

Financial Statements of

**DOWNTOWN HAMILTON
BUSINESS IMPROVEMENT AREA**

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP

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INDEPENDENT AUDITOR'S 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, 2023,
- 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, 2023, 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's 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.

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 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 auditor's 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 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.
- 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 25, 2024

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Financial Statements

Year ended December 31, 2023

Financial Statements

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DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets		
Cash	\$ 140,968	\$ 50,528
HST receivable	27,289	30,253
Accounts receivable	2,277	477
	<u>170,534</u>	<u>81,258</u>
Financial liabilities		
Accounts payable and accrued liabilities	13,001	14,165
Due to City of Hamilton (note 5)	22,396	9,010
	<u>35,397</u>	<u>23,175</u>
Net financial assets	135,137	58,083
Non-financial assets		
Tangible capital assets (note 2)	21,850	28,819
Prepaid expenses	16,322	9,536
	<u>38,172</u>	<u>38,355</u>
Accumulated surplus (note 3)	\$ 173,309	\$ 96,438

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, 2023, with comparative information for 2022

	Budget	2023	2022
	(note 6)		
Revenue:			
Assessment levy (note 5)	\$ 425,000	\$ 394,362	\$ 385,878
City of Hamilton grants (note 5)	-	54,634	50,159
Federal grant	-	9,697	9,326
Interest	-	97	280
Other	65,000	14,208	10,675
	490,000	472,998	456,318
Expenses:			
Administration	8,000	6,116	9,574
Depreciation	12,000	8,820	6,340
Bad debt expense	1,000	-	-
Beautification	55,000	41,506	51,938
Miscellaneous	10,000	-	-
Office	66,000	69,269	73,978
Professional fees	7,000	7,891	8,332
Promotions	151,000	137,638	178,086
Salaries	180,000	124,887	179,360
	490,000	396,127	507,608
Annual surplus (deficit)	-	76,871	(51,290)
Accumulated surplus, beginning of year	96,438	96,438	147,728
Accumulated surplus, end of year	\$ 96,438	\$ 173,309	\$ 96,438

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	Budget (note 6)	2023	2022
Annual surplus (deficit)	\$ -	\$ 76,871	\$ (51,290)
Acquisition of tangible capital assets	-	(1,851)	(4,700)
Depreciation of tangible capital assets	12,000	8,820	6,340
Decrease in prepaid expenses	-	(6,786)	2,272
Change in net financial assets	12,000	77,054	(47,378)
Net financial assets, beginning of year	58,083	58,083	105,461
Net financial assets, end of year	\$ 70,083	\$ 135,137	\$ 58,083

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in)		
Operating activities:		
Annual surplus (deficit)	\$ 76,871	\$ (51,290)
Items not involving cash:		
Depreciation	8,820	6,340
Changes in non-cash financial assets and liabilities:		
HST receivable	2,964	(1,041)
Accounts receivable	(1,800)	(477)
Prepaid expenses	(6,786)	2,272
Accounts payable and accrued liabilities	(1,164)	1,486
Net change in cash from operating activities	78,905	(42,710)
Capital activities:		
Cash used to acquire tangible capital assets	(1,851)	(4,700)
Financing activities:		
Change in due to City of Hamilton	13,386	86
Change in investments	-	70,083
	13,386	70,169
Change in cash	90,440	22,759
Cash, beginning of year	50,528	27,769
Cash, end of year	\$ 140,968	\$ 50,528

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

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, 2023

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

Depreciation 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.

(g) Related party transactions:

Transactions with related parties are measured at the carrying amount.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Computer hardware	\$ 11,242	\$ -	\$ -	\$ 11,242
Computer software	4,906	1,851	-	6,757
Decorations	72,399	-	-	72,399
Furniture and equipment	94,548	-	-	94,548
Total	\$ 183,095	\$ 1,851	\$ -	\$ 184,946

Accumulated depreciation	Balance at December 31, 2022	Disposals	Depreciation expense	Balance at December 31, 2023
Computer hardware	\$ 7,700	\$ -	\$ 1,205	\$ 8,905
Computer software	1,773	-	1,567	3,340
Decorations	72,399	-	-	72,399
Furniture and equipment	72,404	-	6,048	78,452
Total	\$ 154,276	\$ -	\$ 8,820	\$ 163,096

	Net book value December 31, 2022	Net book value December 31, 2023
Computer hardware	\$ 3,542	\$ 2,337
Computer software	3,133	3,417
Decorations	-	-
Furniture and equipment	22,144	16,096
Total	\$ 28,819	\$ 21,850

(a) Contributed tangible capital assets:

The Business Improvement Area received no contributed tangible capital assets in 2023 or 2022.

(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, 2023

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 2023.

3. Accumulated surplus:

Accumulated surplus consists of the following:

	2023	2022
Surplus:		
Invested in tangible capital assets	\$ 21,850	\$ 28,819
Operating	151,459	67,619
	<u>\$ 173,309</u>	<u>\$ 96,438</u>

4. Commitments:

The Business Improvement Area is committed under a long-term operating lease for the rental of office space until November 2027. Future minimum lease payments under this operating lease are as follows:

2024	\$ 20,608
2025	20,757
2026	21,504
2027	17,920

Included in the lease agreement is an additional rent amount of \$12.50 per retail square foot for the tenants share of operating costs. As this amount is an estimate it has not been included in the commitment schedule.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Related party transactions:

City of Hamilton:

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

	2023	2022
Revenue:		
Member levy collected on behalf of the Business Improvement Area	\$ 394,362	\$ 385,878
City of Hamilton Grants	54,634	50,159
Expenses:		
Beautification	1,203	1,654

The City of Hamilton also contributed \$5,378 (2022 - \$5,645) to commercial improvement programs undertaken by the Business Improvement Area, \$11,250 (2022 - \$11,250) from parking revenue sharing program, \$13,600 (2022 - \$13,600) from tourism relief fund, and \$24,406 (2022 - \$19,664) in other grants. At the end of the year, the Business Improvement Area had a payable of \$30,638 (2022 - \$14,122) for the cash received in excess of the member levy collected by the City of Hamilton and \$1,833 (2022 - \$1,833) accrued for expenses, net of \$10,075 (2022 - \$6,945) receivable from the City of Hamilton for outstanding grants.

6. Budget data:

The budget data presented in these financial statements is based upon the 2023 budget approved by the Board on October 25, 2022.