

Financial Statements of

**OAKVILLE MUNICIPAL  
DEVELOPMENT CORPORATION**

Year ended December 31, 2021

Draft



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Oakville Municipal Development Corporation

### ***Opinion***

We have audited the accompanying financial statements of Oakville Municipal Development Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of comprehensive loss for the years then ended
- the statement of changes in equity for the years then ended
- the statement of cash flows for the years 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, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### ***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 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 International Financial Reporting Standards (IFRS), 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 conclusion is 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.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario

DATE, 2022

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

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# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

## Statement of Financial Position

December 31, 2021, with comparative information for 2020

|                               | 2021       | 2020      |
|-------------------------------|------------|-----------|
| <b>Assets</b>                 |            |           |
| Current assets:               |            |           |
| Cash                          | \$ 445,311 | \$ 66,312 |
| Accounts receivable           | -          | 7,092     |
| Due from shareholder (note 3) | 441,638    | -         |
|                               | \$ 886,949 | \$ 73,404 |

## Liabilities and Shareholder's Deficiency

|                             |             |           |
|-----------------------------|-------------|-----------|
| Current liabilities:        |             |           |
| Accounts payable            | \$ 58,587   | \$ 20,964 |
| Due to shareholder (note 3) | -           | 304,928   |
| Shareholder loan (note 3)   | 1,917,100   | 700,000   |
|                             | 1,975,687   | 1,025,892 |
| Shareholder's deficiency:   |             |           |
| Share capital (note 4)      | 1           | 1         |
| Deficit                     | (1,088,739) | (952,489) |
|                             | (1,088,738) | (952,488) |
|                             | \$ 886,949  | \$ 73,404 |

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

## Statement of Comprehensive Loss

Year ended December 31, 2021, with comparative information for 2020

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| Revenue   | \$ 391,310          | \$ –                |
| Expenses:   |                     |                     |
| Salaries and wages                                  | \$ 257,469          | \$ 263,320          |
| Consulting fees                                     | 66,830              | 35,175              |
| Commissions   | 147,000             | –                   |
| Office expenses                                     | 39,161              | 30,400              |
| Interest expense on shareholder loan                | 17,100              | –                   |
| <b>Net loss and comprehensive loss for the year</b> | <b>\$ (136,250)</b> | <b>\$ (328,895)</b> |

The accompanying notes are an integral part of these financial statements.

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

## Statement of Changes in Equity

Year ended December 31, 2021, with comparative information for 2020

|                              | Share capital<br>(Note 4) | Deficit        | Total          |
|------------------------------|---------------------------|----------------|----------------|
| Balance at January 1, 2020   | \$ 1                      | \$ (623,594)   | \$ (623,593)   |
| Net loss for the year        | -                         | (328,895)      | (328,895)      |
| Balance at December 31, 2020 | \$ 1                      | \$ (952,489)   | \$ (952,488)   |
| Net loss for the year        | -                         | (136,250)      | (136,250)      |
| Balance at December 31, 2021 | \$ 1                      | \$ (1,088,739) | \$ (1,088,738) |

The accompanying notes are an integral part of these financial statements.

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

## Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

|  | 2021         | 2020         |
|--|--------------|--------------|
| Operating activities:                        |              |              |
| Net loss for the year                        | \$ (136,250) | \$ (328,895) |
| Changes in operating assets and liabilities: |              |              |
| Accounts receivable                          | 7,092        | 10,853       |
| Due from shareholder                         | (441,638)    | -            |
| Prepaid expenses                             | -            | 12,740       |
| Accounts payable                             | 37,623       | 6,712        |
| Due to shareholder                           | (304,928)    | 140,134      |
| Interest on shareholder loan                 | 17,100       | -            |
| Net change in cash from operating activities | (821,001)    | (158,456)    |
| Financing activities:                        |              |              |
| Proceeds from shareholder loan               | 1,200,000    | 164,351      |
| Increase in cash                             | 378,999      | 5,895        |
| Cash, beginning of year                      | 66,312       | 60,417       |
| Cash, end of year                            | \$ 445,311   | \$ 66,312    |

The accompanying notes are an integral part of these financial statements.

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

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## 1. Purpose of the organization:

The Oakville Municipal Development Corporation ("OMDC") is owned and controlled by The Corporation of the Town of Oakville ("Town of Oakville") and operates from Oakville, Ontario. OMDC serves to acquire, develop and sell properties within the boundaries of the Town of Oakville. The OMDC was incorporated on January 1, 2018.

