

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Taxpayers of the Town of Fort Erie

Qualified Opinion

We have audited the financial statements of Crystal Beach 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, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the accompanying financial statements present fairly in all material respects, the financial position of Crystal Beach Business Improvement Area as at December 31, 2023, and its 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 Qualified Opinion

In common with many not-for-profit organizations, the BIA derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the BIA. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, annual surplus (deficit), and cash flows from operations for the years ended December 31, 2023 and 2022, net financial assets as at December 31, 2023 and 2022, and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified 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 report. We are independent of the BIA 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 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 BIA 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 BIA'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 BIA'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 BIA 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
August 15, 2024

Chartered Professional Accountants
Licensed Public Accountants

**Town of Fort Erie
Crystal Beach Business Improvement Area
Statement of Financial Position**

As at December 31	2023	2022
Financial assets		
Due from Town of Fort Erie	\$ 30,709	\$ 20,588
Non-financial assets		
Tangible capital assets (Note 4)	<u>5,682</u>	<u>7,348</u>
Accumulated surplus (Note 5)	<u>\$ 36,391</u>	<u>\$ 27,936</u>

On behalf of the Board



Chief Administrative Officer



Director, Corporate Services

See accompanying notes to the financial statements.

Town of Fort Erie
Crystal Beach Business Improvement Area
Statement of Operations

For the Year Ended December 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Revenues			
Tax levy, net of write-offs	\$ 30,000	\$ 29,543	\$ 13,651
Government transfers	-	4,674	750
Promotional activities	5,000	22,574	21,820
Donations	3,000	-	3,000
Miscellaneous	-	142	1,239
Reserve fund interest	-	457	-
	<u>38,000</u>	<u>57,390</u>	<u>40,460</u>
Expenses			
Amortization	2,987	2,987	3,858
Bad debt expense	-	5,995	-
Beautification	12,000	2,086	5,700
Contracted services	36,044	9,818	3,584
Office	1,000	725	3,766
Promotional activities	<u>12,956</u>	<u>27,324</u>	<u>24,590</u>
	<u>64,987</u>	<u>48,935</u>	<u>41,498</u>
Annual surplus (deficit)	(26,987)	8,455	(1,038)
Accumulated surplus (Note 5)			
Beginning of year	<u>27,936</u>	<u>27,936</u>	<u>28,974</u>
End of year	<u>\$ 949</u>	<u>\$ 36,391</u>	<u>\$ 27,936</u>

See accompanying notes to the financial statements.

Town of Fort Erie
Crystal Beach Business Improvement Area
Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Annual surplus (deficit)	\$ (26,987)	\$ 8,455	\$ (1,038)
Amortization of tangible capital assets	2,987	2,987	3,858
Acquisition of tangible capital assets	<u>-</u>	<u>(1,321)</u>	<u>(2,774)</u>
Increase (decrease) in net financial assets	(24,000)	10,121	46
Net financial assets			
Beginning of year	<u>20,588</u>	<u>20,588</u>	<u>20,542</u>
End of year	<u>\$ (3,412)</u>	<u>\$ 30,709</u>	<u>\$ 20,588</u>

See accompanying notes to the financial statements.

Town of Fort Erie
Crystal Beach Business Improvement Area
Statement of Cash Flows

For the Year Ended December 31

2023

2022

Increase (decrease) in cash and cash equivalents

Operating transactions

Annual surplus (deficit)	\$ 8,455	\$ (1,038)
Non-cash item		
Amortization of tangible capital assets	2,987	3,858
Increase in due from Town of Fort Erie	<u>(10,121)</u>	<u>(46)</u>

	<u>1,321</u>	<u>2,774</u>
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Capital transactions

Acquisition of tangible capital assets	<u>(1,321)</u>	<u>(2,774)</u>
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Increase (decrease) in cash and cash equivalents

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Cash

Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Town of Fort Erie

Crystal Beach Business Improvement Area

Notes to the Financial Statements

For the Year Ended December 31, 2023

1. Purpose of the Business Improvement Area

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

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

2. Significant accounting policies

The financial statements of the BIA are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenses in the period the goods and services are acquired and a liability is incurred or transfers are due.

(b) Reporting entity

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, and highly liquid temporary money market instruments with original maturities of three months or less.

