

Financial Statements of

**DOWNTOWN OAKVILLE
BUSINESS IMPROVEMENT AREA**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members of the Board of Management of the Downtown Oakville Business Improvement Area, Members of Council, Inhabitants and Ratepayers of the Town of Oakville

Opinion

We have audited the accompanying financial statements of the Downtown Oakville Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022,
- the statements of operations and 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 and schedules, 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, 2022, 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 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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario

April 18, 2023

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

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DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets		
Cash	\$ 141,439	\$ 243,373
Investments	353,081	352,375
Accounts receivable	23,556	13,971
	<u>518,076</u>	<u>609,719</u>
Liabilities		
Accounts payable and accrued liabilities	42,572	111,222
Due to Town of Oakville	23,579	2,577
Deferred revenue (note 2)	–	40,000
Long-term liability (note 3)	111,544	151,165
	<u>177,695</u>	<u>304,964</u>
Net financial assets	340,381	304,755
Non-Financial Assets		
Tangible capital assets (note 4)	391,082	378,222
Prepaid expenses	9,018	7,531
Commitments (note 5)		
Accumulated surplus (note 6)	<u>\$ 740,481</u>	<u>\$ 690,508</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Statement of Operations and Accumulated Surplus

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

	Budget (note 7)	2022	2021
Revenue:			
Town of Oakville – special tax levy	\$ 1,171,180	\$ 1,171,180	\$ 1,159,595
Sponsorships and donations	40,000	94,644	32,500
Grants	20,000	10,000	–
Term deposit – interest	–	720	2,559
Miscellaneous	27,000	150	68
Total revenue	1,258,180	1,276,694	1,194,722
Expenses (schedules):			
Administration	410,180	425,543	364,282
Beautification	495,000	393,474	311,838
Marketing	285,000	289,678	227,799
Events	58,000	58,556	11,501
Amortization	–	42,831	34,378
Write-off of special tax levy	40,000	16,639	–
Loss on disposal of tangible capital assets	–	–	1,379
Total expenses	1,288,180	1,226,721	951,177
Annual (deficit) surplus	(30,000)	49,973	243,545
Accumulated surplus, beginning of year	690,508	690,508	446,963
Accumulated surplus, end of year (note 6)	\$ 660,508	\$ 740,481	\$ 690,508

The accompanying notes are an integral part of these financial statements.

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

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

	2022	2021
Annual surplus	\$ 49,973	\$ 243,545
Acquisition of tangible capital assets	(55,691)	(137,112)
Amortization of tangible capital assets	42,831	34,378
Loss on disposal of tangible capital assets	–	1,379
	37,113	142,190
Prepaid expenses	(1,487)	(6,129)
Change in net financial assets	35,626	136,061
Net financial assets, beginning of year	304,755	168,694
Net financial assets, end of year	\$ 340,381	\$ 304,755

The accompanying notes are an integral part of these financial statements.

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 49,973	\$ 243,545
Item not involving cash:		
Amortization	42,831	34,378
Loss on disposal of tangible capital assets		1,379
Change in non-cash operating working capital:		
Accounts receivable	(9,585)	4,310
Accounts payable and accrued liabilities	(68,651)	92,156
Due to Town of Oakville	21,002	(4,284)
Prepaid expenses	(1,487)	(6,129)
Deferred revenue	(40,000)	—
Net change in cash from operating activities	(5,917)	365,355
Financing activities:		
Purchase of investments	(706)	(102,375)
Repayment of long-term liabilities	(39,621)	(39,129)
Net change in cash from financing activities	(40,327)	(141,504)
Investing activities:		
Cash used to acquire tangible capital assets	(55,690)	(137,112)
Net change in cash	(101,934)	86,739
Cash, beginning of year	243,373	156,634
Cash, end of year	\$ 141,439	\$ 243,373

The accompanying notes are an integral part of these financial statements.

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2022

The Downtown Oakville Business Improvement Area (the "Business Improvement Area") was established July 4, 1978 in accordance with Section 220 of the Municipal Act, (R.S.O.1990) for the purpose of providing improvements, beautification and maintenance of land, buildings and structures in the area, and the promotion of the Business Improvement Area as a business and shopping area. 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 the representations of management prepared in accordance with Canadian public sector accounting standards. 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 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 are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor 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) Investment income:

Investment income is reported as revenue in the period earned.

(e) Investments:

Investments consist of guaranteed investment certificates and are recorded at amortized cost. The recorded amount approximates fair value.

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) 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.

(g) 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
Streetscape improvements	3–20
Office furniture & equipment	3–15

Amortization is charged in the year of acquisition and in the year of disposal.

(h) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(i) 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.

The Business Improvement Area's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

(j) Related party transactions:

Transactions with related parties are measured at the carrying amount.

