

DRAFT #4
June 19, 2023

Financial Statements of

**BOARD OF MANAGEMENT FOR
THE KLEINBURG BUSINESS
IMPROVEMENT AREA**

And Independent Auditor's Report thereon

Year ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Kleinburg Business Improvement Area,
Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Vaughan

Opinion

We have audited the financial statements of the Board of Management for the Kleinburg Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations 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, 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 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 5 to the financial statements ("Note 5"), which explains that certain comparative information presented for the year ended December 31, 2021 has been restated. Note 5 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 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.
- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
		(Restated - note 5)
Financial Assets		
Cash	\$ 23,774	\$ 35,718
HST receivable	3,229	2,594
Accounts receivable	—	1,625
Accrued revenue	215	10,508
	27,218	50,445
Financial Liabilities		
Accounts payable and accrued liabilities	5,808	3,664
Net financial assets	21,410	46,781
Non-Financial Assets		
Prepaid expenses	767	677
Accumulated surplus	\$ 22,177	\$ 47,458

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Operations and Accumulated Surplus

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

	Budget 2022 (note 2(e))	Actual 2022	Actual 2021 (Restated - note 5)
Revenue:			
Kleinburg Business Improvement			
Area special area levy	\$ 20,000	\$ 20,000	\$ 52,250
Grants (note 3)	—	4,726	13,191
Other income	—	3,665	—
	20,000	28,391	65,441
Expenses:			
Outside contract services	20,000	2,304	3,022
Salaries	—	8,017	5,596
Special events	7,000	15,350	4,786
Advertising and marketing	21,000	21,364	24,485
Miscellaneous	4,000	2,487	1,115
Insurance	—	1,950	1,625
Professional fees	—	2,200	1,540
	52,000	53,672	42,169
Annual surplus (deficit)	(32,000)	(25,281)	23,272
Accumulated surplus, beginning of year	42,314	47,458	24,186
Accumulated surplus, end of year	\$ 10,314	\$ 22,177	\$ 47,458

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Changes in Net Financial Assets

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

	Budget 2022 (note 2(e))	Actual 2022	Actual 2021 (Restated - note 5)
Annual surplus (deficit)	\$ (32,000)	\$ (25,281)	\$ 23,272
Acquisition of prepaid expenses	—	(90)	317
Increase (decrease) in net financial assets	(32,000)	(25,371)	23,589
Net financial assets, beginning of year	41,637	46,781	23,192
Net financial assets, end of year	\$ 9,637	\$ 21,410	\$ 46,781

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Cash Flows

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

	2022	2021
		(Restated - note 5)
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (25,281)	\$ 23,272
Change in HST receivable	(635)	1,448
Change in accounts receivable	1,625	(581)
Change in accrued revenue	10,293	(1,454)
Change in prepaid expenses	(90)	317
Change in accounts payable and accrued liabilities	2,144	2,241
Increase (decrease) in cash	(11,944)	25,243
Cash, beginning of year	35,718	10,475
Cash, end of year	\$ 23,774	\$ 35,718

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements

Year ended December 31, 2022

1. Nature of operations:

The Board of Management for the Kleinburg Business Improvement Area (the "Board") was established by a City of Vaughan bylaw dated May 28, 1984. The principal purpose of the Board is to provide for beautification, maintenance and promotion of the Kleinburg Business Improvement Area.

The Board may not borrow money, and without the prior approval of Municipal Council, may not incur indebtedness beyond the current year.

2. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the Board are prepared by management 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.

(b) Accrual basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenses are the costs of goods or services and are recognized when acquired in the year, whether or not payments have been made or invoices received.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenue in the year in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(d) 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 revenue and expenses during the year. Actual results could differ from those estimates.

(e) Budget information:

The audited budget information presented in these financial statements is based on the budget approved by City Council on March 8, 2022.

3. Grants (restated - note 5):

In 2022, the Board received \$4,726 for the Summer Student grant program from the Government of Canada.

In 2021, the Board entered into a grant agreement with Canadian Urban Institute for the My Main Street ("MMS") program. The MMS program focused on supporting the recovery from the pandemic across Southern Ontario by revitalizing main streets and facilitating the return of locally owned independent businesses. The Board received \$5,144 for this grant.

4. Financial risk management:

It is management's opinion that the Board is not exposed to significant liquidity, interest rate, market, or cash flow risk. There has been no change to the risk exposure from 2021.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Restatement of prior year information:

The comparative information presented in the financial statements has been adjusted for a prior period adjustment relating to grants revenue reported in 2021. The comparative information has been adjusted to reflect an increase of \$5,144 in accrued revenue as at December 31, 2021, an increase in grants revenue for the year ended December 31, 2021, and an increase in accumulated surplus as at December 31, 2021. The amounts previously reported were understated by \$5,144 due to an omission of revenue being recognized. This oversight was identified in 2022 when the grants revenue was incorrectly recognized in 2022, thus necessitating a restatement of the Board's prior year information.

The net effect of the above noted prior year adjustment is as follows:

	As previously reported December 31, 2021	Restatement adjustment	As restated December 31, 2021
Statement of financial position:			
Accrued revenue	\$ 5,364	\$ 5,144	\$ 10,508
Net financial assets	41,637	5,144	46,781
Accumulated surplus	42,314	5,144	47,458
Statement of operations and accumulated surplus:			
Grants (note 3)	8,047	5,144	13,191
Annual surplus (deficit)	18,128	5,144	23,272
Accumulated surplus, end of year	42,314	5,144	47,458
Statement of changes in net financial assets:			
Annual surplus (deficit)	18,128	5,144	23,272
Increase (decrease) in net financial assets	18,445	5,144	23,589
Net financial assets, end of year	41,637	5,144	46,781
Statement of cash flows:			
Annual surplus (deficit)	18,128	5,144	23,272
Change in accrued revenue	3,690	(5,144)	(1,454)