

Financial Statements of

**DOWNTOWN
CAMBRIDGE BUSINESS
IMPROVEMENT AREA**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

Opinion

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

- the statement of financial position as at December 31, 2020
- 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, 2020, 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 "***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 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.

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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

September 10, 2021

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

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

	2020	2019
Financial Assets		
Cash	\$ 43,323	\$ 27,648
HST rebate receivable	9,889	16,103
Accounts receivable	9,000	5,569
Receivable from City of Cambridge	1,720	–
	<u>63,932</u>	<u>49,320</u>
Financial Liabilities		
Accounts payable – City of Cambridge	–	11,270
Accounts payable and accrued charges	2,867	4,621
	<u>2,867</u>	<u>15,891</u>
Net financial assets	61,065	33,429
Non-Financial Assets		
Prepaid expenses	1,275	1,776
Net assets	<u>\$ 62,340</u>	<u>\$ 35,205</u>
Accumulated Surplus		
Total accumulated surplus	<u>\$ 62,340</u>	<u>\$ 35,205</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Statement of Revenue and Expenses and Accumulated Surplus

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

	Budget 2020	Actual 2020	Actual 2019
Revenue:			
Taxation levy, City of Cambridge	\$ 193,193	\$ 194,912	\$ 192,952
Other revenue	27,000	17,166	11,734
	<u>220,193</u>	<u>212,078</u>	<u>204,686</u>
Expenses:			
Professional fees	2,260	2,450	9,137
Salaries and benefits	59,500	54,000	57,629
Sponsorships/memberships	37,891	17,850	50,804
Advertising and promotion	35,390	30,985	28,093
Beautification	31,200	27,422	23,440
CCAP program (note 2)	37,750	28,892	21,262
Repairs and maintenance	–	–	6,614
Insurance	1,862	2,266	1,640
Rent	7,850	8,621	1,604
Office	5,990	11,929	1,710
Bank charges, interest and other	500	528	450
Conferences and meetings	–	–	321
Outside services	–	–	3,315
	<u>220,193</u>	<u>184,943</u>	<u>206,019</u>
Net revenue (expenses)	–	27,135	(1,333)
Accumulated surplus, beginning of year	–	35,205	36,538
Accumulated surplus, end of year	\$ –	\$ 62,340	\$ 35,205

See accompanying notes to financial statements.

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

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

	2020	2019
Net revenue (expenses)	\$ 27,135	\$ (1,333)
Change in prepaid expenses	501	436
Change in net financial assets	27,636	(897)
Net financial assets, beginning of year	33,429	34,326
Net financial assets, end of year	\$ 61,065	\$ 33,429

See accompanying notes to financial statements.

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net revenue (expenses)	\$ 27,135	\$ (1,333)
Changes in non-cash assets and liabilities:		
Accounts receivable	(3,431)	3,431
Prepaid expenses	501	436
HST rebate receivable	6,214	(7,766)
Accounts payable and accrued liabilities	(1,754)	(62,737)
Payable to City of Cambridge	(11,270)	(4,806)
Receivable from City of Cambridge	(1,720)	2,103
Cash from operating activities	(11,460)	(69,339)
Increase (decrease) in cash	15,675	(70,672)
Cash, beginning of year	27,648	98,320
Cash, end of year	\$ 43,323	\$ 27,648

See accompanying notes to financial statements.

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2020

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 Downtown Cambridge 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.

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Cambridge Core Area Patrol Program (CCAP):

The Board has entered into agreements with The Corporation of the City of Cambridge, The Preston Towne Centre BIA and the Hespeler Village BIA whereby the Downtown Cambridge BIA would act as the "service provider" for the CCAP program.

The services provided include the staffing equipping of personnel to patrol within each of the three BIA core areas from the May long weekend to Labour Day weekend. The cost to the Board for the year was \$28,892 (2019 - \$21,262).

3. Implications of COVID-19:

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

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Board's 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 Board is not practicable at this time.