

Financial Statements of

**HOUSING DEVELOPMENT CORPORATION,
LONDON**

Year ended December 31, 2018



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Housing Development Corporation, London

Opinion

We have audited the financial statements of Housing Development Corporation, London (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets 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, 2018, and its results of operations, its changes 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 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 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 18, 2019

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 7,877,704	\$ 5,926,529
Trade and other receivables	58,604	27,895
Total financial assets	7,936,308	5,954,424
Financial liabilities		
Accounts payable and accrued liabilities	135,850	27,739
Deferred revenue	3,000	-
Total financial liabilities	138,850	27,739
Net financial assets	7,797,458	5,926,685
Non-financial assets		
Tangible capital assets (note 4)	451,544	1,346
Prepaid expenses	5,666	63,975
Total non-financial assets	457,210	65,321
Accumulated surplus (note 5)	\$ 8,254,668	\$ 5,992,006

Commitments (note 9)

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Operations

For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
	(note 8)		
Revenues			
Transfer payments			
Municipal - the Corporation of the City of London (note 3)	\$ 2,817,745	\$ 2,987,331	\$ 4,343,164
Federal	-	13,010	3,100
Interest income	-	132,286	54,933
Other	-	-	6,000
Total revenues	2,817,745	3,132,627	4,407,197
Expenses			
Salaries, wages and benefits	658,961	563,327	427,796
Materials and supplies	78,784	31,582	30,764
Contracted services	41,700	115,588	124,594
Office rental expense	38,300	22,318	24,674
External transfers	-	100,000	100,000
Amortization of tangible capital assets (note 4)	-	37,150	385
Total expenses	817,745	869,965	708,213
Annual surplus	2,000,000	2,262,662	3,698,984
Accumulated surplus, beginning of year (note 5)	5,992,006	5,992,006	2,293,022
Accumulated surplus, end of year (note 5)	\$ 7,992,006	\$ 8,254,668	\$ 5,992,006

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Net Financial Assets

For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus	\$ 2,000,000	\$ 2,262,662	\$ 3,698,984
Acquisition of tangible capital assets	(23,674)	(231,947)	-
Contributions of tangible capital assets	-	(255,401)	-
Amortization of tangible capital assets	-	37,150	385
	1,976,326	1,812,464	3,699,369
Change in prepaid expenses	-	58,309	(60,033)
Change in net financial assets	1,976,326	1,870,773	3,639,336
Net financial assets, beginning of year	5,926,685	5,926,685	2,287,349
Net financial assets, end of year	\$ 7,903,011	\$ 7,797,458	\$ 5,926,685

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Cash Flows

For the year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by:		
Operating activities:		
Annual surplus	\$ 2,262,662	\$ 3,698,984
Items not involving cash:		
Amortization of tangible capital assets	37,150	385
Contributions of tangible capital assets	(255,401)	-
Changes in non-cash assets and liabilities:		
Due from the Corporation of the City of London	(1,951,175)	(3,620,529)
Prepaid expenses	58,309	(60,033)
Trade and other receivables	(30,709)	(24,846)
Accounts payable and accrued liabilities	108,111	6,039
Deferred revenue	3,000	-
Net change in cash from operating activities	231,947	-
Capital activities:		
Purchase of tangible capital assets	(231,947)	-
Cash used in capital activities	(231,947)	-
Net change in cash flows and cash, end of year	\$ -	\$ -

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements

Year ended December 31, 2018

1. Nature of reporting entity

Housing Development Corporation, London (the "Corporation") is a municipal services corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990, c.B.16 on October 26, 2015.

The Corporation is a wholly owned subsidiary company of The Corporation of the City of London (the "City") and is managed by a Board of Directors appointed by the City, as the sole shareholder.

2. Significant accounting policies

The financial statements of the Corporation are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants (CPA) of Canada Public Sector Handbook – Accounting.

Significant accounting policies are as follows.

(a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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) Tangible capital assets

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

Asset	Useful Life - Years
Leasehold improvements	Lease term
Office equipment and furniture	5

Annual amortization is charged in the year of acquisition and in the year of disposal using the following rules:

- Leasehold improvements – prorated by month, based on in-service date
- Office equipment and furniture - half year rule.

Assets under construction are not amortized until the asset is available for productive use.

