

DRAFT Financial Statements of

**DOWNTOWN GUELPH
BUSINESS ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Downtown Guelph Business Association

Opinion

We have audited the financial statements of Downtown Guelph Business Association (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(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 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 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 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.

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 conclusions are 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.

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Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Financial Position

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December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 194,071	\$ 52,769
Trade receivable	12,456	22,203
Investments	25,000	25,000
	<u>231,527</u>	<u>99,972</u>
Financial Liabilities		
Accounts payable and accrued liabilities	41,234	19,643
Deferred revenue	13,000	-
Deposits payable	103,100	44,380
Due to City of Guelph (note 6)	21,821	3,938
	<u>179,155</u>	<u>67,961</u>
Net financial assets	52,372	32,011
Non-Financial Assets		
Prepaid expense	9,328	14,439
Tangible capital assets (note 2)	31,171	37,635
	<u>40,499</u>	<u>52,074</u>
	<u>\$ 92,871</u>	<u>\$ 84,085</u>
Accumulated Surplus		
Accumulated surplus	\$ 92,871	\$ 84,085
	<u>\$ 92,871</u>	<u>\$ 84,085</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Operations and Accumulated Surplus

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

	2020	2019
Revenue:		
City of Guelph:		
Tax levies	\$ 666,970	\$ 630,001
Revitalization	14,000	28,000
Grants and sponsorships	8,790	46,188
Events	1,059	8,490
Interest and other	699	(175)
Other	-	500
	<u>691,518</u>	<u>713,004</u>
Expenses:		
Salaries and benefits	288,545	282,375
Advertising	145,577	102,229
Office and general	70,418	74,392
Professional Fees	41,026	29,861
Special events	27,416	62,530
Revitalization	24,791	56,816
Special projects contribution (note 5)	20,000	36,874
Downtown WIFI	12,211	12,211
Amortization of tangible capital assets	11,733	9,470
Miscellaneous	10,333	8,882
Bank charges	1,630	176
Member communication	261	6,912
Training and development	-	9,385
	<u>653,941</u>	<u>692,113</u>
Earnings before net assessment write-offs	37,577	20,891
Net assessment write-offs	28,791	12,922
Excess of revenue over expenses	8,786	7,969
Accumulated surplus, beginning of year	84,085	76,116
Accumulated surplus, end of year	<u>\$ 92,871</u>	<u>\$ 84,085</u>

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Change in Net Financial Assets

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

	2020	2019
Excess of revenue over expenses	\$ 8,786	\$ 7,969
Change in prepaid expenses	5,111	4,593
Acquisition of tangible capital assets	(5,269)	(21,094)
Amortization of tangible capital assets	11,733	9,470
Change in net financial assets	20,361	938
Net financial assets, beginning of year	32,011	31,073
Net financial assets, end of year	\$ 52,372	\$ 32,011

See accompanying notes to financial statements.

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DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 8,786	\$ 7,969
Item not involving cash:		
Amortization of tangible capital assets	11,733	9,471
Changes in non-cash operating working capital:		
Trade receivable	9,747	1,407
Prepaid expenses	5,111	4,592
Accounts payable and accrued liabilities	21,592	6,957
Deferred revenue	13,000	(50,527)
Deposits payable	58,720	10,370
Due from / to City of Guelph	17,882	6,267
Net change in cash from operating activities	146,571	(3,494)
Capital and investing:		
Purchase of tangible capital assets	(5,269)	(21,094)
Increase (decrease) in cash	141,302	(24,588)
Cash, beginning of year	52,769	77,357
Cash, end of year	\$ 194,071	\$ 52,769

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements

DRAFT

Year ended December 31, 2020

Nature of operations:

Downtown Guelph Business Association (the "Association") was created by the City of Guelph, to promote the downtown businesses to the public in order to allow the downtown area to thrive. The Association acts on behalf of its members, who are the various businesses that are located in the downtown area of Guelph.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Association's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

(b) Tangible capital assets:

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

Asset	Rate
Furniture and fixtures	5 years
Computer equipment	3 years

One half of the annual amortization is applied to assets purchased within the year.

(c) Gift certificates:

The Association issues gift certificates throughout the community, which are recorded as a liability until redeemed.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

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Year ended December 31, 2020

1. Significant accounting policies (continued):

(d) Revenue recognition:

Revenues are reported on the accrual basis of accounting which recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

Where funding has been received in advance of expenses for a specific program, the amount has been recorded as deferred revenue and will be recognized as revenue in a future period when related expenses are incurred.

(e) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates used within these financial statements include the liability for unclaimed gift certificates and the useful lives of tangible capital assets. Actual results could differ from those estimates and assumptions.

2. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 61,913	\$ 33,556	\$ 28,357	\$ 35,599
Computer	10,877	8,063	2,814	2,036
	\$ 72,790	\$ 41,619	\$ 31,171	\$ 37,635

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

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Year ended December 31, 2020

3. Commitments:

The Association is committed to payments for premises and certain office equipment, and other financial commitments over the next three years as follows:

2021	\$	21,375
2022		21,750
2023		22,125
	\$	65,250

4. Accumulated surplus:

	2020	2019
Accumulated surplus from operations	\$ 21,700	\$ 6,450
Investment in tangible capital assets	31,171	37,635
Internally restricted reserve fund	40,000	40,000
	\$ 92,871	\$ 84,085

The reserve fund is internally restricted by the Board of Directors for the purpose of funding future projects.

5. Special project contributions:

During the year the Association made a cash contribution of \$20,000 to the Welcoming Streets Initiative.

6. Due from City of Guelph:

The Association was established as a board of management by the City of Guelph. The City is considered to be a related party.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

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Year ended December 31, 2020

7. Related party transactions:

During the year, the Association in its normal course of operations had the following transactions with the City of Guelph:

	2020	2019
Special events	\$ -	\$ 3,270
Revitalization	16,332	22,438
Road closures	-	1,336
Miscellaneous	191	1,529
	<u>\$ 16,523</u>	<u>\$ 28,573</u>

8. Implications to COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

During the year, the Association has experienced the following in relation to the pandemic:

- Reduction in self generated revenue (Special events, Co-op Grants and Sponsorships)
- Mandatory working from home environments for those able to do so

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Association operations and financial position is not known at this time. There remains uncertainty for the upcoming year regarding the aforementioned items. These impacts could include a decline in future cash flows, changes to the value of financial assets and liabilities and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on the Association is not practicable at this time.