

Report to Audit Committee

To: Chair and Members
Audit Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: 2021 Old East Village Business Improvement Area Board of Management Audited Financial Statements
Date: June 14, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, this report along with Appendix 'A' Financial Statements of Old East Village Business Improvement Area Board of Management for the year ending December 31, 2021, **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 Old East Village Business Improvement Area (OEVBIA) Board of Management's financial statements were not available at the time of the City's consolidated submission in June 2022.

The attached audited financial statements are for the year ended December 31, 2021, and were approved by the BIA's Board of Management on February 15, 2023.

Linkage to the Corporate Strategic Plan

Council's 2023-2027 Strategic Plan for the City of London identifies "Well-Run City" as a strategic area of focus, under this outcome "London's finances are maintained in a transparent, sustainable, and well-planned manner, incorporating intergenerational equity, affordability and environmental, social, and governance considerations."

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

2021 Financial Audit

(June 15, 2022 meeting of Audit Committee – Agenda Item 4.1)

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=93128>

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, 2021

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 Old East Village Business Improvement Area's were not available for distribution in June 2022 when the City's financial statements were presented to Committee and Council. This audit and set of financial statements were finalized and approved by their Board at their Board meeting on February 15, 2023.

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, 2021, 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 Old East Village Business Improvement Area (OEV BIA) Board of Management's draft results were shared with City staff during the City's 2021 consolidation audit process. As the amounts were immaterial to the overall 2021 audit of the City's consolidated entity, the City's audit was completed under the regular timelines, including the OEV BIA's draft results.

Any differences between the draft results and finalized 2021 audited results of the OEV BIA are accounted for during the 2022 audit process.

The finalizing of the 2021 audit of the financial statements was delayed due to a number of issues outside of the BIA's control:

Reasons for delay:

- OEV BIA experienced staff turnover in the accounting role
- The accounting profession is in high demand, and they were experiencing longer vacancy periods while recruiting for accounting roles.
- The OEV BIA audit has traditionally been scheduled for April. The turnaround time is tight to meet the reporting deadline for Audit Committee in June each year.
- During COVID-19, KPMG shifted to a remote audit approach by use of a digital portal.
- The OEV BIA accounting role is a part-time position. In prior years, the OEV BIA accounting staff would schedule extra time in the office but during COVID, the remote approach on both sides caused lags in response times.

Implemented changes for 2022 audit to address the above delays:

- New accounting professional has been hired at OEV BIA and are in place for 11 months of the 2022 year-end.
- KPMG and OEV BIA staff have worked with the audit schedule to move up the timing of the audit fieldwork and it was commencing the week of March 6 for the 2022 audit.

- KPMG conducted some of the audit fieldwork in person, while some work was still virtual and OEVBIA scheduled additional hours onsite for the part-time accounting role, to provide timely responses to audit queries.

KPMG, City staff and OEVBIA staff have worked together to mitigate these delays going forward and anticipate the finalization of the OEVBIA 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, 2021, for The Old East Village Business Improvement Area (OEVBIA) 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 2023, as part of the finalization of the 2022 year-end audit reporting.

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

Attachments

Appendix A

Financial Statements of

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

And Independent Auditor's Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of Old East Village Business Improvement Area Board of Management

Opinion

We have audited the financial statements of Old East Village Business Improvement Area Board of Management (the "Board"), which comprise:

- the statement of financial position as at December 31, 2021;
- 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 financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2021, 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 "***Auditor's 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.



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.

Auditor's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

February 15, 2023

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash and short-term investments (note 3)	\$ 130,657	\$ 111,412
Accounts receivable (note 6)	38,380	43,175
Due from Hyde Park Business Improvement Association Board of Management (Note 6)	18,200	12,901
	<u>187,237</u>	<u>167,488</u>
Financial liabilities		
Accounts payable and accrued liabilities	37,843	13,829
Deferred revenue	35,183	17,109
	<u>73,026</u>	<u>30,938</u>
Net financial assets	114,211	136,550
Non-financial assets		
Tangible capital assets (note 5)	3,383	2,663
Prepaid expenses and deposits	2,161	1,739
	<u>5,544</u>	<u>4,402</u>
Accumulated surplus (note 4)	<u>\$ 119,755</u>	<u>\$ 140,952</u>

