

Financial Statements of

**ST. CATHARINES DOWNTOWN  
ASSOCIATION**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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## INDEPENDENT AUDITOR'S REPORT

To the Board Members of the St. Catharines Downtown Association, Members of Council, Inhabitants and Ratepayers of The Corporation of the City of St. Catharines

### ***Opinion***

We have audited the accompanying financial statements of the St. Catharines Downtown Association (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations 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 schedule 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 St. Catharines Downtown Association 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 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.

### ***Emphasis of Matter - Restatement of Financial Statements***

We draw attention to Note 8 to the financial statements (“Note 8”), which explains that certain comparative information presented for the year ended December 31, 2021 has been restated.



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Note 8 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

### ***Other Matter – Comparative Information***

As part of our audit of the financial statements for the year ended December 31, 2022, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2021. In our opinion, such adjustments are appropriate and have been properly applied.

### ***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 Responsibility 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.



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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 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 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 represents 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' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

March 8, 2023

# ST. CATHARINES DOWNTOWN ASSOCIATION

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Year ended December 31, 2022

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# ST. CATHARINES DOWNTOWN ASSOCIATION

## Statement of Financial Position

As at December 31, 2022, with comparative information for 2021

	2022	2021
		(Restated – Note 8)
<b>Financial assets</b>		
Cash	\$ 154,610	\$ 57,923
Accounts receivable (note 3)	157,412	268,760
	<u>312,022</u>	<u>326,683</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	54,375	174,099
Provision for redemption of parking tokens (note 4)	394	396
	<u>54,769</u>	<u>174,495</u>
Net financial assets	257,253	152,188
<b>Non-financial assets</b>		
Tangible capital assets (note 2)	35,135	58,158
Prepaid expenses	1,386	1,386
	<u>36,521</u>	<u>59,544</u>
Commitments (note 6)		
Accumulated surplus (note 5)	\$ 293,774	\$ 211,732

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# ST. CATHARINES DOWNTOWN ASSOCIATION

## Statement of Operations

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

	Budget (note 7)	2022	2021 (Restated – Note 8)
Revenue:			
Member levy (note 3)	\$ 373,338	\$ 377,776	\$ 370,060
Government grants	-	246,466	229,880
City of St. Catharines grants (note 3)	-	-	28,141
Marketing	-	750	41
Sponsorship revenue	-	5,300	-
Other income/recovery	-	87,374	2,319
Total revenue	373,338	717,666	630,441
Expenses: (Schedule)			
Administration	203,338	300,652	197,369
Amortization	-	23,023	21,866
Development	42,500	71,818	61,681
Events	70,000	191,089	188,353
Media and visual marketing	57,500	49,042	60,817
Total expenses	373,338	635,624	530,086
Annual surplus	-	82,042	100,355
Accumulated surplus, beginning of year	158,117	211,732	111,377
Accumulated surplus, end of year	\$ 158,117	\$ 293,774	\$ 211,732

See accompanying notes to financial statements.

# ST. CATHARINES DOWNTOWN ASSOCIATION

## Statement of Changes in Net Financial Assets

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

	2022	2021
		(Restated – Note 8)
Annual surplus	\$ 82,042	\$ 100,355
Acquisition of tangible capital assets	-	(5,850)
Amortization of tangible capital assets	23,023	21,866
Prepaid expenses	-	15,502
Change in net financial assets	105,065	131,873
Net financial assets, beginning of year	152,188	20,315
Net financial assets, end of year	\$ 257,253	\$ 152,188

See accompanying notes to financial statements.



# ST. CATHARINES DOWNTOWN ASSOCIATION

## Statement of Cash Flows

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

	2022	2021
		(Restated – Note 8)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 82,042	\$ 100,355
Items not involving cash:		
Amortization	23,023	21,866
Changes in non-cash assets and liabilities:		
Accounts payable and accrued liabilities	(119,724)	130,652
Accounts receivable	111,348	(256,444)
Provision for redemption of parking tokens	(2)	(104)
Prepaid expenses	-	15,502
Net change in cash from operating activities	96,687	11,827
Capital activities:		
Cash used to acquire tangible capital assets	-	(5,850)
Net increase in cash	96,687	5,977
Cash, beginning of year	57,923	51,946
Cash, end of year	\$ 154,610	\$ 57,923

See accompanying notes to financial statements.

