

Financial Statements

The Grimsby Downtown Business Improvement Area

2023

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THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Grimsby Downtown Business Improvement Area (the "BIA") are the responsibility of the BIA's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the accounting period cannot be finalized with certainty until future periods.


The BIA's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The BIA board meets with management and external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Grant Thornton LLP, licensed public accountants appointed by the Town of Grimsby. The accompanying Independent Auditors Report outlines their responsibilities and their opinion on the BIA's financial statements.



Mark Wood
Chair
The Grimsby Downtown Business Improvement Area



Tony Del Monaco, CPA
Director of Finance/Treasurer
The Corporation of the Town of Grimsby

July 19, 2024

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Taxpayers of
The Corporation of the Town of Grimsby

Opinion

We have audited the financial statements of The Grimsby Downtown Business Improvement Area ("the BIA"), which comprise the statement of financial position as at December 31, 2023 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Grimsby Downtown Business Improvement Area as at December 31, 2023, and the results of operations, its changes in its 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 report. We are independent of the DIA 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 these 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 BIA's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the DIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 these 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 DIA'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 DIA'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 DIA 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.

We 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.

Grant Thornton LLP

Port Colborne, Canada
July 19, 2024

Chartered Professional Accountants
Licensed Public Accountants

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	2023	2022
Financial assets		
Due from Town of Grimsby	\$ 185,798	\$ 153,958
Net financial assets	185,798	153,958
Non-financial assets		
Prepaid expenses	-	857
Tangible capital assets (Note 5)	3,553	6,259
	3,553	7,116
Accumulated surplus (Note 6)	\$ 189,351	\$ 161,074

On behalf of the Board



Mark Wood
Chair GDBIA



Daniel Vandersteen
Treasurer, GDBIA

See accompanying notes to the financial statements

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2023

	2023 Budget (Note 4)	2023 Actual	2022 Actual
Revenue			
Taxation	\$ 87,350	\$ 87,349	\$ 87,350
Tax (write-offs) supplementaries, net	(3,400)	(295)	(566)
	83,950	87,054	86,784
Expenses			
Advertising and promotion	30,400	3,409	19,222
Amortization	2,706	2,706	2,706
Downtown beautification	29,900	13,600	14,554
Office	1,200	15,316	238
Professional fees	1,760	7,635	1,168
Special events	6,000	16,111	34,352
	71,966	58,777	72,240
Annual surplus	11,984	28,277	14,544
Accumulated surplus (Note 6)			
Beginning of year	161,074	161,074	146,530
End of year	\$ 173,058	\$ 189,351	\$ 161,074

See accompanying notes to the financial statements

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2023

	2023 Budget (Note 4)	2023 Actual	2022 Actual
Annual surplus	\$ 11,984	\$ 28,277	\$ 14,544
Amortization of tangible capital assets	2,706	2,706	2,706
Utilization (acquisition) of prepaid expenses	-	857	(857)
Increase in net financial assets	14,690	31,840	16,393
Net financial assets			
Beginning of year	153,958	153,958	137,565
End of year	\$ 168,648	\$ 185,798	\$ 153,958

See accompanying notes to the financial statements

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023	2022
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 28,277	\$ 14,544
Non-cash items:		
Amortization of tangible capital assets	2,706	2,706
Utilization (acquisition) of prepaid expenses	857	(857)
Increase in due from Town of Grimsby	(31,840)	(16,393)
Increase in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of year	-	-
End of year	\$ -	\$ -

See accompanying notes to the financial statements

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

1. Purpose of The Grimsby Downtown Business Improvement Area

The Grimsby Downtown Business Improvement Area (BIA) was established by the Council of the Town of Grimsby and has been entrusted with the improvement, beautification and maintenance of the Municipality owned lands, buildings, and structures in the improvement area, beyond such expenditures by the Municipality. The BIA is also responsible for the promotion of this improvement for business and shopping.

The Board is financed by a special levy charged upon businesses in the improvement area.

2. Summary of significant accounting policies

The financial statements are the responsibility of and prepared by management in accordance with Canadian Public Sector Accounting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

Basis of accounting

Sources of revenue and expenses are reporting on the accrual basis of accounting. The accrual basis of accounting records revenues in the period in they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus in the BIA.

Tangible capital assets

(a) Determination of costs

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the assets required to install the asset at the location and in the condition necessary for its intended use. Contributed or donated tangible capital assets are recorded at fair value at the date of receipt.