## 2. Significant accounting policies:

### a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Entity's functional currency.

### c) Equity:

Share capital represents the nominal value of shares that have been issued. Retained earnings (deficiency) include all current and prior period retained profits and losses.

### d) Revenue:

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, the transaction has been approved by the relevant authorities and the amount of revenue can be estimated reliably.

The timing of transfer of risks and rewards is contingent on the terms of the transaction as approved by The Corporation of the Town of Oakville Council.

### e) Expenses:

Expenses are reported on the accrual basis of accounting which recognizes expenses as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

### f) Impairment:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the expected lifetime credit losses for the asset.

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

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## 2. Significant accounting policies (continued):

### g) Provisions:

A provision is recognized if, as a result of past events, the Entity has a present or constructive legal obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation.

### h) Financial instruments:

All financial instruments are recognized on the balance sheet when the Entity becomes a party to the contractual provision of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of all financial assets and liabilities, except those held-for-trading and available for sale, are measured at amortized cost determined using the effective interest rate method.

All financial assets and financial liabilities are classified as amortized cost. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. The Entity does not enter into derivative instruments.

### i) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

### 3. Related party transactions:

Throughout the normal course of operations, certain related party transactions occur between the OMDC and the Town of Oakville (Shareholder). Related party transactions are accounted for at the exchange amount agreed upon between the two parties. The following transactions occurred between the Town of Oakville (Shareholder) and OMDC:

|   | 2021      | 2020      |
|---|-----------|-----------|
| Expenses paid to Town of Oakville:  |           |           |
| Office expenses   | \$ 12,113 | \$ 12,009 |
| Revenue received from Town of Oakville:   |           |           |
| Revenue   | 391,310   | –         |
| Expenses paid by the Town of Oakville on behalf of OMDC<br>and subsequently reimbursed to the Town: |           |           |
| Consulting Fees   | –         | 19,402    |
| Insurance policy Renewal  | 10,972    | –         |
| Due to (from) shareholder:  |           |           |
| Cash advances provided by the Town of Oakville  | –         | 300,000   |
| Expenses not reimbursed   | 534       | 4,028     |

The amount due to shareholder is non-interest bearing and carries no fixed terms of repayment.

#### Loan from shareholder:

|                                  | 2021         | 2020       |
|----------------------------------|--------------|------------|
| Opening balance                  | \$ 700,000   | \$ 535,649 |
| Amounts advanced during the year | 1,200,000    | 164,351    |
| Interest expense                 | 17,100       | –          |
| Closing balance                  | \$ 1,917,100 | \$ 700,000 |

The shareholder loan bears interest at a rate of 1.8% of the outstanding principal amount per year, compounded monthly beginning July 1, 2021. There are no fixed terms of repayment and the amount is due upon demand.

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

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#### 4. Share capital:

The Entity is authorized to issue an unlimited number of common shares. The common shareholders are entitled to one vote per common share.

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|                | 2021 |    | 2020 |
|----------------|------|----|------|
| Issued:        |      |    |      |
| 1 common share | \$ 1 | \$ | 1    |

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The common share is held by the Town of Oakville.

#### 5. Economic dependence:

The Entity is dependent on financial support from its Shareholder, the Town of Oakville, to fund operating expenses until such a point in time when operating activities begin, including acquisition, development and subsequent sales of assets.

#### 6. Financial instruments:

##### Fair value

The carrying value of the Entity's financial instruments as at December 31, 2021, including shareholder loans approximate fair value due to the short term nature of the repayment terms.

##### Financial risk management

The types of financial risk exposure and the way in which such exposure is managed by the Entity are as follows:

##### *Credit risk*

The Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the current fiscal year, 100% of the Entity's receivables related to government remittances receivable, as such there is limited collection risk at this time. The Entity's exposure to credit risk and management of this risk has not changed from the previous year. Management believes that the exposure is minimal as all amount's receivable are from government sources.

# OAKVILLE MUNICIPAL DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

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## 6. Financial instruments (continued):

### *Liquidity risk*

Liquidity risk is the risk that the Entity will be unable to meet its financial obligations as they become due. The Entity manages liquidity risk by ensuring that it has sufficient cash available to meet its obligations. The Entity forecasts cash flows for a period of 12 months to identify financial requirements. These requirements are met through cash flows from operations. Management believes that the Entity's exposure to liquidity risk and management of this risk has not changed from the previous year.

At December 31, 2021, the Entity's current liabilities consisted of accounts payable and accrued liabilities, HST payable, and amounts due to a related party. The Entity's cash and cash equivalents together with projected cash flows over the next 12 months is sufficient to pay these current liabilities.