Financial Statements of

DOWNTOWN GUELPH BUSINESS ASSOCIATION

And Independent Auditor's Report thereon

Year ended December 31, 2023

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors 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, 2023
- the statement of operations and changes in accumulated surplus 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 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, 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 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.

Emphasis of Matter - Prospective Change in Accounting Policy

We draw attention to Note 2 to the financial statements, which describes the entitys adoption of Canadian public sector accounting standards PS 3450 - Financial Instruments, PS 3401 - Portfolio Investments, PS 2601 - Foreign Currency Translations and PS1201 - Financial Statement Presentation as well as PS 3280 - Asset Retirement Obligations.

Our opinion is not modified in respect to this matter.

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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

May 29, 2024

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	$ 194,324	$ 241,174
Trade receivable	205,505	25,294
Investments (note 3)	25,000	100,000
	424,829	366,468
Financial liabilities:		
Accounts payable and accrued liabilities	36,305	113,815
Deferred revenue (note 9)	58,350	119,298
Gift certificates payable	114,355	122,035
Due to City of Guelph (note 7)	1,549	7,223
Asset retirement obligation (note 5)	89,000	-
	299,559	362,371
Net financial assets	125,270	4,097
Non financial assets:		
Tangible capital assets (note 4)	711,341	182,777
Prepaid expense	4,499	6,729
	715,840	189,506
Commitments (note 10)		
Accumulated surplus (note 6)	$ 841,110	$ 193,603

See accompanying notes to financial statements.

On behalf of the Board:

_____________________________ Director _____________________________ Director

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Operations and Changes in Accumulated Surplus

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

	2023	2022
Revenue:		
City of Guelph:		
Tax levies	$ 683,022	$ 660,000
Revitalization	26,187	32,150
Other	18,500	21,198
Grants and sponsorships	498,690	24,527
Events	13,393	21,550
Interest and other	7,587	26,602
	1,247,379	786,027
Expenses:		
Amortization of tangible capital assets	115,384	54,640
Salaries and benefits	107,618	340,389
Special events	90,740	58,610
Advertising	83,442	101,558
Professional fees	65,876	83,024
Office and general	64,363	71,280
Revitalization	57,308	90,665
Special project contributions	4,782	31,194
Miscellaneous	3,194	7,244
Bank charges	1,235	3,676
Training and development	1,147	2,883
Member communication	12	3,510
	595,101	848,673
Excess (deficiency) before net assessment write-offs	652,278	(62,646)
Net assessment write-offs	4,771	12,143
Annual surplus (deficit)	647,507	(74,789)
Accumulated surplus, beginning of year	193,603	268,392
Accumulated surplus, end of year	$ 841,110	$ 193,603

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Changes in Net Financial Assets

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

	2023	2022
Annual surplus	$ 647,507	$ (74,789)
Acquisition of tangible capital assets	(557,948)	(14,714)
Amortization of tangible capital assets	115,384	54,640
Change in prepaid expenses	2,230	(417)
Asset retirement obligation	(86,000)	-
Change in net financial assets	121,173	(35,280)
Net financial assets, beginning of year	4,097	39,377
Net financial assets, end of year	$ 125,270	$ 4,097

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

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)	$	647,507	$	(74,789)
Item not involving cash:				
Amortization of tangible capital assets		115,384		54,640
Changes in non-cash operating working capital:				
Trade receivable		(180,211)		48,004
Prepaid expenses		2,230		(417)
Accounts payable and accrued liabilities		(77,510)		73,211
Deferred revenue		(60,948)		112,521
Gift certificates payable		(7,680)		14,455
Accretion expense - asset retirement obligation		3,000		-
		441,772		227,625
Capital and investing:				
Investments		75,000		(75,000)
Amounts paid to City of Guelph		(5,674)		(63,629)
Purchase of tangible capital assets		(557,948)		(14,714)
		(488,622)		(153,343)
Increase (decrease) in cash		(46,850)		74,282
Cash, beginning of year		241,174		166,892
Cash, end of year	$	194,324	$	241,174

See accompanying notes to financial statements.

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.The Association is exempt from income taxes under the income tax act.

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 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
Lights and fixtures	6 years

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

(c) Gift certificates payable:

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

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.

In addition, the Associations implementation of PS 3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

(g) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for removal of light installations has been recognized based on estimated future expenses.

The liability is discounted using a present value calculation, and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the depreciation accounting policies outlined in (Note 1 b).

