Downtown Hamilton Business Improvement Area, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Hamilton

### ***Opinion***

We have audited the accompanying financial statements of the Downtown Hamilton Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019,
- the statement of operations for the year then ended,
- the statement of changes in net financial assets for the year then ended,
- the statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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 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 Canadian public sector accounting standards, 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.

## ***Auditors' 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 auditors' 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 the 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 Entity's internal control.



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- 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors 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.
- 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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 9, 2020

# **DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA**

## Financial Statements

Year ended December 31, 2019

### Financial Statements

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# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets</b>		
Cash	\$ 23,889	\$ 117,668
HST receivable	29,534	25,575
Accounts receivable	1,498	7,063
Investments	101,260	-
	<u>156,181</u>	<u>150,306</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	26,099	26,944
Due to City of Hamilton (note 5)	5,226	14,342
	<u>31,325</u>	<u>41,286</u>
Net financial assets	124,856	109,020
<b>Non-financial assets</b>		
Tangible capital assets (note 2)	37,864	49,885
Prepaid expenses	5,578	7,342
	<u>43,442</u>	<u>57,227</u>
Subsequent event		
Accumulated surplus (note 3)	\$ 168,298	\$ 166,247

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

## Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
	(note 6)		
Revenue:			
Assessment levy (note 5)	\$ 375,000	\$ 365,835	\$ 357,866
City of Hamilton grants (note 5)	50,000	76,443	50,996
Federal grant	-	22,530	13,625
Interest	-	2,077	46
Other	-	14,600	16,030
	425,000	481,485	438,563
Expenses:			
Administration	7,500	11,532	6,368
Amortization	12,000	21,634	28,119
Bad debt expense	-	1,924	4,930
Beautification	42,600	27,140	27,797
Miscellaneous	17,000	-	133
Office	55,500	65,743	62,868
Professional fees	3,400	4,002	4,050
Promotions	125,000	171,506	150,443
Salaries	162,000	175,953	153,131
	425,000	479,434	437,839
Annual surplus	-	2,051	724
Accumulated surplus, beginning of year	166,247	166,247	165,523
Accumulated surplus, end of year	\$ 166,247	\$ 168,298	\$ 166,247

See accompanying notes to financial statements.

# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

## Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 6)	2019	2018
Annual surplus	\$ -	\$ 2,051	\$ 724
Acquisition of tangible capital assets	-	(9,613)	(19,701)
Amortization of tangible capital assets	12,000	21,634	28,119
Increase in prepaid expenses	-	1,764	(631)
Change in net financial assets	12,000	15,836	8,511
Net financial assets, beginning of year	109,020	109,020	100,509
Net financial assets, end of year	\$ 121,020	\$ 124,856	\$ 109,020

See accompanying notes to financial statements.



# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in)		
Operating activities:		
Annual surplus	\$ 2,051	\$ 724
Items not involving cash:		
Amortization	21,634	28,119
Accrued interest	(1,260)	-
Changes in non-cash financial assets and liabilities:		
HST receivable	(3,959)	(4,643)
Accounts receivable	5,565	(2,683)
Prepaid expenses	1,764	(631)
Accounts payable and accrued liabilities	(845)	10,648
Net change in cash from operating activities	24,950	31,534
Capital activities:		
Cash used to acquire tangible capital assets	(9,613)	(19,701)
Financing activities:		
Change in due to City of Hamilton	(9,116)	(14,881)
Purchase of investments	(100,000)	-
	(109,116)	(14,881)
Decrease in cash	(93,779)	(3,048)
Cash, beginning of year	117,668	120,716
Cash, end of year	\$ 23,889	\$ 117,668

See accompanying notes to financial statements.

# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2019

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The Downtown Hamilton Business Improvement Area (the "Business Improvement Area") was established in 1982 by the Council of the City of Hamilton and has been entrusted with the improvement, beautification and maintenance of municipality owned lands, buildings and structures in the improvement area, beyond such expenditure by the Municipality. The Business Improvement Area is also responsible for the promotion of this improvement area for business and shopping. The Business Improvement Area is financed by a special levy charged upon businesses in the improvement area.