(d) Revenue recognition

Other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

(e) Tangible capital assets

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

The BIA does not capitalize interest as part of the costs of its capital assets.

Town of Fort Erie

Crystal Beach Business Improvement Area

Notes to the Financial Statements

For the Year Ended December 31, 2023

2. Significant accounting policies (continued)

(e) Tangible capital assets (continued)

Works of art for display in municipal property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all of the benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the statement of operations as "other revenue". Amortization is based on six months for the year of acquisition regardless of the month purchased and annually thereafter until the asset is fully amortized, disposed of or replaced.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
General machinery and equipment	5 years

(f) 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 assets measured at amortized cost include due from Town of Fort Erie.

(g) 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 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 reporting period. Actual results could differ from those estimates. The only area for which management make estimates is the useful lives of the tangible capital assets.

Town of Fort Erie
Crystal Beach Business Improvement Area
Notes to the Financial Statements

For the Year Ended December 31, 2023

3. Change in accounting policy

Effective January 1, 2023, the BIA adopted new public sector accounting standards sections PS 3450 Financial Instruments, PS 3041 Portfolio Investments, PS 2601 Foreign Currency Translation and Section 1201 Financial Statement Presentation along with the related amendments. PS 3450 Financial Instruments 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), or, by policy choice, at fair value when the entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis.

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. The BIA elected to account for embedded derivatives required to be reported in accordance with the Section on a prospective basis.

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. Tangible capital assets

	<u>2023</u>	<u>2022</u>
General machinery and equipment		
Cost, beginning of year	\$ 49,827	\$ 47,053
Add additions during the year	1,321	2,774
Less disposals during the year	<u>-</u>	<u>-</u>
Cost, end of year	<u>51,148</u>	<u>49,827</u>
Accumulated amortization, beginning of year	42,479	38,621
Add amortization during the year	<u>2,987</u>	<u>3,858</u>
Accumulated amortization, end of year	<u>45,466</u>	<u>42,479</u>
Net book value	<u>\$ 5,682</u>	<u>\$ 7,348</u>

Town of Fort Erie
Crystal Beach Business Improvement Area
Notes to the Financial Statements

For the Year Ended December 31, 2023

5. Accumulated surplus	<u>2023</u>	<u>2022</u>
Operating surplus (Note 6)	\$ -	\$ 10,206
Investment in tangible capital assets	5,682	7,348
Reserve fund	<u>30,709</u>	<u>10,382</u>
	<u>\$ 36,391</u>	<u>\$ 27,936</u>

6. Operating surplus	<u>2023</u>	<u>2022</u>
Annual surplus (deficit)	\$ 8,455	\$ (1,038)
Add: Amortization during the year	2,987	3,858
Less: Additions during the year	(1,321)	(2,774)
Less: Transfer to reserves	<u>(20,327)</u>	<u>(10,382)</u>
	(10,206)	(10,336)
Operating surplus		
Beginning of year	<u>10,206</u>	<u>20,542</u>
End of year	<u>\$ -</u>	<u>\$ 10,206</u>

7. Financial instruments

Risk disclosures

Credit risk

Credit risk is the risk of financial loss to the BIA if a debtor fails to discharge their obligation (e.g., pay the accounts receivable owing to the BIA). The BIA is exposed to this risk arising from due from Town of Fort Erie.

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 based on the BIA's historical experience regarding collections. In the current and prior years, there is no impairment allowance related to the receivables. There were no changes in exposures to credit risk during the period. The amounts outstanding at year end were as follows:

Town of Fort Erie
Crystal Beach Business Improvement Area
Notes to the Financial Statements

For the Year Ended December 31, 2023

7. Financial instruments (continued)

	2023					
	Current	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
Government receivables	\$ 30,709	\$ -	\$ -	\$ -	\$ -	\$ 30,709
Total	\$ 30,709	\$ -	\$ -	\$ -	\$ -	\$ 30,709

	2022					
	Current	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
Government receivables	\$ 20,588	\$ -	\$ -	\$ -	\$ -	\$ 20,588
Total	\$ 20,588	\$ -	\$ -	\$ -	\$ -	\$ 20,588

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 Association mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash and cash equivalents if unexpected cash outflows arise. The following undiscounted cash-flows are required to settle the BIA's financial liabilities within one year \$ Nil (2022 - \$ Nil).

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.

8. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.