(c) Government transfers

Government transfer payments from the City are recognized in the 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.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued)

(d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(e) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(f) Liability for contaminated sites

Under PS 3260, liability for contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(g) Related Party Disclosures

The Corporation adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued)

(h) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Board standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standards specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

3. Related Party Transactions

The City maintains a separate general ledger on behalf of the Corporation. All funds are paid and received through the City's bank account and are held for use by the Corporation.

In accordance with the City of London Council's direction of September 2, 2014, the Corporation has been extended shared services support from the City. The City's support services include information technology, risk management, facility, finance, payroll, purchasing, legal and other administrative services to ensure operational efficiency. The Corporation has also entered into an agreement with the City under which the Corporation reimburses the City for salaries and fringe benefits for employees that provide services on behalf of the Corporation. The Corporation incurred charges of **\$200,667** (2017 - \$193,896) for these services and this expense has been included in the Statement of Operations.

During the year, the Corporation received municipal revenues from the shareholder, as follows:

- (a) Operating budget appropriation revenue of **\$281,015** (2017 - \$481,176)
- (b) Annual contribution to the affordable housing reserve fund of **\$2,000,000** (2017 - \$3,600,000)
- (c) Administrative fee revenue of **\$450,915** (2017 - \$261,988)
- (d) Municipal funding contribution of **\$255,401** (2017 – nil) for land acquisition. On May 30, 2017, the City of London Council passed a resolution to transfer lands from City of London ownership to the Corporation for affordable housing purposes. The transaction was completed during 2018 and recorded as a tangible capital asset addition by the Corporation, noting that the lands were transferred at their net book values, as follows:

	Net book value	Market value
403 Thompson Road, London	\$ 160,000	\$ 250,000
122 Baseline Road West, London	95,401	490,000
	\$ 255,401	\$ 740,000

The City Council resolution stipulates that the transfer will be subject to a 10-year reversion clause should the lands not be sold or developed by the Corporation.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Tangible capital assets

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	\$ -	\$ 265,315	\$ -	\$ 265,315
Leasehold improvements	-	218,431	-	218,431
Office equipment and furniture	1,923	3,602	-	5,525
Total	\$ 1,923	\$ 487,348	\$ -	\$ 489,271

Accumulated Amortization	Balance at December 31, 2017	Amortization Expense	Disposals	Balance at December 31, 2018
Land	\$ -	\$ -	\$ -	\$ -
Leasehold improvements	-	36,405	-	36,405
Office equipment and furniture	577	745	-	1,322
Total	\$ 577	\$ 37,150	\$ -	\$ 37,727

	Net book value December 31, 2017	Net book value December 31, 2018
Land	\$ -	\$ 265,315
Leasehold improvements	-	182,026
Office equipment and furniture	1,346	4,203
Total	\$ 1,346	\$ 451,544

5. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 451,544	\$ 1,346
Total surplus	451,544	1,346
Reserve funds set aside for specific purpose by the Board:		
Future affordable housing	7,803,024	5,990,560
Total reserve funds (note 6)	7,803,024	5,990,560
Share capital:		
100 Class A common shares (note 7)	100	100
Total share capital	100	100
	\$ 8,254,668	\$ 5,992,006

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Analysis of reserve fund

	2018	2017
Reserve fund for future affordable housing:		
Balance, beginning of year	\$ 5,990,560	\$ 2,291,191
Interest earned	132,286	54,933
Contributions from current operations:		
Annual	2,000,000	2,000,000
Additional one-time from City of London	-	1,600,000
Current year surplus	22,514	32,500
Current year surplus reserved for office leasehold improvements	-	111,936
Transfers to current operations	(100,000)	(100,000)
Transfers to capital operations:		
Office leasehold improvements	(218,431)	-
Development of land for future use	(23,905)	-
Balance, end of year	\$ 7,803,024	\$ 5,990,560
	2018	2017
Comprised of:		
Contributions from the City of London, stipulated for use in future affordable housing projects	\$ 7,469,959	\$ 5,568,073
Accumulated operating surpluses held for future administration expenses	333,065	422,487
Balance, end of year	\$ 7,803,024	\$ 5,990,560

