

Financial Statements of

**HAMILTON TOURISM
DEVELOPMENT CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2023

DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hamilton Tourism Development Corporation.

Opinion

We have audited the financial statements of Hamilton Tourism Development Corporation (the "Corporation"), which comprise:

- the statement of financial position as at end of December 31, 2023
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended

(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 Corporation as at December 31, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Corporation 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.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

October 31, 2024

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HAMILTON TOURISM DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Unaudited)
Assets		
Current assets:		
Cash	\$ 896,148	\$ —
Due from the City of Hamilton (note 5)	119,826	—
GST/HST receivable	3,811	—
	\$ 1,019,785	\$ —

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 41,744	\$ —
Net assets:		
Unrestricted	978,041	—
	\$ 1,019,785	\$ —

See accompanying notes to financial statements.

President

Vice President

HAMILTON TOURISM DEVELOPMENT CORPORATION

Statement of Operations and Changes in Net Assets

Year ended December 31, 2023, with comparative information from the date of incorporation of August 2, 2022 to December 31, 2022

	Budget	2023	2022 (Unaudited)
Revenues:			
Municipal accommodation tax (note 4)	\$ 1,094,200	\$ 1,016,920	\$ –
Expenses:			
Legal and professional fees	33,371	37,371	–
Software subscription	1,190	945	–
Subcontractors	–	563	–
Insurance	3,000	–	–
Financial charges	100	–	–
	37,661	38,879	–
Annual surplus	1,056,539	978,041	–
Accumulated surplus, beginning of year	–	–	–
Accumulated surplus, end of year	\$ 1,056,539	\$ 978,041	\$ –

See accompanying notes to financial statements.

HAMILTON TOURISM DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2023, with comparative information from the date of incorporation of August 2, 2022 to December 31, 2022

	2023	2022
		(Unaudited)
Cash provided by (used for):		
Operations		
Excess of revenues over expenses	\$ 978,941	\$ —
Changes in non-cash operating working capital:		
GST/HST receivable	(3,811)	—
Due from the City of Hamilton	(119,826)	—
Accounts payable and accrued liabilities	41,744	—
	(81,893)	—
Net increase in cash	896,148	—
Cash, beginning of period	—	—
Cash, end of period	\$ 896,148	\$ —

See accompanying notes to financial statements.

HAMILTON TOURISM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2023

1. Nature of operations:

Hamilton Tourism Development Corporation. (the "Corporation") is incorporated without share capital pursuant to the Not-for-Profit Corporations Act, 2010, SO 2010, c.15, that exists to provide the City of Hamilton (the "City") with tourism promotion and tourism development services under an operating agreement with the City. The Corporation was incorporated to serve as an 'eligible tourism entity' for the purposes of Ontario Regulation 435/17 – Transient Accommodation Tax. As such, the Corporation is exempt from income taxes under the Income Tax Act.

2. Significant account policies:

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(b) Basis of accounting:

- (i) The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) 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. The change in nonfinancial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

(b) Recognition of revenue and expenses:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue and ; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfer are due.

(c) Municipal accommodation tax (MAT):

Revenue is earned through MAT contribution provided by the City. Ontario Regulation 435/17 - Transient Accommodation Tax allows a municipality to provide an eligible tourism entity with fifty percent (50%) of the annual MAT revenue collected (less the City's reasonable costs collecting and administering the MAT that are attributable to such fiscal year), to be used for the exclusive purpose of promoting tourism.

The City entered into an operating agreement with the Corporation to provide the Corporation with fifty percent (50%) of the City's annual collected MAT revenue (less the City's reasonable costs of collecting and administering the MAT that are attributable to such fiscal year), subject to the terms and conditions set forth herein.

HAMILTON TOURISM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2023

2. Significant account policies (continued):

(c) Municipal accommodation tax (MAT) (continued):

Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts received for future are deferred until the year the revenue relates to.

(d) Cash:

Cash include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(e) Use of estimates:

The preparation of the 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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Budget data:

HAMILTON TOURISM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2023

The budget data presented in these financial statements is based upon the 2023 budget approved by the Board on November 30, 2023.

4. Revenue:

This represents 50 percent of the City's net municipal accommodation tax revenue collected during the year.

5. Due from the City of Hamilton:

This represents the accumulated municipal accommodation tax revenue, less net expenses paid by the City on behalf of the Corporation, due from the City. There are no specific terms of repayment and the amounts do not bear any interest due from the City.

6. Risk management:

Industry risk:

The Corporation operates in the hospitality environment and is affected by general economic trends. A decline in economic conditions, consumer-spending levels or other adverse conditions could lead to reduced revenue .