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Deferred revenue:

Deferred revenue relates to unrecognized funds from the following sources:

	2022		2021	
TD Songs of Summer	\$	–	\$	40,000
Balance, beginning of year	\$	40,000	\$	40,000
Earned during the year		(40,000)		–
Balance, end of year	\$	–	\$	40,000

3. Long-term liabilities:

The balance of long-term liabilities, reported on the statement of financial position is made up of the following:

	2022		2021	
Loan for \$200,000, repayable in monthly installments of \$3,440 principal and including interest calculated at a rate of 1.25% per annum, maturing September 30, 2025, secured by a general security agreement.	\$	111,544	\$	151,165

Principal repayment on long-term debt over the next three years are as follows:

2023	\$	40,119
2024		40,623
2025		30,802
	\$	111,544

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Streetscape improvements	\$ 535,105	\$ 51,095	-	\$ 586,200
Office furniture and equipment	39,684	4,596	(1,338)	42,942
Total	\$ 574,789	\$ 55,691	\$ (1,338)	\$ 629,142

Accumulated amortization	Balance at December 31, 2021	Disposals	Amortization expense	Balance at December 31, 2022
Streetscape improvements	\$ 166,704	-	\$ 38,632	\$ 205,336
Office furniture and equipment	29,863	(1,338)	4,199	32,724
Total	\$ 196,567	\$ (1,338)	\$ 42,831	\$ 238,060

	Net book value December 31, 2021	Net book value December 31, 2022
Streetscape improvements	\$ 368,401	\$ 380,864
Office furniture and equipment	9,821	10,218
Total	\$ 378,222	\$ 391,082

5. Commitments:

The Business Improvement Area has entered into the following commitments as at December 31, 2022. The previous lease agreement expired on February 15, 2022. A new ten-year lease for office premises was signed in October 2021 with Strongman Properties. Minimal annual basic rental payments are \$32,504. Annual basic rental payments are to increase in every two years as disclosed below. This lease expires February 15, 2032. Minimum annual payments are as follows:

Principal repayment on long-term debt over the next five years are as follows:

2023	\$ 32,405
2024	33,460
2025	33,460
2026	34,416
2027	34,416
Thereafter	142,094
	\$ 310,251

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 391,082	\$ 378,222
Stabilization reserve	349,399	312,286
	<u>\$ 740,481</u>	<u>\$ 690,508</u>

The Stabilization reserve fund is designated by the Board for the future purchase of beautification items.

The change in the reserve fund balance is as follows:

	2022	2021
Fund balance, beginning of year	\$ 312,286	\$ 170,096
Transfers to reserves	37,113	142,190
Fund balance, end of year	<u>\$ 349,399</u>	<u>\$ 312,286</u>

7. Budget data:

The budget data presented in these financial statements is based upon the 2022 budget approved by the Board on November 24, 2021. Amortization and acquisitions of tangible capital assets were not contemplated on development of the budget and, as such, has not been included. For this reason, budget figures were not provided on the statement of changes in net financial assets.

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Schedule of Expenses

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

	2022	2021
Administration:		
Bank charges	\$ 463	\$ 522
Bookkeeping	16,624	15,976
Computer software	1,416	1,436
Employee benefits	34,566	28,271
Hydro	3,111	2,456
Insurance	5,165	4,834
Interest expense	1,663	2,155
Meetings	621	369
Memberships	4,051	355
Merchant showcase	2,151	1,303
Non-refundable HST (provincial portion)	710	1,156
Office maintenance	1,914	2,470
Office supplies and equipment	3,664	1,278
Parking	754	736
Photocopier	356	3,206
Postage	406	138
Professional fees	5,211	4,220
Rent	55,699	43,186
Salaries	283,125	244,508
Seminars and training	109	40
Telephone and internet	3,764	5,460
WD/SD cards	—	207
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	\$ 425,543	\$ 364,282

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Schedule of Expenses (continued)

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

	2022	2021
Events:		
Community events	\$ 17,260	\$ 11,491
Summer events	41,296	10
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	\$ 58,556	\$ 11,501
Marketing:		
Autumn marketing	\$ 14,689	\$ 10,530
Branding	3,242	11,072
Content development	25,025	18,071
Customer experience activations	—	41,854
Destination marketing	13,237	—
General advertising	3,824	2,951
Holiday marketing	62,922	40,115
Internet and website	9,364	12,489
Media buys	42,933	38,450
Member marketing	18,959	11,915
Research and data	—	18,000
Signage	13,697	16,847
Spring marketing	25,317	2,703
Summer marketing	55,439	1,673
Tourism oriented directional signage	1,030	985
Winter marketing	—	144
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	\$ 289,678	\$ 227,799

DOWNTOWN OAKVILLE BUSINESS IMPROVEMENT AREA

Schedule of Expenses (continued)

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

	2022	2021
Beautification:		
Fall baskets	\$ 65,593	\$ 46,590
Holiday install and maintenance	105,662	76,479
Miscellaneous expense	5,939	6,530
Signs – general	706	2,663
Spring flowers	22,360	10,072
Summer flowers	108,540	84,859
Sweeping and litter maintenance	14,624	8,150
Winter flowers and baskets	70,050	76,495
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	\$ 393,474	\$ 311,838
Other expenses:		
Amortization	\$ 42,831	\$ 34,378
Loss on sale of tangible capital assets	–	1,379
	<hr/>	<hr/>
	\$ 42,831	\$ 35,757
Write-offs:		
Write off of special tax levy	\$ 16,639	\$ –
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Total expenses	\$ 1,226,721	\$ 951,177