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

2. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

(b) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of asset in providing government services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives.

Equipment	3-15 years
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Assets under construction are not amortized until the assets are available for use and put in service.

Revenue recognition

Government transfers, which include municipal contributions and provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations have been met, and reasonable estimates of the amounts can be made. Government transfers that meet the definition of liability are recognized as revenue as the liability is extinguished.

Investment income is reported as revenue in the period earned. Other revenues are recognized when the services are performed, or goods are delivered and there is reasonable assurance of collection.

Financial instruments

The BIA initially measures its financial assets and financial liabilities at fair value. The BIA subsequently measures all its financial assets and financial liabilities at amortized cost. Financial liabilities are removed from the Statement of Financial Position upon discharge, cancellation, or expiration.

Financial assets measured at amortized cost include the due from the Town of Grimsby.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Areas in which management make estimates are with regard to the useful lives of tangible capital assets.

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

3. Adoption of new guidance

Effective January 1, 2023, the BIA adopted new Public Sector Accounting Standards Sections PS 3450 Financial Instruments, PS 3041 Portfolio Investments, and Section 1201 Financial Statement Presentation along with the related amendments. New Section PS 3450 requires the fair value measurement of derivatives and portfolio investments in equities quoted in an active market. All other financial assets and liabilities are measured at cost or amortized cost (using the effective interest method).

The measurement requirements were applied prospectively. The recognition, derecognition, and measurement policies followed in the comparative period were not reversed and the comparative figures have not been restated.

There were no adjustments required and there are no remeasurement gains or losses or embedded derivatives requiring the presentation of a Statement of Remeasurement Gains or Losses.

4. Budget

The budget was not prepared on a basis consistent with that used to report actual results in accordance with Canadian Public Sector Accounting Standards. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require a full accrual basis. As a result, the budget figures presented in the Statement of Operations and Statement of Changes in Net Financial Assets represent the budget adopted with the following adjustments:

Approved budgeted annual surplus	\$ -
Add: transfer to reserve	14,690
Less: amortization of tangible capital assets	<u>(2,706)</u>
Budgeted surplus per Statement of Operations	<u>\$ 11,984</u>

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

5. Tangible capital assets	<u>2023</u>	<u>2022</u>
Cost, beginning of year	\$ 20,900	\$ 20,900
Add additions during the year	-	-
Less disposals during the year	-	-
Cost, end of year	\$ 20,900	\$ 20,900
Accumulated amortization, beginning of year	\$ 14,641	\$ 11,935
Less disposals during the year	-	-
Add amortization during the year	2,706	2,706
Accumulated amortization, end of year	17,347	14,641
Net book value	\$ 3,553	\$ 6,259
6. Accumulated surplus	<u>2023</u>	<u>2022</u>
Operating surplus (Note 7)	\$ 13,648	\$ 13,648
BIA projects & stabilization reserve	172,150	141,167
Investment in tangible capital assets	3,553	6,259
	\$ 189,351	\$ 161,074
7. Operating surplus	<u>2023</u>	<u>2022</u>
Annual surplus for the year	\$ 28,277	\$ 14,544
Add: amortization for the year	2,706	2,706
Less: acquisition of tangible capital assets	-	-
Less: transfer to reserve	(30,983)	(17,075)
	-	175
Operating surplus		
Beginning of year	13,648	13,473
End of year	\$ 13,648	\$ 13,648

THE GRIMSBY DOWNTOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

8. Financial instruments

The BIA is exposed to various risks through its financial instruments. The following analysis provides a measure of the BIA's risk exposures as at December 31, 2023:

Credit risk

Credit risk is the risk of financial loss to the BIA if a debtor fails to pay the amounts owing to the BIA. The BIA is exposed to this risk arising from its due from Town of Grimsby.

Receivables are primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The BIA measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up for specific accounts deemed to be possibly uncollectible. In the current and prior year, no impairment allowance was recorded. There were no changes in exposures to credit risk during the period. The amounts outstanding at year-end were as follows:

2023						
	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$185,798	-	-	-	-	\$185,798

2022						
	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$153,958	-	-	-	-	\$153,958

Liquidity risk

Liquidity risk is the risk that the BIA will not be able to meet all cash outflow obligations as they come due. The BIA mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining adequate cash levels.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.