

Report to Audit Committee

To: Chair and Members
Audit Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: 2020 Hamilton Road Business Improvement Area Board of Management Audited Financial Statements
Date: September 22, 2021

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, this report along with Appendix 'A' Financial Statements of Hamilton Road Business Improvement Area Board of Management for the year ending December 31, 2020 **BE RECEIVED** for information.

Executive Summary

In accordance with section 207 of the *Municipal Act, 2001*, Business Improvement Areas (BIAs) are required to submit to Council their annual audited financial statements. Typically, this is done through the submission of the annual City consolidated financial statement submission. The Hamilton Road Business Improvement Area (HRBIA) Board of Management's financial statements were not available at the time of the City's consolidated submission in June 2021.

The attached audited financial statements are for the year ended December 31, 2020 and were approved by the BIA's Board of Management on August 18, 2021.

Linkage to the Corporate Strategic Plan

Council's 2020-2023 Strategic Plan for the City of London identifies "Leading in Public Services" as a strategic area of focus, under this outcome maintaining London's finances in a transparent and well-planned manner to balance equity and affordability over the long term. Business Improvement Areas are entities who are consolidated within the City's Financial Statement.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

2020 Financial Audit

(June 16, 2021 meeting of Audit Committee – Agenda Item 4.1)

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=81623>

1.2 Reporting Requirements

In accordance with the *Municipal Act, 2001*, Business Improvement Areas have certain reporting requirements they must meet annually. Section 207 provides guidance on the annual reporting and audit requirement as follows:

"Annual report

207 (1) A board of management shall submit its annual report for the preceding year to council by the date and in the form required by the municipality and the report shall include audited financial statements. 2001, c. 25, s. 207 (1).

Auditor

207 (2) The municipal auditor is the auditor of each board of management and may inspect all records of the board. 2001, c. 25, s. 207 (2)."

2.0 Discussion and Considerations

2.1 Annual Reporting for the year ending December 31, 2020

The Business Improvement Areas (BIAs) are Boards of the City of London and included in the annual Audited Consolidated Financial Statements.

Although each board's annual financial statements are approved by their board of management, it has been Civic Administration's practice, each year, to include a copy of all the boards' audited financial statements within the annual audit committee package when staff report to Committee in June each year, to provide a complete reporting of the consolidated entity.

By including the BIAs' audited financial statements within this annual package, City staff are meeting the obligation of section 207(1).

The financial statements for The Hamilton Road Business Improvement Area's were not available for distribution in June 2021 when the City's financial statements were presented to Committee and Council. This audit and set of financial statements was finalized and approved by their Board at their Board meeting on August 18, 2021.

Appendix 'A' of this report meets the financial statement requirements as prescribed under section 207(1) of the *Municipal Act, 2001*. The auditors' report included with Appendix A indicates that the financial statements, present fairly, in all material respects, the financial position of the Board as at December 31, 2020, and its results of operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

3.0 Financial Impact/Considerations

The Hamilton Road Business Improvement Area (HRBIA) Board of Management's draft results were shared with City staff during the City's consolidation audit process. As the amounts were immaterial to the overall audit of the City's consolidated entity, the City's audit was completed under the regular timelines, including the HRBIA's draft results.

Any differences between the draft results and finalized audited results of the HRBIA will be accounted for during the 2021 audit process.

KPMG, City staff and HRBIA staff will work together to adjust the year end timelines to accommodate the finalization of the HRBIA financial statements in order to meet the June reporting deadlines in future years.

Conclusion

In accordance with the *Municipal Act, 2001*, this report represents the annual reporting under section 207 for the year ending December 31, 2020 for The Hamilton Road Business Improvement Area (HRBIA) Board of Management. It is recommended that this report be received for information.

The next expected reporting under this section is anticipated to be in June of 2022, as part of the finalization of the 2021 year-end audit reporting.

Prepared by:	Sharon Swance, CPA, CGA, Manager, Accounting, Financial Services
Submitted by:	Ian Collins, CPA, CMA, Director, Financial Services
Recommended by:	Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Appendix A

Financial Statements of

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Hamilton Road Business Improvement Area Board of Management

Opinion

We have audited the financial statements of the Hamilton Road Business Improvement Area Board of Management (the "Board"), which comprise:

- the statement of financial position as at December 31, 2020;
- 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 Board as at December 31, 2020, and its results of operations, 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 Board in accordance with the ethical requirements that are relevant to our audit of the 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.



