

Combined Financial Statements of

**LONDON DOWNTOWN BUSINESS
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London Downtown Business Association

Opinion

We have audited the combined financial statements of London Downtown Business Association (the "Entity"), which comprise:

- the combined statement of financial position as at December 31, 2019
- the combined statement of operations and accumulated surplus for the year then ended
- the combined statement of change in net financial assets for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its change 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 ***“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 combined 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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 16, 2020

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Financial Position

December 31, 2019, with comparative information for 2018

	LDBA 2019	Main Street 2019	Total 2019	Total 2018
Financial assets				
Cash and cash equivalents	\$ 723,575	\$ 508,855	\$ 1,232,430	\$ 814,906
Accounts receivable	61,876	26,562	88,438	105,648
Tenant improvement loans (note 3)	-	7,298	7,298	38,825
Due from the Hyde Park Business Improvement Association Board of Management	6,560	-	6,560	-
	<u>792,011</u>	<u>542,715</u>	<u>1,334,726</u>	<u>959,379</u>
Financial liabilities				
Accounts payable and accrued liabilities	268,037	-	268,037	60,700
Deferred revenue	6,560	-	6,560	-
Funds on deposit	-	134,896	134,896	134,379
	<u>274,597</u>	<u>134,896</u>	<u>409,493</u>	<u>195,079</u>
Net financial assets	517,414	407,819	925,233	764,300
Non-financial assets				
Tangible capital assets (note 2)	52,077	-	52,077	68,238
Commitments (note 5)				
Subsequent events (note 6)				
Accumulated surplus (note 4)	<u>\$ 569,491</u>	<u>\$ 407,819</u>	<u>\$ 977,310</u>	<u>\$ 832,538</u>

See accompanying notes to combined financial statements.

On behalf of the Board:

_____ Director _____ Director

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget	LDBA 2019	Main Street 2019	Total 2019	Total 2018
Revenue:					
Municipal levy from the City of London	\$ 1,825,390	\$ 2,128,678	\$ 83,709	\$ 2,212,387	\$ 2,325,167
Main Street London funding	-	(326,227)	326,227	-	-
Interest income	1,100	3,917	1,593	5,510	4,973
Miscellaneous income	-	3,440	11,760	15,200	4,480
Total revenue	1,826,490	1,809,808	423,289	2,233,097	2,334,620
Expenses:					
Salaries and wages	579,800	610,546	93,668	704,214	528,561
Business development	256,100	561,546	83,709	645,255	705,498
Member services	396,500	273,633	10,282	283,915	528,766
Programs	290,000	-	192,829	192,829	251,665
Administration	209,390	136,146	1,000	137,146	108,176
Rent	80,000	78,541	-	78,541	69,194
Bad debts	-	-	27,222	27,222	13,784
Amortization	-	16,161	-	16,161	22,019
Business retention	14,700	-	3,042	3,042	13,349
Total expenses	1,826,490	1,676,573	411,752	2,088,325	2,241,012
Annual surplus	-	133,235	11,537	144,772	93,608
Accumulated surplus, beginning of year	832,538	436,256	396,282	832,538	738,930
Accumulated surplus, end of year	\$ 832,538	\$ 569,491	\$ 407,819	\$ 977,310	\$ 832,538

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	Budget	LDBA 2019	Main Street 2019	Total 2019	Total 2018
Annual surplus	\$ -	\$ 133,235	\$ 11,537	\$ 144,772	\$ 93,608
Acquisition of tangible capital assets		-	-	-	(13,433)
Amortization of tangible capital assets	-	16,161	-	16,161	22,019
Change in net financial assets	-	149,396	11,537	160,933	102,194
Net financial assets, beginning of year	764,300	368,018	396,282	764,300	662,106
Net financial assets, end of year	\$ 764,300	\$ 517,414	\$ 407,819	\$ 925,233	\$ 764,300

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 144,772	\$ 93,608
Item not involving cash:		
Amortization	16,161	22,019
Changes in non-cash operating working capital:		
Accounts receivable	17,210	(7,676)
Tenant improvement loans	31,527	21,271
Due from related party	(6,560)	-
Accounts payable and accrued liabilities	207,337	(92,551)
Deferred revenue	6,560	-
	417,007	36,671
Financing activities:		
Funds on deposit	517	17,375
Capital activities:		
Acquisitions of tangible capital assets	-	(13,433)
Increase in cash and cash equivalents	417,524	40,613
Cash and cash equivalents, beginning of year	814,906	774,293
Cash and cash equivalents, end of year	\$ 1,232,430	\$ 814,906
Supplemental cash flow information:		
Cash	\$ 1,171,633	\$ 755,108
Cash equivalents	60,797	59,798
	\$ 1,232,430	\$ 814,906

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The combined financial statements of the London Downtown Business Association (the "Association") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Handbook - Accounting.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash equivalents:

Cash equivalents consist of guaranteed investment certificates due on demand.

(c) Investments:

Investments consist of guaranteed investment certificates. Interest income is recognized as it is earned.

(d) Government transfers:

Government transfer payments from the City of London are recognized in the combined financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Deferred revenue:

Funds received for expenses of future periods are deferred and recognized as income when the costs for which the revenue is received are incurred.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Furniture	5 years
Metal trees	10 years
Computer equipment	4 years
Solar chargers	3 years
Leasehold improvements	Lease term

(g) 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 revenues and expenses during the year. Such estimates include valuation of accounts receivable, tenant improvement loans and other long-lived assets. Actual results could differ from those estimates.

(h) Budget amounts:

Budget figures have been provided for comparison purposes.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

2. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Furniture	\$ 43,050	\$ -	\$ -	\$ 43,050
Metal trees	227,198	-	(227,198)	-
Computer equipment	42,859	-	(29,426)	13,433
Solar chargers	27,027	-	(27,027)	-
Leasehold improvements	124,272	-	-	124,272
Total	\$ 464,406	\$ -	\$ (283,651)	\$ 180,755

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31, 2019
Furniture	\$ 40,419	\$ -	\$ 2,054	\$ 42,473
Metal trees	227,198	(227,198)	-	-
Computer equipment	31,105	(29,426)	1,680	3,359
Solar chargers	27,027	(27,027)	-	-
Leasehold improvements	70,419	-	12,427	82,846
Total	\$ 396,168	\$ (283,651)	\$ 16,161	\$ 128,678

	Net book value December 31, 2018	Net book value December 31, 2019
Furniture	\$ 2,631	\$ 577
Metal trees	-	-
Computer equipment	11,754	10,074
Solar chargers	-	-
Leasehold improvements	53,853	41,426
Total	\$ 68,238	\$ 52,077

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

3. Tenant improvement loans:

As part of its mandate, the Association provides interest free tenant improvement loans to eligible downtown businesses. During the year, the Association recorded an allowance for doubtful accounts in the amount of \$27,222 (2018 - \$13,784).

4. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 52,077	\$ 68,238
Operating surplus	790,337	629,921
	842,414	698,159
Contingency reserve	134,896	134,379
	\$ 977,310	\$ 832,538

5. Commitments:

The Association is committed to payments under operating leases for furniture and equipment as follows:

2020	\$ 78,480
2021	78,480
2022	77,955
2023	76,380
2024	31,825
	\$ 343,120

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

6. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact.

At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporary closure of organizational members/businesses from March 25, 2020 to the date of the auditors' report based on public health recommendations. The temporary closures could result in permanent closures which would have an unknown effect on the future levy funding.
- Mandatory working from home requirements for all Association employees until further notice.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

7. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.