

Financial Statements of

**BOARD OF MANAGEMENT OF
PRESTON TOWNE CENTRE
BUSINESS IMPROVEMENT
AREA**

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

Opinion

We have audited the financial statements of Board of Management of Preston Towne Centre Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of revenue and expenses 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 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.



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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

August 8, 2024

BOARD OF MANAGEMENT OF PRESTON TOWNE CENTRE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

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

	2023	2022
Financial Assets		
Cash	\$ 73,569	\$ 52,861
HST rebate receivable	10,537	5,743
Due from City of Cambridge	–	3,712
	<u>84,106</u>	<u>62,316</u>
Liabilities		
Accounts payable and accrued charges	4,174	2,818
Due to City of Cambridge	599	–
	<u>4,773</u>	<u>2,818</u>
Net financial assets	79,333	59,498
Net assets	<u>\$ 79,333</u>	<u>\$ 59,498</u>
Accumulated Surplus		
Total accumulated surplus	<u>\$ 79,333</u>	<u>\$ 59,498</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

BOARD OF MANAGEMENT OF PRESTON TOWNE CENTRE BUSINESS IMPROVEMENT AREA

Statement of Revenue and Expenses and Accumulated Surplus

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

	2023 Budget	2023 Actual	2022 Actual
Revenue:			
Taxation levy, City of Cambridge	\$ 71,900	\$ 71,300	\$ 71,600
Food Crawl revenue	15,000	22,640	19,420
Other revenue	–	26,488	7,695
	86,900	120,428	98,715
Expenses:			
Advertising, promotions and events	44,300	57,800	47,010
Streetscaping	12,000	10,624	15,905
Urban development project	7,000	10,097	10,445
Coordinator wages and benefits	10,000	10,000	10,000
Skating rink	5,000	5,600	5,308
Office expenses	2,000	2,100	2,000
Professional fees	2,600	2,044	2,480
Communication and management costs	1,500	1,894	2,123
Contingency	2,500	434	430
	86,900	100,593	95,701
Net revenue	–	19,835	3,014
Accumulated surplus, beginning of year	59,498	59,498	56,484
Accumulated surplus, end of year	\$ 59,498	\$ 79,333	\$ 59,498

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF PRESTON TOWNE CENTRE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

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

	2023	2022
Net revenue	\$ 19,835	\$ 3,014
Change in prepaid expenses	–	800
Change in net financial assets	19,835	3,814
Net financial assets, beginning of year	59,498	55,684
Net financial assets, end of year	\$ 79,333	\$ 59,498

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF PRESTON TOWNE CENTRE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Net revenue	\$ 19,835	\$ 3,014
Changes in non-cash assets and liabilities:		
HST rebate receivable	(4,794)	(680)
Due from City of Cambridge	4,311	916
Prepaid expenses	–	800
Accounts payable and accrued liabilities	1,356	68
Increase in cash	20,708	4,118
Cash, beginning of year	52,861	48,743
Cash, end of year	\$ 73,569	\$ 52,861

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF PRESTON TOWNE CENTRE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2023

The Municipal Act states that a municipality may, by by-law, designate an area as an improvement area for the purpose of the improvement, beautification and maintenance of municipally-owned property in the area and the promotion of the area as a business or shopping area. The expenditures required to accomplish this purpose, which are in addition to expenditures provided by the municipality at large, are financed by every person assessed for business purposes within the area.

Accordingly, the Board of Management of Preston Towne Centre Business Improvement Area (the "Board") and the related Board was established pursuant to by-laws of the Corporation of the City of Cambridge. These by-laws defined and designated the Business Improvement Area and provided operating regulations to be followed by the Board.

The Municipal Act and Organizing by-laws both state that the Board should not spend money not included in the estimates approved by the Council of the Corporation of the City of Cambridge.

1. Summary of significant accounting policies:

(a) Basis of accounting:

The Board utilizes the following significant accounting principles, methods and procedures in the preparation of these financial statements. These policies are in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and have been followed consistently in all material respects for the periods covered.

(b) Revenue recognition:

Revenues are recognized as follows:

Taxation levy revenue is recorded on an annual basis using the proportionate share of the total number of businesses for the year and an annually established rate per business. Revenue is recognized when assessed.

Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

(c) Accrual basis of accounting:

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

BOARD OF MANAGEMENT OF PRESTON TOWNE CENTRE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Summary of significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost. Amortized cost is determined using the effective interest method. As all financial instruments are recorded at cost or amortized cost, a statement of remeasurement gains and losses has not been included.

Financial assets measured at cost or amortized cost are assessed for indicators of impairment at each financial statement date. Impairment losses are recognized in the statement of operations.

The Board evaluates contractual obligations for the existence of embedded derivatives and separately measures the fair value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself.

2. Financial instruments:

The Board is exposed to various risks through its financial instruments and continues to monitor, evaluate, and manage these risks. The following analysis provides information about the Board's risk exposure and concentration as at December 31, 2023.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board is exposed to credit risk from its cash and HST rebate receivable balance. The Board manages its exposure to this risk by maintaining its funds in a creditworthy financial institution.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to liquidity risk from its accounts payable and accrued charges. The Board manages its exposure to this risk through monitoring cash flows in order to maintain sufficient funds for meeting obligations as they come due.

Concentration of risk:

(a) Limited counterparties:

A substantial portion of the Board's revenue is derived from funding by the City of Cambridge. The loss of this relationship would have a significant impact on the Board's revenue.