

Financial Statements of

**DOWNTOWN HAMILTON
BUSINESS IMPROVEMENT AREA**

And Independent Auditor's Report thereon

Year ended December 31, 2025

**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, 2025
- 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, 2025, 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 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 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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal black line.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 26, 2026

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Index to Financial Statements

Year ended December 31, 2025

	Page
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Financial Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash	\$ 237,567	\$ 201,958
HST receivable	32,144	29,897
Accounts receivable	2,450	2,110
Due from City of Hamilton (note 5)	50,045	13,418
	322,206	247,383
Financial Liabilities		
Accounts payable and accrued liabilities	31,851	28,649
Net financial assets	290,355	218,734
Non-Financial Assets		
Tangible capital assets (note 2)	26,617	31,152
Prepaid expenses	15,633	7,925
	42,250	39,077
Accumulated surplus (note 3)	\$ 332,605	\$ 257,811

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, 2025, with comparative information for 2024

	2025 Budget (note 6)	2025 Total	2024 Total
Revenue:			
Assessment levy (note 5)	\$ 450,000	\$ 448,081	\$ 444,191
City of Hamilton grants (note 5)	-	107,054	47,024
Federal grant	-	10,855	5,221
Interest	-	71	109
Other	75,000	12,150	8,831
	525,000	578,211	505,376
Expenses:			
Administration	13,500	11,541	5,627
Depreciation	12,000	11,438	9,652
Beautification	68,000	32,871	40,403
Office	75,000	75,917	74,841
Professional fees	8,500	8,045	8,516
Promotions	168,000	159,730	141,394
Salaries	180,000	203,875	140,441
	525,000	503,417	420,874
Annual surplus	-	74,794	84,502
Accumulated surplus, beginning of year	257,811	257,811	173,309
Accumulated surplus, end of year	\$ 257,811	\$ 332,605	\$ 257,811

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget (note 6)	2025 Total	2024 Total
Annual surplus	\$ -	\$ 74,794	\$ 84,502
Acquisition of tangible capital assets	-	(6,903)	(18,954)
Depreciation of tangible capital assets	12,000	11,438	9,652
Decrease (increase) in prepaid expenses	-	(7,708)	8,397
Change in net financial assets	12,000	71,621	83,597
Net financial assets, beginning of year	218,734	218,734	135,137
Net financial assets, end of year	\$ 230,734	\$ 290,355	\$ 218,734

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in)		
Operating activities:		
Annual surplus (deficit)	\$ 74,794	\$ 84,502
Items not involving cash:		
Depreciation	11,438	9,652
Changes in non-cash financial assets and liabilities:		
HST receivable	(2,247)	(2,608)
Accounts receivable	(340)	167
Prepaid expenses	(7,708)	8,397
Accounts payable and accrued liabilities	3,202	15,648
Net change in cash from operating activities	79,139	115,758
Capital activities:		
Acquisition of tangible capital assets	(6,903)	(18,954)
Financing activities:		
Change in due from City of Hamilton	(36,627)	(35,814)
Change in cash	35,609	60,990
Cash, beginning of year	201,958	140,968
Cash, end of year	\$ 237,567	\$ 201,958

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2025

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, 2025

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, 2025

2. Tangible capital assets:

Cost	Balance at December 31, 2024	Additions	Disposals	Balance at December 31, 2025
Computer hardware	\$ 11,242	\$ -	\$ -	\$ 11,242
Computer software	6,757	-	-	6,757
Decorations	91,353	5,211	-	96,564
Furniture and equipment	94,548	1,692	-	96,240
Total	\$ 203,900	\$ 6,903	\$ -	\$ 210,803

Accumulated depreciation	Balance at December 31, 2024	Depreciation expense	Disposals	Balance at December 31, 2025
Computer hardware	\$ 9,868	\$ 889	\$ -	\$ 10,757
Computer software	4,906	-	-	4,906
Decorations	75,558	7,187	-	82,745
Furniture and equipment	82,416	3,362	-	85,778
Total	\$ 172,748	\$ 11,438	\$ -	\$ 184,186

	Net book value December 31, 2024	Net book value December 31, 2025
Computer hardware	\$ 1,374	\$ 485
Computer software	1,851	1,851
Decorations	15,795	13,819
Furniture and equipment	12,132	10,462
Total	\$ 31,152	\$ 26,617

(a) Contributed tangible capital assets:

The Business Improvement Area received no contributed tangible capital assets in 2025 or 2024.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Tangible capital assets (continued):

(b) Tangible capital assets disclosed at nominal values:

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

(c) Write-down of tangible capital assets:

The Business Improvement Area has not written down any tangible capital assets during 2025 or 2024.

3. Accumulated surplus:

Accumulated surplus consists of the following:

	2025	2024
Surplus:		
Invested in tangible capital assets	\$ 26,617	\$ 31,152
Operating	305,988	226,659
	<u>\$ 332,605</u>	<u>\$ 257,811</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:

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, 2025

5. Related party transactions:

City of Hamilton:

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

	2025	2024
Revenue:		
Member levy collected on behalf of the Business Improvement Area	\$ 448,081	\$ 444,191
City of Hamilton Grants	107,054	47,024

The City of Hamilton contributed \$4,581 (2024 - \$4,969) to commercial improvement programs undertaken by the Business Improvement Area, \$26,519 (2024 - \$11,250) from parking revenue sharing program, \$12,360 (2024 - \$12,360) through the City Enrichment Fund grant program, \$13,600 (2024 - \$13,600) from tourism relief fund, and \$49,994 (2024 - \$4,845) in other grants. At the end of the year, the Business Improvement Area had a payable of \$1,919 (2024 - \$5,813) for the cash received in excess of the member levy collected by the City of Hamilton, net of \$51,964 (2024 - \$21,064) receivable from the City of Hamilton for outstanding grants.

6. Budget information:

The budget data presented in these financial statements is based upon the 2025 budget approved by the Board.