

Combined Financial Statements of

**LONDON DOWNTOWN BUSINESS
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2021



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Telephone 519 672-4880
Fax 519 672-5684

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, 2021
- the combined statement of operations 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 combined financial position of the Entity as at December 31, 2021, and its combined results of operations, its combined change in net financial assets and its combined 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 21, 2022

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Financial Position

December 31, 2021, with comparative information for 2020

| | LDBA 2021 | Main Street 2021 | Total 2021 | Total 2020 |
|--|----------------|---------------------|------------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ 358,915 | \$ 264,464 | \$ 623,379 | \$ 1,342,249 |
| Investments | 401,972 | - | 401,972 | - |
| Accounts receivable | 93,698 | 600 | 94,298 | 110,280 |
| Due from the Hyde Park Business Improvement Association Board of Management (note 3) | 18,333 | - | 18,333 | 306 |
| | <u>872,918</u> | <u>265,064</u> | <u>1,137,982</u> | <u>1,452,835</u> |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities (note 3) | 154,552 | 1,783 | 156,335 | 221,568 |
| Deferred revenue | 18,333 | - | 18,333 | 306 |
| Funds on deposit | - | 198,048 | 198,048 | 218,782 |
| | <u>172,885</u> | <u>199,831</u> | <u>372,716</u> | <u>440,656</u> |
| Net financial assets | 700,033 | 65,233 | 765,266 | 1,012,179 |
| Non-financial assets | | | | |
| Tangible capital assets (note 2) | 38,302 | - | 38,302 | 35,714 |
| Commitments (note 5) | | | | |
| Accumulated surplus (note 4) | \$ 738,335 | \$ 65,233 | \$ 803,568 | \$ 1,047,893 |

See accompanying notes to combined financial statements.

On behalf of the Board:

_____ Director _____ Director

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Operations

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

| | Budget | LDBA 2021 | Main Street 2021 | Total 2021 | Total 2020 |
|--|------------------|------------------|---------------------|------------------|------------------|
| Revenue: | | | | | |
| Municipal levy from the City of London | \$ 1,747,082 | \$ 1,840,732 | \$ - | \$ 1,840,732 | \$ 1,847,183 |
| Purchased services revenue from the City of London | | - | - | - | 89,922 |
| Main Street London funding | 200,000 | - | 245,000 | 245,000 | 168,114 |
| Interest income | 1,200 | 3,847 | 569 | 4,416 | 4,071 |
| Miscellaneous income (note 3) | 224,000 | 157,970 | 39,531 | 197,501 | 14,095 |
| Total revenue | 2,172,282 | 2,002,549 | 285,100 | 2,287,649 | 2,123,385 |
| Expenses: | | | | | |
| Business development | 639,932 | 612,360 | - | 612,360 | 654,066 |
| Salaries and wages | 641,200 | 699,129 | 28,796 | 727,925 | 585,415 |
| Programs | 200,000 | - | 353,581 | 353,581 | 316,594 |
| Member services | 505,750 | 641,032 | - | 641,032 | 306,027 |
| Administration | 102,400 | 100,125 | 628 | 100,753 | 85,136 |
| Rent | 83,000 | 80,226 | - | 80,226 | 79,538 |
| Amortization | - | 16,097 | - | 16,097 | 16,363 |
| Bad debts | - | - | - | - | 7,298 |
| Business retention | - | - | - | - | 2,365 |
| Total expenses | 2,172,282 | 2,148,969 | 383,005 | 2,531,974 | 2,052,802 |
| Annual surplus (deficit) | - | (146,420) | (97,905) | (244,325) | 70,583 |
| Accumulated surplus, beginning of year | 1,047,893 | 884,755 | 163,138 | 1,047,893 | 977,310 |
| Accumulated surplus, end of year | \$ 1,047,893 | \$ 738,335 | \$ 65,233 | \$ 803,568 | \$ 1,047,893 |

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Change in Net Financial Assets

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

| | Budget | LDBA 2021 | Main Street 2021 | Total 2021 | Total 2020 |
|--|---------------|--------------|---------------------|---------------|---------------|
| Annual surplus (deficit) \$ | - | \$ (146,420) | \$ (97,905) | \$ (244,325) | \$ 70,583 |
| Acquisition of tangible capital assets | - | (18,685) | - | (18,685) | - |
| Amortization of tangible capital assets | - | 16,097 | - | 16,097 | 16,363 |
| Change in net financial assets | - | (149,008) | (97,905) | (246,913) | 86,946 |
| Net financial assets, beginning of year | 1,012,179 | 849,041 | 163,138 | 1,012,179 | 925,233 |
| Net financial assets, end of year | \$(1,012,179) | \$ 700,033 | \$ 65,233 | \$ 765,266 | \$ 1,012,179 |

