

Financial Statements of

**DOWNTOWN HAMILTON
BUSINESS IMPROVEMENT AREA**

Year ended December 31, 2020



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Telephone 905-523-8200
Fax 905-523-2222

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, 2020,
- 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, 2020, 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.
- 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 8, 2021

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Financial Statements

Year ended December 31, 2020

Financial Statements

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, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash	\$ 9,520	\$ 23,889
HST receivable	23,284	29,534
Accounts receivable	4,654	1,498
Investments	138,930	101,260
	<u>176,388</u>	<u>156,181</u>
Financial liabilities		
Accounts payable and accrued liabilities	44,933	26,099
Due to City of Hamilton (note 5)	85	5,226
	<u>45,018</u>	<u>31,325</u>
Net financial assets	131,370	124,856
Non-financial assets		
Tangible capital assets (note 2)	27,739	37,864
Prepaid expenses	11,086	5,578
	<u>38,825</u>	<u>43,442</u>
COVID 19 (note 7)		
Accumulated surplus (note 3)	\$ 170,195	\$ 168,298

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, 2020, with comparative information for 2019

	Budget (note 6)	2020	2019
Revenue:			
Assessment levy (note 5)	\$ 400,000	\$ 377,728	\$ 365,835
City of Hamilton grants (note 5)	-	40,511	76,443
Federal grant	-	12,847	22,530
Interest	-	2,708	2,077
Other	65,000	11,914	14,600
	465,000	445,708	481,485
Expenses:			
Administration	9,000	5,055	11,532
Amortization	12,000	15,373	21,634
Bad debt expense	-	300	1,924
Beautification	42,500	56,758	27,140
Miscellaneous	17,000	-	-
Office	60,000	66,602	65,743
Professional fees	4,000	4,226	4,002
Promotions	150,000	88,568	171,506
Salaries	170,500	206,929	175,953
	465,000	443,811	479,434
Annual surplus	-	1,897	2,051
Accumulated surplus, beginning of year	168,298	168,298	166,247
Accumulated surplus, end of year	\$ 168,298	\$ 170,195	\$ 168,298

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 6)	2020	2019
Annual surplus	\$ -	\$ 1,897	\$ 2,051
Acquisition of tangible capital assets	-	(5,248)	(9,613)
Amortization of tangible capital assets	12,000	15,373	21,634
(Decrease) increase in prepaid expenses	-	(5,508)	1,764
Change in net financial assets	(12,000)	6,514	15,836
Net financial assets, beginning of year	124,856	124,856	109,020
Net financial assets, end of year	\$ 112,856	\$ 131,370	\$ 124,856

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in)		
Operating activities:		
Annual surplus	\$ 1,897	\$ 2,051
Items not involving cash:		
Amortization	15,373	21,634
Accrued interest	(584)	(1,260)
Changes in non-cash financial assets and liabilities:		
HST receivable	6,250	(3,959)
Accounts receivable	(3,156)	5,565
Prepaid expenses	(5,508)	1,764
Accounts payable and accrued liabilities	18,834	(845)
Net change in cash from operating activities	33,106	24,950
Capital activities:		
Cash used to acquire tangible capital assets	(5,248)	(9,613)
Financing activities:		
Change in due to City of Hamilton	(5,141)	(9,116)
Increase in investments	(37,086)	(100,000)
	(42,227)	(109,116)
Decrease in cash	(14,369)	(93,779)
Cash, beginning of year	23,889	117,668
Cash, end of year	\$ 9,520	\$ 23,889

See accompanying notes to financial statements.

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2020

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, 2020

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.

(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, 2020

2. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Computer hardware	\$ 6,797	\$ -	\$ -	\$ 6,797
Computer software	206	-	-	206
Decorations	72,399	-	-	72,399
Furniture and equipment	82,600	5,248	-	87,848
Total	\$ 162,002	\$ 5,248	\$ -	\$ 167,250

Accumulated amortization	Balance at December 31, 2019	Disposals	Amortization expense	Balance at December 31, 2020
Computer hardware	\$ 4,449	\$ -	\$ 672	\$ 5,121
Computer software	206	-	-	206
Decorations	58,492	-	9,716	68,208
Furniture and equipment	60,991	-	4,985	65,976
Total	\$ 124,138	\$ -	\$ 15,373	\$ 139,511

	Net book value December 31, 2019	Net book value December 31, 2020
Computer hardware	\$ 2,348	\$ 1,676
Computer software	-	-
Decorations	13,907	4,191
Furniture and equipment	21,609	21,872
Total	\$ 37,864	\$ 27,739

(a) Contributed tangible capital assets:

The Business Improvement Area received no contributed tangible capital assets in 2020 or 2019.

(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, 2020

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 2020.

3. Accumulated surplus:

Accumulated surplus consists of the following:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 27,739	\$ 37,864
Operating	142,456	130,434
	\$ 170,195	\$ 168,298

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:

2021	\$ 18,965
2022	16,427

5. Related party transactions:

(a) City of Hamilton:

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

	2020	2019
Revenue:		
Member levy collected on behalf of the Business Improvement Area	\$ 377,728	\$ 365,835
Expenses:		
Beautification	857	\$ -

DOWNTOWN HAMILTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Related party transactions (continued):

The City of Hamilton also contributed \$5,639 (2019 - \$5,382) to commercial improvement programs undertaken by the Business Improvement Area, \$11,250 (2019 - \$13,085) from parking revenue sharing program, and \$23,622 (2019 - \$57,976) in other grants. At the end of the year, the Business Improvement Area had a payable of \$5,431 (2019 - \$9,165) for the cash received in excess of the member levy collected by the City of Hamilton and \$1,885 (2019 - \$2,109) accrued for expenses, net of \$1,300 (2019 - \$1,200) receivable for the annual Christmas grant and \$5,931 (2019 - \$4,848) of other grants.

6. Budget data:

The budget data presented in these financial statements is based upon the 2020 budget approved by the Board on October 7, 2019.

7. COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

Several measures were put in place by the Federal Government which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses and organizations 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.

As at December 31, 2020, COVID-19 has had a minimal impact on the Business Improvement Area. 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 outcome and timeframe to a recovery from the current pandemic is undeterminable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.