

Financial Statements of

**HAMILTON FARMERS'
MARKET CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of Management of the Hamilton Farmers' Market Corporation and Members of Council of the City of Hamilton.

Opinion

We have audited the financial statements of The Hamilton Farmer's Market Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations 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, 2020, and its results of operations, 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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.



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.

Auditors' 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 auditors' 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.



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- 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 auditors' 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 auditors' 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', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 7, 2021

HAMILTON FARMERS' MARKET CORPORATION

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HAMILTON FARMERS' MARKET CORPORATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash	\$ 2,100	\$ 2,100
HST recoverable	27,130	22,547
Accounts receivable (note 3)	296,440	84,025
Inventory	959	4,473
	<u>326,629</u>	<u>113,145</u>
Financial liabilities		
Accounts payable and accrued liabilities	10,465	10,204
Deferred revenues	8,283	2,886
Due to City of Hamilton (note 2)	295,726	89,835
Unredeemed gift certificates	12,155	10,220
	<u>326,629</u>	<u>113,145</u>
COVID-19 (note 5)		
Net financial assets and accumulated surplus	\$ —	\$ —

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HAMILTON FARMERS' MARKET CORPORATION

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 4)	2020	2019
Revenue:			
Safe restart agreement funding (note 5)	\$ -	\$ 144,652	\$ -
Merchandise sales	4,500	1,646	3,512
Rental income	520,160	476,710	519,225
Other revenues	168,000	168,657	165,542
	692,660	791,665	688,279
City levy funded deficit (note 2)	112,800	112,800	112,800
Hamilton Farmers Market reserve (note 2)	-	(39,672)	58,189
	805,460	864,793	859,268
Expenses:			
Employee related costs	325,070	292,590	328,804
Building and grounds	243,890	391,305	306,187
Contractual	144,200	85,296	115,402
Materials and supplies	81,850	84,735	92,553
Financial	10,450	10,867	16,322
	805,460	864,793	859,268
Annual surplus, being net financial assets and accumulated surplus, end of year	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

HAMILTON FARMERS' MARKET CORPORATION

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by:		
Operating activities:		
Annual surplus	\$ —	\$ —
Changes in non-cash assets and liabilities:		
Increase in HST receivable	(4,583)	(8,115)
Increase in accounts receivable	(212,415)	(21,870)
Decrease in inventory	3,514	3,542
Increase (decrease) in accounts payable and accrued liabilities	261	(1,567)
Increase in deferred revenue	5,397	2,886
Increase in due to City of Hamilton	205,891	22,855
Increase in unredeemed gift certificates	1,935	2,769
Net change in cash	—	500
Cash, beginning of year	2,100	1,600
Cash, end of year	\$ 2,100	\$ 2,100

See accompanying notes to financial statements.

HAMILTON FARMERS' MARKET CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

The Hamilton Farmers' Market Corporation referred to herein as (the "Market Corporation") was established on December 21, 2015 by the Council of the City of Hamilton (the "City") and has been entrusted to provide the public with access to high quality, nutritious and locally grown food. The Market Corporation also provides opportunities for farmers and food producers to serve the general public. The City owns the market facilities and arranges with the Market Corporation to exclusively manage and operate the facilities on the City's behalf.

1. Significant accounting policies:

The financial statements of the Market Corporation are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Market Corporation are as follows:

(a) Basis of accounting:

These financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Revenues are recorded on the accrual basis of accounting, whereby revenues are recognized as they are earned and measurable. Expenses are recognized in the period goods and services are acquired and a liability is incurred.

(b) Cash:

Cash is comprised of cash on hand.

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(d) Government transfers:

Government transfers received relate to operating grants from the City of Hamilton. 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.

(e) Rental and other revenues:

Rental and other revenues are reported as revenue in the period earned. Other revenues are comprised of merchandise sales, utility recovery and sponsorships.

HAMILTON FARMERS' MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) 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.

(g) Gift Certificates:

Hamilton Farmers' Market issues gift certificates. These gift certificates make up the Unredeemed gift certificates balance on the statement of financial position. They have an indefinite life and do not expire.

(h) Use of estimates:

The preparation of financial statements required 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.

2. Related party transactions:

(a) Transactions with related parties:

	2020	2019
Revenue:		
City levy funded deficit	\$ 112,800	\$ 112,800
Hamilton Farmers Market reserve adjustment	(39,672)	58,189
	\$ 73,128	\$ 170,989

These transactions have been reflected in the annual surplus for the current year and were measured at the exchange amount of consideration established and agreed to by the related parties.

(b) Reserves held by related party:

The City of Hamilton holds a reserve fund on behalf of the Hamilton Farmers' Market Corporation. Use of the funds requires approval of both the Market Corporation's Board as well as the Council of the City of Hamilton. The funds are permitted to be used to ensure the viability of the Market Corporation if other sources of funding are not available. The balance of the reserve fund as at December 31, 2020 is \$71,919 (2019 - \$115,106).

HAMILTON FARMERS' MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Related party transactions (continued):

(c) Outstanding balances due to related party:

	2020	2019
City of Hamilton	\$ 295,726	\$ 89,835

The amount due to City of Hamilton is non-interest bearing and has no fixed terms of repayment.

3. Accounts receivable:

During the year, the Market Corporation presented a motion to the City requesting a 75% fee reduction in stallholders' rental fees. The request was meant to mirror the available Federal Government's Canada Emergency Commercial Rent Assistance (CECRA) program, under which municipal entities were not eligible. In line with this request, the Market Corporation adjusted fee invoices for April, May, and June 2020, equating to 25% of the contracted fee ahead of the request was considered by the City. However, the City determined that the fee reduction request was not consistent with the City-wide COVID-19 Occupancy Framework for tenancies and licenses and the request was denied. As a result, the Market Corporation issued invoices equal to 75% of contracted rent for April, May, and June 2020.

The Market Corporation later approved an optional deferral plan that allows stallholders to pay their fees for April through September 2020 in 2021 without interest. In total, there are 32 stallholders that did not sign the deferral program agreement.

4. Budget data:

The budget data presented in these financial statements is based upon the 2020 budget approved by Council.

HAMILTON FARMERS' MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. COVID-19:

During the year ended December 31, 2020, the novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The Hamilton Farmers' Market remained open through the pandemic with reduced operating hours. During the year, the Hamilton Farmers' Market enacted the rent deferral program to assist vendors with rent payments. This program allowed vendors to defer their rent payments for April-September 2020 to 2021 without interest. This has caused the Hamilton Farmers' Market Accounts receivable to increase significantly in 2020.

As part of the federal-provincial Safe Restart Agreement, the City of Hamilton received an emergency assistance, and the Market Corporation was allocated an amount of \$144,652 in 2020. This funding was provided for the purpose of addressing COVID-19 related operating costs and financial pressures.

The current challenging economic climate may lead to adverse changes in cash flows, which may also have a direct impact on the Market Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Market Corporation's business are not known at this time.