## 1. Significant accounting policies:

The financial statements of the Business Improvement Area are prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the Business Improvement Area are as follows:

### (a) Basis of accounting:

The Business Improvement Area follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### (b) Government transfers:

Government transfers received relate to the assessment levy and operating grants. Government transfers are recognized in the financial statements as revenues when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amounts can be made except when, and to the extent that, stipulations by the transferors give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

### (c) Other income:

Other income is reported as revenue in the period earned.

### (d) Investments:

Investments consist of guaranteed investment certificates and are recorded at cost. When there has been a loss in value that is other than a temporary decline in value, the investment is written down to recognize the loss.

# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Computer hardware	5
Computer software	3
Decorations	3
Furniture and equipment	10

Amortization is charged half-year in the year of acquisition.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 2. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Computer hardware	\$ 6,029	\$ 768	\$ -	\$ 6,797
Computer software	206	-	-	206
Decorations	69,438	2,961	-	72,399
Furniture and equipment	76,716	5,884	-	82,600
<b>Total</b>	<b>\$ 152,389</b>	<b>\$ 9,613</b>	<b>\$ -</b>	<b>\$ 162,002</b>

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31, 2019
Computer hardware	\$ 3,854	\$ -	\$ 595	\$ 4,449
Computer software	206	-	-	206
Decorations	42,195	-	16,297	58,492
Furniture and equipment	56,249	-	4,742	60,991
<b>Total</b>	<b>\$ 102,504</b>	<b>\$ -</b>	<b>\$ 21,634</b>	<b>\$ 124,138</b>

	Net book value December 31, 2018	Net book value December 31, 2019
Computer hardware	\$ 2,175	\$ 2,348
Computer software	-	-
Decorations	27,243	13,907
Furniture and equipment	20,467	21,609
<b>Total</b>	<b>\$ 49,885</b>	<b>\$ 37,864</b>

(a) Contributed tangible capital assets:

The Business Improvement Area received no contributed tangible capital assets in 2019 or 2018.

(b) Tangible capital assets disclosed at nominal values:

There are no tangible capital assets recognized at a nominal value.

# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 2. Tangible capital assets (continued):

(c) Write-down of tangible capital assets:

The Business Improvement Area has not written down any tangible capital assets during the year or 2018.

## 3. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 37,864	\$ 49,885
Operating	130,434	116,362
	<u>\$ 168,298</u>	<u>\$ 166,247</u>

## 4. Commitments:

The Business Improvement Area is committed under a long-term operating lease for the rental of office space until November, 2022. Future minimum lease payments under this operating lease are as follows:

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2020	\$ 18,069
2021	18,965
2022	16,427

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# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 5. Related party transactions:

### (a) City of Hamilton:

During the year, the Business Improvement Area recorded the following transactions with the City of Hamilton:

	2019	2018
Revenue:		
Member levy collected on behalf of the Business Improvement Area	\$ 365,835	\$ 357,866

The City of Hamilton also contributed \$5,382 (2018 - \$5,702) to commercial improvement programs undertaken by the Business Improvement Area, \$13,085 (2018 - \$13,849) from parking revenue sharing program, and \$57,976 (2018 - \$31,445) in other grants. At the end of the year, the Business Improvement Area had a payable of \$9,165 (2018 - \$16,842) for the cash received in excess of the member levy collected by the City of Hamilton and \$2,109 (2018 - \$2,092) accrued for expenses, net of \$1,200 (2018 - \$1,192) receivable for the annual Christmas grant and \$4,848 (2018 - \$3,400) of other grants.

### (b) Board of Directors:

During the year, the Business Improvement Area recorded the following transactions with businesses of members of the Board of Directors:

	2019	2018
Purchase of tangible capital assets	\$ -	\$ 3,002
Expenses:		
Promotions	\$ -	\$ 8,883

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. Budget data:

The budget data presented in these financial statements is based upon the 2019 budget approved by the Board on October 9, 2018.

# DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## **7. Subsequent event:**

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Business Improvement Area's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.