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

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

	Budget		
	2021	2021	2020
Revenue:			
Requisition:			
Municipal levy - The Corporation of the City of London	\$ 40,000	\$ 41,072	\$ 45,190
Other:			
The Corporation of the City of London	141,102	141,102	141,102
Other program funding	-	30,551	-
Digital Main Street grant	-	14,608	12,453
Canadian Urban Institute	-	10,778	-
Miscellaneous	53,248	-	191
	<u>234,350</u>	<u>238,111</u>	<u>198,936</u>
Expenditures:			
Wages and salaries	151,150	143,098	133,874
Purchased services	16,500	28,500	7,200
Special projects	6,500	21,679	12,723
Advertising, marketing and promotion	6,500	16,784	6,313
Office rental	14,400	12,659	12,661
Other program expenses	-	10,597	-
COVID assistance	12,000	8,569	3,998
Administration	5,500	7,742	3,900
Financial audit	1,600	3,331	1,450
Beautification	5,000	2,000	200
Telephone and internet service	1,500	1,635	1,240
Operating supplies	1,000	906	1,176
Amortization of tangible capital assets	-	800	894
HST	-	508	608
Printing and communications	1,500	289	150
Community initiatives and appreciation	5,500	206	2,683
Travel and transportation	700	5	136
Equipment and building maintenance	4,500	-	755
Training, education and development	500	-	-
	<u>234,350</u>	<u>259,308</u>	<u>189,961</u>
Annual surplus (deficit)	-	(21,197)	8,975
Accumulated surplus, beginning of year	140,952	140,952	131,977
Accumulated surplus, end of year	<u>\$ 140,952</u>	<u>\$ 119,755</u>	<u>\$ 140,952</u>

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

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

	Budget 2021	2021	2020
Annual surplus (deficit)	\$ -	\$ (21,197)	\$ 8,975
Acquisition of tangible capital assets	-	(1,520)	-
Amortization of tangible capital assets	-	800	894
	-	(21,917)	9,869
Acquisition of prepaid expenses	-	(3,548)	(3,115)
Use of prepaid expenses	-	3,126	2,789
	-	(422)	(326)
Change in net financial assets	-	(22,339)	9,543
Net financial assets, beginning of year	136,550	136,550	127,007
Net financial assets, end of year	\$ 136,550	\$ 114,211	\$ 136,550

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (21,197)	\$ 8,975
Item not involving cash:		
Amortization of tangible capital assets	800	894
Changes in non-cash operating working capital:		
Accounts receivable	4,795	(5,408)
Due from Hyde Park Business Improvement Association Board of Management	(5,299)	(6,341)
Accounts payable and accrued liabilities	24,014	7,359
Deferred revenue	18,074	6,341
Prepaid expenses and deposits	(422)	(326)
	20,765	11,494
Capital activities:		
Purchase of tangible capital assets	(1,520)	-
Change in cash and short-term investments	19,245	11,494
Cash and short-term investments, beginning of year	111,412	99,918
Cash and short-term investments, end of year (note 3)	\$ 130,657	\$ 111,412

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

Year ended December 31, 2021

1. Nature of reporting entity:

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. The Old East Village Business Improvement Area Board of Management (the "Board") was incorporated on November 15, 1993, in the Province of Ontario. The Board was established as a local board of the Corporation of the City of London to manage the Old East Village 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.

2. Significant accounting policies:

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 Accounting Handbook.

(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 declining balance basis over their estimated useful lives as follows:

Asset	Rate
Furniture and fixtures	20%
Computer hardware	30-45%
Computer software	45%

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. 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) Donations in kind:

The Board recognizes revenues and expenses for services which are donated which can be reasonably valued and are services which otherwise would have been purchased.

(f) 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.

(g) Budget figures:

Budget figures have been provided for comparison purposes.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Cash and short-term investments:

	2021	2020
Cash and short-term investments consist of:		
Cash	\$ 124,502	\$ 105,277
Guaranteed investment certificates	6,155	6,135
	<u>\$ 130,657</u>	<u>\$ 111,412</u>

4. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2021	2020
Invested in tangible capital assets	\$ 3,383	\$ 2,663
Reserves:		
Contingencies	3,733	3,733
Pole decorations	2,333	2,333
Mural maintenance	1,936	1,936
	<u>8,002</u>	<u>8,002</u>
Operating fund	108,370	130,287
	<u>\$ 119,755</u>	<u>\$ 140,952</u>

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Tangible capital assets:

Cost	December 31, 2020	Additions	Disposals	December 31, 2021
Furniture and fixtures	\$ 22,476	\$ -	\$ -	\$ 22,476
Computer hardware	11,018	1,520	-	12,538
Computer software	3,609	-	-	3,609
Total	\$ 37,103	\$ 1,520	\$ -	\$ 38,623

Accumulated amortization	December 31, 2020	Disposals	Amortization expense	December 31, 2021
Furniture and fixtures	\$ 19,824	\$ -	\$ 742	\$ 20,566
Computer hardware	11,007	-	58	11,065
Computer software	3,609	-	-	3,609
Total	\$ 34,440	\$ -	\$ 800	\$ 35,240

	Net book value December 31, 2020	Net book value December 31, 2021
Furniture and fixtures	\$ 2,652	\$ 1,908
Computer hardware	11	1,475
Computer software	-	-
Total	\$ 2,663	\$ 3,383

6. Related parties:

At December 31, 2021, the amount due from the City of London was \$20,740 (2020 - \$39,249) and the amount due from Hyde Park BIA was \$18,200 (2020 - \$12,901).