

Financial Statements of

**DOWNTOWN
CAMBRIDGE BUSINESS
IMPROVEMENT AREA**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Board of Downtown Cambridge Business Improvement Area

Qualified 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, 2022
- 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 note to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditor's report, 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 Qualified Opinion

The Entity issues gift certificates to be used as promotional items, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of the associated fundraising revenues, accounts payable and accrued liabilities and advertising expenses were limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the net financial assets reported in the statements of financial position as at December 31, 2022 and December 31, 2021.
- the other revenue, advertising and promotion expenses, excess of revenues over expenses and accumulated surplus, at the beginning and end of the year, reported in the statements of operations and changes in accumulated surplus for the years ended December 31, 2022 and December 31, 2021.



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- the annual surplus (deficit) reported in the statements of cash flows for the years ended December 31, 2022 and December 31, 2021.

Our opinion on the financial statements for the year ended December 31, 2022 was qualified accordingly because of the possible effects of this limitation in scope.

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 qualified 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 qualified 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.



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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 qualified 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 qualified 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'.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

January 8, 2024

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

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

	2022	2021
Financial Assets		
Cash	\$ 15,160	\$ 63,744
HST rebate receivable	14,580	12,533
Accounts receivable	305	750
Receivable from City of Cambridge	114	15,842
	<u>30,159</u>	<u>92,869</u>

Financial Liabilities

Accounts payable and accrued charges	13,310	4,897
Net financial assets	<u>16,849</u>	<u>87,972</u>

Non-Financial Assets

Prepaid expenses	2,120	1,275
Net assets	<u>\$ 18,969</u>	<u>\$ 89,247</u>

Accumulated Surplus

Total accumulated surplus	<u>\$ 18,969</u>	<u>\$ 89,247</u>
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See accompanying note 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, 2022, with comparative information for 2021

	Budget 2022	Actual 2022	Actual 2021
Revenue:			
Taxation levy, City of Cambridge	\$ 197,193	\$ 193,307	\$ 201,744
Other revenue	22,780	110,909	37,263
	<u>219,973</u>	<u>304,216</u>	<u>239,007</u>
Expenses:			
Professional fees	–	2,600	2,574
Salaries and benefits	105,093	73,027	61,024
Sponsorships/memberships	31,040	58,098	5,617
Advertising and promotion	34,940	55,569	43,994
Beautification	34,900	49,268	68,947
BIA Initiatives	–	88,680	14,330
Insurance	–	1,305	3,058
Rent	–	18,993	17,926
Office	–	5,665	6,609
Bank charges, interest and other	–	341	323
Other	18,000	20,948	–
	<u>223,973</u>	<u>374,494</u>	<u>224,402</u>
Net revenue (loss)	–	(70,278)	14,605
Accumulated surplus, beginning of year	–	89,247	74,642
Accumulated surplus, end of year	\$ –	\$ 18,969	\$ 89,247

See accompanying note to financial statements.

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

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

	2022	2021
Net revenue (loss)	\$ (70,278)	\$ 14,605
Change in prepaid expenses	(845)	–
Change in net financial assets	(71,123)	14,605
Net financial assets, beginning of year	87,972	73,367
Net financial assets, end of year	\$ 16,849	\$ 87,972

See accompanying note to financial statements.

DOWNTOWN CAMBRIDGE 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:		
Net revenue (loss)	\$ (70,278)	\$ 14,605
Changes in non-cash assets and liabilities:		
Accounts receivable	445	8,250
Prepaid expenses	(845)	
HST rebate receivable	(2,047)	(2,644)
Accounts payable and accrued liabilities	8,413	2,030
Receivable from City of Cambridge	15,728	(14,122)
Cash from operating activities	21,694	8,119
Increase (decrease) in cash	(48,584)	8,119
Cash, beginning of year	63,744	55,625
Cash, end of year	\$ 15,160	\$ 63,744

See accompanying note to financial statements.

DOWNTOWN CAMBRIDGE BUSINESS IMPROVEMENT AREA

Note to Financial Statements

Year ended December 31, 2022

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.