2. Adoption of new accounting standards:

(a) Downtown Guelph Business Association adopted the following accounting standards beginning January 1, 2023, with no impact on the financial statements:

PS 3450 - Financial Instruments, PS 3401 - Portfolio Investments, PS 2601 - Foreign Currency Translations and PS1201 - Financial Statement Presentation

On January 1, 2023, the Downtown Guelph Business Association adopted Public Accounting Standards PS 3450, PS 3401, PS 2601 and PS 1201. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation, and disclosure of financial instruments including portfolio investments and foreign currency transactions. There was no impact upon adoption. Due to there being no remeasurement gains/losses the Association has not prepared a statement of remeasurement gains/losses.

(b) Downtown Guelph Business Association adopted the following accounting standard beginning January 1, 2023:

PS 3280 - Asset Retirement Obligations.

On January 1, 2023, the Association adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with retirement of certain tangible capital assets. The new accounting standard was adopted on a prospective basis. Under the prospective method, the discount rate and assumptions used on initial recognition are those are of the date of adoption of the standard.

On January 1, 2023, the Association recognized asset retirement obligations relating to the lights owned by the Association that will require removal. The Association reports liabilities related to the legal obligations to incur costs to retire a tangible capital asset. On adoption the Association recorded $42,500 to the asset retirement obligation with a corresponding increase to tangible capital assets. (note 5).

3. Investments:

The Association holds one investment, a $25,000 bond which attracts interest at a rate of 3% maturing in July 2025. The investment is recorded at cost.

4. Tangible capital assets:

Cost	December 31, 2022	Asset retirement obligation at adoption (January 1, 2023)	Additions	December 31, 2023
Furniture and fixtures	$ 88,890	$ -	$ -	$ 88,890
Computer equipment	10,877	-	1,170	12,047
Lights and fixtures	210,449	42,500	556,778	809,727
Asset retirement obligation	-	43,500	-	43,500
	$ 310,216	$ 86,000	$ 557,948	$ 954,164

Accumulated amortization	December 31, 2022	Amortization expense	Disposals	December 31, 2023
Furniture and fixtures	$ 58,826	$ 8,351	$ -	$ 67,177
Computer equipment	10,877	666	-	11,543
Lights and fixtures	57,736	97,767	-	155,503
Asset retirement obligation	-	8,600	-	8,600
	$ 127,439	$ 115,384	$ -	$ 242,823

4. Tangible capital assets (continued):

Net book value		December 31, 2022		December 31, 2023
Furniture and fixtures	$	30,064	$	21,713
Computer equipment		-		504
Lights and fixtures		152,713		654,224
Asset retirement obligation		-		34,900
	$	182,777	$	711,341

5. Asset retirement obligation:

The Association's Asset retirement obligation consists of the following obligation:

The Downtown Guelph Business Association has a number of light installations which have been installed on the building facades of businesses in downtown Guelph. The liability for the removal of the light installations has been recognized under PS 3280 - Asset Retirement Obligation. The costs were based upon the presently known obligations that will exist at the estimated year of removal of the lights. The lights have an estimated useful life of 10 years. These costs were discounted to December 31, 2023 using a discount rate of 5.00% per annum.

Changes to the asset retirement obligation in the year are as follows:

		Lights removal
Opening balance, upon adoption of PS 3280	$	42,500
2023 additions		43,500
Accretion expense		3,000
Closing balance	$	89,000

6. Accumulated surplus:

	2023	2022
Accumulated surplus from operations	$ 89,769	$ (29,174)
Investment in tangible capital assets	711,341	182,777
Internally restricted reserve fund	40,000	40,000
	$ 841,110	$ 193,603

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

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. Refer to note 9 for further details.

8. Special project contributions:

During the year, the Association made a contribution of $4,782 to the Win This Space Initiative (2022 - $11,194).

9. Related party transactions:

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

	2023	2022
Tax levy income	$ 683,022	$ 660,000
Revitalization revenue	26,187	32,150
Events revenue	18,500	21,198
	$ 727,709	$ 713,348

As at December 31, 2023 the Association has received an advancement of its levy amounting to $58,350 (2022 - $119,298). The advancement of levies is reflected as deferred revenue on the statement of financial position.

10. Commitments:

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

2024	$	5,000
2025		5,000
	$	10,000

11. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. There has been no change to the risk exposure from 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2022.