

DRAFT Financial Statements of

**DOWNTOWN GUELPH
BUSINESS ASSOCIATION**

And Independent Auditor's Report thereon

Year ended December 31, 2022

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022 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 "***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.
- 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 conclusions are 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.

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Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

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DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Financial Position

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December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets		
Cash	\$ 241,174	\$ 166,892
Trade receivable	25,294	73,297
Investments (note 2)	100,000	25,000
	366,468	265,189
Financial Liabilities		
Accounts payable and accrued liabilities	113,815	40,603
Deferred revenue	119,298	6,777
Gift certificates payable	122,035	107,580
Due to City of Guelph (note 7)	7,223	70,852
	362,371	225,812
Net financial assets	4,097	39,377
Non-Financial Assets		
Prepaid expense	6,729	6,312
Tangible capital assets (note 3)	182,777	222,703
	189,506	229,015
Accumulated Surplus		
Accumulated surplus	\$ 193,603	\$ 268,392

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, 2022, with comparative information for 2021

	2022	2021
Revenue:		
City of Guelph:		
Tax levies	\$ 660,000	\$ 663,803
Revitalization	32,150	88,500
Events	21,198	6,723
Grants and sponsorships	24,527	148,374
Events	21,550	-
Interest and other	26,602	677
	<u>786,027</u>	<u>908,077</u>
Expenses:		
Salaries and benefits	340,389	258,860
Advertising	101,558	89,179
Revitalization	90,665	111,241
Professional fees	83,024	69,398
Office and general	71,280	69,720
Special events	58,610	8,120
Amortization of tangible capital assets	54,640	31,179
Special projects contribution (note 6)	31,194	20,000
Miscellaneous	7,244	3,330
Bank charges	3,676	1,325
Member communication	3,510	90
Training and development	2,883	4,011
Downtown WIFI	-	6,106
	<u>848,673</u>	<u>672,559</u>
(Loss) earnings before net assessment write-offs	(62,646)	235,518
Net assessment write-offs	12,143	59,997
Excess/(Deficit) of revenue over expenses	(74,789)	175,521
Accumulated surplus, beginning of year	268,392	92,871
Accumulated surplus, end of year	<u>\$ 193,603</u>	<u>\$ 268,392</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, 2022, with comparative information for 2021

	2022	2021
Excess of revenue over expenses	\$ (74,789)	\$ 175,521
Change in prepaid expenses	(417)	3,016
Acquisition of tangible capital assets	(14,714)	(222,711)
Amortization of tangible capital assets	54,640	31,179
Change in net financial assets	(35,280)	(12,995)
Net financial assets, beginning of year	39,377	52,372
Net financial assets, end of year	\$ 4,097	\$ 39,377

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Cash Flows

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Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ (74,789)	\$ 175,521
Item not involving cash:		
Amortization of tangible capital assets	54,640	31,179
Changes in non-cash operating working capital:		
Trade receivable	48,004	(60,841)
Prepaid expenses	(417)	3,016
Accounts payable and accrued liabilities	73,211	(631)
Deferred revenue	112,521	(6,223)
Gift Certificates Payable	14,455	4,480
Due from / to City of Guelph	-	49,031
Net change in cash from operating activities	227,625	195,532
Capital and investing:		
Investments	(75,000)	-
Advances to related party	(63,629)	-
Purchase of tangible capital assets	(14,714)	(222,711)
	(153,343)	(222,711)
Increase (decrease) in cash	74,282	(27,179)
Cash, beginning of year	166,892	194,071
Cash, end of year	\$ 241,174	\$ 166,892

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements

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Year ended December 31, 2022

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 local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The '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
Lights and fixtures	6 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, 2022

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. Investments:

The Association holds two investments, a \$25,000 bond which attracts interest at a rate of 3% maturing in July 2023, and \$75,000 GIC attracting interest at a rate of 4.65% maturing in October 2023.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

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Year ended December 31, 2022

3. Tangible capital assets:

				2022	2021
	Cost	Accumulated amortization		Net book value	Net book value
Furniture and fixtures	\$ 88,890	\$ 58,826	\$ 30,064	\$ 38,193	
Computer	10,877	10,877	-	1,057	
Lights and fixtures	210,449	57,736	152,713	183,453	
	\$ 310,216	\$ 127,439	\$ 182,777	\$ 222,703	

During the year, the Association acquired furniture and fixtures at a cost of \$4,396 and lights and fixtures at a cost of \$10,318.

4. Commitments:

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

2023	\$ 15,000
2024	15,000
	\$ 30,000

5. Accumulated surplus:

	2022	2021
Accumulated surplus from operations	\$ (29,174)	\$ 5,689
Investment in tangible capital assets	182,777	222,703
Internally restricted reserve fund	40,000	40,000
	\$ 193,603	\$ 268,392

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

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

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Year ended December 31, 2022

6. Special project contributions:

During the year, the Association made a contribution of \$20,000 (2021 - \$20,000) to the Welcoming Streets Initiative, and a contribution of \$11,194 to Win This Space Initiative (2021- Nil)

7. 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.

8. Related party transactions:

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

	2022		2021	
Revitalization Revenue	\$	32,150	\$	88,500
Events Revenue		21,198		6,723
	\$	53,348	\$	95,223