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

Those charged with governance are responsible for overseeing the Board'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 Board'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 Board'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 Board 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' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

August 18, 2021

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash	\$ 16,975	\$ 38,557
HST receivable	4,022	2,187
Due from Hyde Park BIA (note 4)	11,671	5,330
	<u>32,668</u>	<u>46,074</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 4)	9,698	10,121
Deferred revenue	11,671	5,330
	<u>21,369</u>	<u>15,451</u>
Net financial assets	11,299	30,623
Non-financial assets		
Tangible capital assets (note 3)	1,773	142
Prepaid expenses	1,319	481
	<u>3,092</u>	<u>623</u>
Commitments (note 5)		
Accumulated surplus (note 2)	<u>\$ 14,391</u>	<u>\$ 31,246</u>

See accompanying notes to financial statements.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

Year ended December 31, 2020, with comparative information for the fifteen-month period ended December 31, 2019

	Budget		
	2020	2020	2019
Revenue:			
Municipal levy - The City of London	\$ 70,000	\$ 68,997	\$ 68,574
Other:			
Government grants	18,025	6,938	66,198
Digital Main Street grant	-	12,453	4,670
Miscellaneous	2,500	2,500	2,544
	<u>90,525</u>	<u>90,888</u>	<u>141,986</u>
Expenditures:			
Administration	53,925	86,136	76,105
Business development	61,675	9,190	24,136
Office	7,200	11,718	9,035
Member services	725	446	1,464
Amortization of tangible capital assets	-	253	-
	<u>123,525</u>	<u>107,743</u>	<u>110,740</u>
Annual surplus (deficit)	(33,000)	(16,855)	31,246
Accumulated surplus, beginning of year	31,246	31,246	-
Accumulated surplus, end of period	\$ (1,754)	\$ 14,391	31,246

See accompanying notes to financial statements.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets (Debt)

Year ended December 31, 2020, with comparative information for the fifteen-month period ended December 31, 2019

	Budget 2020	2020	2019
Annual surplus (deficit)	\$ (33,000)	\$ (16,855)	\$ 31,246
Acquisition of tangible capital assets	-	(2,026)	(142)
Loss on disposal of tangible capital assets	-	142	-
Amortization of tangible capital assets	-	253	-
	(33,000)	(18,486)	31,104
Change in prepaid expenses	-	(838)	(481)
Change in net financial assets (debt)	(33,000)	(19,324)	30,623
Net financial assets, beginning of period	30,623	30,623	-
Net financial assets (debt), end of period	(2,377)	\$ 11,299	\$ 30,623

See accompanying notes to financial statements.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for the fifteen-month period ended December 31, 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (16,855)	\$ 31,246
Item not involving cash:		
Amortization of tangible capital assets	253	-
Loss on disposal of tangible capital assets	142	-
Changes in non-cash operating working capital:		
HST receivable	(1,835)	(2,187)
Due from Hyde Park BIA	(6,341)	(5,330)
Accounts payable and accrued liabilities	(423)	10,121
Deferred revenue	6,341	5,330
Prepaid expenses	(838)	(481)
	(19,556)	38,699
Capital activities:		
Purchase of tangible capital assets	(2,026)	(142)
Increase (decrease) in cash	(21,582)	38,557
Cash, beginning of period	38,557	-
Cash, end of period	\$ 16,975	\$ 38,557

See accompanying notes to financial statements.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

Year ended December 31, 2020

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. Hamilton Road Business Improvement Area Board of Management (the "Board") was incorporated on October 2, 2018, in the Province of Ontario. The Board was established as a local board of the Corporation of the City of London to manage the Hamilton Road Business Improvement Area.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area.

Prior to incorporation, the Board operated as Hamilton Road Business Association and incurred revenue and expenses in the normal course of business.

The financial statements of the Board are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Handbook - Accounting.

1. Significant accounting policies:

(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) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, 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	Useful Life - Years
Computer equipment	4

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London 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.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(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 revenues and expenses during the year. Actual results could differ from those estimates.

(f) Budget figures:

Budget figures have been provided for comparison purposes.

(g) 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.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2020	2019
Invested in tangible capital assets	\$ 1,773	\$ 142
Operating fund	12,618	31,104
	\$ 14,391	\$ 31,246

3. Tangible capital assets:

Cost	December 31, 2019	Additions	Disposals	December 31, 2020
Computer equipment	\$ 142	\$ 2,026	\$ (142)	\$ 2,026
Total	\$ 142	\$ 2,026	\$ (142)	\$ 2,026

Accumulated amortization	December 31, 2019	Amortization Expense	Disposals	December 31, 2020
Computer equipment	\$ -	\$ 253	\$ -	\$ 253
Total	\$ -	\$ 253	\$ -	\$ 253

	Net book value December 31, 2019	Net book value December 31, 2020
Computer equipment	\$ 142	\$ 1,773
Total	\$ 142	\$ 1,773

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Related party transactions:

At year end, the amount due to the City of London and included in Accounts Payable and Accrued Liabilities was \$1,003 (2019 - \$1,426) and the amount due from Hyde Park BIA was \$11,671 (2019 - \$5,330).

5. Commitments:

On March 1, 2020, the Hamilton Road Business Improvement Area Board of Management entered into a one-year lease agreement for their premises. Future minimum lease payments under the lease are as follows:

2021	\$	2,700
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6. Other risks:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

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

- closure of office to the public from April 17, 2020 to August 4, 2020 based on public health recommendations; and
- mandatory working from home requirement for those able to do so.

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.