# ST. CATHARINES DOWNTOWN ASSOCIATION

## Notes to Financial Statements

Year ended December 31, 2022

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The St. Catharines Downtown Association (the "Association") was established by the Council of the City of St. Catharines in 1973 pursuant to the Municipal Act. The Association has been entrusted with the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the Association area, beyond such expenditures by the City of St. Catharines. The Association is also responsible for the promotion of this improvement area for business and shopping. The Association is financed by a special levy charged upon businesses in the improvement area.

### 1. Significant accounting policies:

The financial statements of the Association are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") established by the Public Sector Accounting Board of CPA Canada. Significant accounting policies adopted by the Association are as follows:

(a) Basis of accounting:

The Association follows the accrual method of accounting for revenues and expenses. Revenues are normally 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 received relate to the assessment levy and operating grants. Government transfers are recognized in the financial statements as revenues when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amounts can be made except when, and to the extent that, stipulations by the transferors 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.

# ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (d) 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.

### (i) 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
Computers	3
Garbage receptacles	10
Holiday décor	5
Kiosks	20

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### (e) 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.

# ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 2. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Computers	\$ 6,594	\$ -	\$ -	\$ 6,594
Garbage receptacles	12,818	-	-	12,818
Holiday decor	131,963	-	-	131,963
Kiosks	12,423	-	-	12,423
<b>Total</b>	<b>\$ 163,798</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 163,798</b>

Accumulated amortization	Balance at December 31, 2021	Disposals	Amortization expense	Balance at December 31, 2022
Computers	\$ 1,119	\$ -	\$ 1,950	\$ 3,069
Garbage receptacles	12,818	-	-	12,818
Holiday decor	79,280	-	21,073	100,353
Kiosks	12,423	-	-	12,423
<b>Total</b>	<b>\$ 105,640</b>	<b>\$ -</b>	<b>\$ 23,023</b>	<b>\$ 128,663</b>

	Net book value December 31, 2021	Net book value December 31, 2022
Computers	\$ 5,475	\$ 3,525
Garbage receptacles	-	-
Holiday decor	52,683	31,610
Kiosks	-	-
<b>Total</b>	<b>\$ 58,158</b>	<b>\$ 35,135</b>

(a) Contributed tangible capital assets:

The Association received no contributed tangible capital assets in 2022 or 2021.

(b) Tangible capital assets disclosed at nominal values:

There are no tangible capital assets recognized at a nominal value.

(c) Write-down of tangible capital assets:

The Association has not recorded write-downs of tangible capital assets during the year or 2021.

# ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

### 3. Related party transactions:

Transactions with related parties are measured at the carrying amount. During the year, the Association recorded the following transactions with The Corporation of the City of St. Catharines:

Revenue:

	2022	2021
Member levy collected on behalf of the Association	\$ 384,381	\$ 384,549
Supplemental taxes	3,387	2,689
Taxes written-off	(9,401)	(12,588)
Vacancy Rebates	(253)	(2,878)
Charity Rebates	(338)	(1,712)
	<u>\$ 377,776</u>	<u>\$ 370,060</u>

The City of St. Catharines also contributed \$nil (2021 - \$28,141) to the Association in support of the annual Christmas events held within the Association. Included in accounts receivable at the end of the year is a receivable from the City of St. Catharines for the annual Christmas grant of \$nil (2021 - \$28,141).

During the year, the Association transacted with members of key management in the amount of \$20,489 (2021 - \$17,986) for leased premises.

### 4. Provision for redemption of parking tokens:

The provision for redemption of parking tokens in the amount of \$394 (2021 - \$396) represents the estimated value of parking tokens in circulation with merchants and their customers for which the Association is responsible for.

### 5. Accumulated surplus:

Accumulated surplus consists of the following:

	2022	2021
Surplus:		(Restated – Note 8)
Invested in tangible capital assets	\$ 35,135	\$ 58,158
Reserve fund	258,639	153,574
Accumulated surplus	<u>\$ 293,774</u>	<u>\$ 211,732</u>

The reserve fund is used to fund expenditures, normally of a capital nature, that are approved by the Association. It is the policy of the Association to transfer the operating fund annual surplus or deficit to the Reserve fund.

# ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 6. Commitments:

The Association is committed under an operating lease for the rental of office space. Future minimum lease payments under this operating lease are as follows:

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2023	\$ 16,608
2024	16,608
2025	16,608
2026	16,608
2027	8,304
	<hr/>
	\$ 74,736

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The Association is committed under an operating lease for the rental of equipment. Future minimum lease payments under this operating lease are as follows:

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2023	\$ 6,900
2024	6,900
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	\$ 13,800

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## 7. Budget data:

The budget data presented in these financial statements is based upon the 2022 budget approved by the Board on January 17, 2022. Amortization and acquisitions of tangible capital assets were not contemplated on development of the budget and, as such, were not provided on the statement of changes in net financial assets.

## 8. Restatements of the financial statements:

During the current year, it was identified that prior period adjustments related to the following were not properly accounted for:

- 1) Prepaid expenses were not properly expensed in fiscal 2021 resulting in an overstatement in the balance of prepaid expenses and understatement of expenses at December 31, 2021.
- 2) Grant revenue earned in 2021 but received subsequent to year end was not properly recorded as revenue and accounts receivable resulting in an understatement of revenue and accounts receivable at December 31, 2021.
- 3) Events expenses incurred in 2021 recorded subsequent to year end were not properly accrued as accounts payable and event expenses resulting in an understatement of accounts payable and expenses at December 31, 2021.

# ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2022

## 8. Restatements of the financial statements (continued):

The comparative figures have been retrospectively restated as follows to reflect the resulting prior period adjustments:

	As previously reported	Adjustment	As restated
<b>As at January 1, 2022</b>			
Accumulated surplus	\$ 158,117	\$ 53,615	\$ 211,732
<b>As at December 31, 2021</b>			
Accounts receivable	38,880	229,880	268,760
Prepaid expenses	16,888	(15,502)	1,386
Accounts payable and accrued liabilities	13,336	160,763	174,099
<b>For the year ended December 31, 2021</b>			
Grant revenue	-	229,880	229,880
Development expenses	46,179	15,502	61,681
Event expenses	27,590	160,763	188,353
Accumulated surplus	158,117	53,615	211,732
<b>Cash flow impact for the year ended December 31, 2021</b>			
Annual Surplus	46,740	53,615	100,355
Accounts receivable	(26,564)	(229,880)	(256,444)
Accounts payable and accrued liabilities	(30,111)	160,763	130,652
Prepaid expenses	-	15,502	15,502

# ST. CATHARINES DOWNTOWN ASSOCIATION

## Schedule of Expenses

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

	Budget	2022	2021 (Restated – Note 8)
<b>Administration:</b>			
Communications equipment	\$ 10,000	\$ 14,251	\$ 10,318
Insurance	4,500	6,848	4,037
Professional fees/Banking charges	10,000	12,547	13,980
Rent	16,608	20,489	17,986
Salaries and payroll taxes	158,580	242,850	147,070
Supplies and other	3,650	3,667	3,978
	<u>\$ 203,338</u>	<u>\$ 300,652</u>	<u>\$ 197,369</u>
<b>Development:</b>			
Annual general meeting	\$ 500	\$ 2,351	\$ 598
Meetings	500	2,020	462
Committee/board/staff development	5,000	4,260	8,760
Façade/streetscape improvements	15,000	52,849	26,882
Membership/resources	5,000	5,033	7,725
Newsletter/supplements	1,500	3,095	1,651
Safety	10,000	275	10,870
Website	5,000	1,935	4,733
	<u>\$ 42,500</u>	<u>\$ 71,818</u>	<u>\$ 61,681</u>
<b>Events:</b>			
Christmas/Winter Events	\$ -	\$ -	\$ 15,209
Street closures	-	-	169,685
Summer Events	30,000	177,198	-
Fall Events	10,000	3,024	3,459
Spring Events	10,000	10,706	-
Winter Events	20,000	161	-
	<u>\$ 70,000</u>	<u>\$ 191,089</u>	<u>\$ 188,353</u>
<b>Media and Visual Marketing:</b>			
Beautification/maintenance/identification	\$ 15,500	\$ 15,658	\$ 12,168
General marketing	35,000	26,840	46,957
Kiosks	2,000	-	492
Marketing campaign	-	2,544	50
Sponsorship	5,000	4,000	1,150
	<u>\$ 57,500</u>	<u>\$ 49,042</u>	<u>\$ 60,817</u>