7. Share capital

	2018	2017
Authorized:		
An unlimited number of Class A common shares		
An unlimited number of Class B common shares		
An unlimited number of Class C common shares		
An unlimited number of non-cumulative, redeemable, voting Class A Special shares		
An unlimited number of non-cumulative, redeemable, voting Class B Special shares		
An unlimited number of non-cumulative, redeemable, voting Class C Special shares		
An unlimited number of non-cumulative, redeemable, voting Class D Special shares		
An unlimited number of non-cumulative, redeemable, voting Class E Special shares		
Issued:		
100 Class A common shares	\$ 100	\$ 100

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Budget data

Budget data presented in these financial statements are based upon the 2018 operating budget approved by the City and interim Board and then transferred to the Corporation. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	Budget
Revenue:	
Municipal revenue – The Corporation of the City of London	\$ 690,453
Total revenue	690,453
Expenses:	
Personnel costs	167,603
Administrative expenses	89,760
Purchased services	428,150
Materials and supplies	2,360
Furniture and equipment	2,580
Total expenses	690,453
Net surplus as per Approved Budget	\$ -
Public Sector Accounting Board (PSAB) Reporting Requirements and Budget adjustments:	
Decrease in government grants and subsidies	\$ (410,000)
Increase in municipal revenue	2,537,292
Increase in personnel costs and other expenses	(127,292)
Net PSAB Budget Surplus as per Financial Statements	\$ 2,000,000

9. Commitments

- a) The City is responsible for the delivery and administration of affordable housing programs in the City of London and the County of Middlesex. The City has delegated responsibilities for the administration and development activities for capital development within the Rental Housing Component to the Corporation.

Under this delegated authority, the Corporation has entered into various Municipal Contribution Agreements related to Affordable Housing Programs. The agreements are between the Corporation, the City and the successful proponent, who is selected through a procurement process. The agreements establish the proponent's obligations with respect to the program and the Corporation's and City's obligation to provide funding to the proponent.

As at December 31, 2018, the Corporation has outstanding commitments remaining on these agreements of **\$4,292,945** (2017 - \$359,845).

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2018

9. Commitments (continued)

- b) The Corporation is committed to the following minimum annual operating lease payments for premises as follows:

2019	\$ 22,500
2020	23,125
2021	23,250
2022	23,875
2023	4,000
Total	\$ 96,750

KPMG LLP
1400-140 Fullarton Street
London, Ontario N6A 5P2
Canada

April 18, 2019

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Housing Development Corporation, London ("the Entity") as at and for the period ended December 31, 2018.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 15, 2016, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.



- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others
 where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.



- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern

Misstatements:

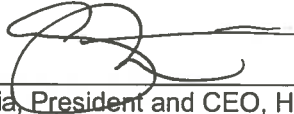
- 10) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 11) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization



Yours very truly,



Stephen Giustizia, President and CEO, Housing Development Corporation



Sharon Swance, CPA, CGA, Manager of Accounting, Finance & Corporate Services, City of London



Ian Collins, CPA, CMA, Director, Financial Services, Finance & Corporate Services, City of London

I have the recognized authority to take, and assert that I have taken, responsibility for the financial statements



Housing Development Corporation, London

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Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Canadian Public Sector Accounting Standards, *related party* is defined as:

- ☐ *when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.*

In accordance with Canadian Public Sector Accounting Standards, a *related party transaction* is defined as:

- ☐ *A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.*



Attachment II – Summary of Audit Misstatements Schedule(s)

F2018 Corrected Misstatements

	Income Statement Effect	Balance Sheet Effect		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Net Assets (Decrease) Increase
Adjustment to leasehold improvements amortization	(14,562)	(14,562)	-	(14,562)
Total corrected misstatements	(14,562)	(14,562)	-	(14,562)

F2018 Uncorrected Misstatements

	Income Statement Effect	Balance Sheet Effect		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Net Assets (Decrease) Increase
Adjustment for unrecorded lease inducement	(9,540)	-	9,540	(9,540)
Total uncorrected misstatements	(9,540)	-	9,540	(9,540)

F2017 Uncorrected Misstatements

	Income Statement Effect	Balance Sheet Effect		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Net Assets (Decrease) Increase
Leasehold improvements to be included in tangible capital assets - construction in progress	-	111,936 (55,968) (55,968)	-	-
Total uncorrected misstatements	-	-	-	-