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Cash Flows

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

| | 2021 | 2020 |
|--|--------------|--------------|
| Cash and cash equivalents provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (244,325) | \$ 70,583 |
| Item not involving cash: | | |
| Amortization | 16,097 | 16,363 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 15,982 | (21,842) |
| Tenant improvement loans | - | 7,298 |
| Due from related party | (18,027) | 6,254 |
| Accounts payable and accrued liabilities | (65,233) | (46,469) |
| Deferred revenue | 18,027 | (6,254) |
| | (277,479) | 25,933 |
| Financing activities: | | |
| Funds on deposit | (20,734) | 83,886 |
| Capital activities: | | |
| Acquisitions of tangible capital assets | (18,685) | - |
| Investing activities: | | |
| Change in investments, net | (401,972) | - |
| Increase (decrease) in cash and cash equivalents | (718,870) | 109,819 |
| Cash and cash equivalents, beginning of year | 1,342,249 | 1,232,430 |
| Cash and cash equivalents, end of year | \$ 623,379 | \$ 1,342,249 |
| Supplemental cash flow information: | | |
| Cash | \$ 562,581 | \$ 1,281,451 |
| Cash equivalents | 60,798 | 60,798 |
| | \$ 623,379 | \$ 1,342,249 |

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements

Year ended December 31, 2021

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, 2021

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 |
| Computer equipment | 4 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.

(i) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2021

2. Tangible capital assets:

| Cost | Balance at December 31, 2020 | Additions | Disposals | Balance at December 31, 2021 |
|------------------------|------------------------------------|------------------|--------------------|------------------------------------|
| Furniture | \$ 43,050 | \$ 18,685 | \$ (43,050) | \$ 18,685 |
| Computer equipment | 13,433 | - | (1,680) | 11,753 |
| Leasehold improvements | 124,272 | - | - | 124,272 |
| Total | \$ 180,755 | \$ 18,685 | \$ (44,730) | \$ 154,710 |

| Accumulated amortization | Balance at December 31, 2020 | Disposals | Amortization expense | Balance at December 31, 2021 |
|--------------------------|------------------------------------|--------------------|-------------------------|------------------------------------|
| Furniture | \$ 43,050 | \$ (43,050) | \$ 311 | \$ 311 |
| Computer equipment | 6,718 | (1,680) | 3,359 | 8,397 |
| Leasehold improvements | 95,273 | - | 12,427 | 107,700 |
| Total | \$ 145,041 | \$ (44,730) | \$ 16,097 | \$ 116,408 |

| | Net book value December 31, 2020 | Net book value December 31, 2021 |
|------------------------|--|--|
| Furniture | \$ - | \$ 18,374 |
| Computer equipment | 6,715 | 3,356 |
| Leasehold improvements | 28,999 | 16,572 |
| | \$ 35,714 | \$ 38,302 |

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2021

3. Related party transactions:

At year end, amounts owing to the Corporation of the City of London ("the City"), an organization that has control over the Association, were \$36,350 (2020 - \$68,207). This has been included in Accounts payable and accrued liabilities on the Combined Statement of Financial Position. During the year, \$153,493 (2020 - nil) was received from the City and recorded within Miscellaneous income on the Combined Statement of Operations.

The Hyde Park Business Improvement Association Board of Management ("HPBIA") is an organization under common control. Through the shared Digital Main Street grant, HPBIA incurred expenses of \$14,476 (2020 - \$6,254) on behalf of the Association. This has been included in Miscellaneous income and Member services on the Combined Statement of Operations.

4. Accumulated surplus:

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

| | 2021 | 2020 |
|--------------------------------------|------------|--------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 38,302 | \$ 35,714 |
| Operating surplus | 567,218 | 793,397 |
| | 605,520 | 829,111 |
| Restricted cash for Downtown Dollars | 198,048 | 218,782 |
| | \$ 803,568 | \$ 1,047,893 |

5. Commitments:

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

| | |
|------|------------|
| 2022 | \$ 77,955 |
| 2023 | 76,380 |
| 2024 | 31,825 |
| | \$ 186,160 |

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2021

6. Comparative information:

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