Combined Financial Statements of

LONDON DOWNTOWN BUSINESS ASSOCIATION

And Independent Auditor's Report thereon

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S 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, 2023
- 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 financial statements present fairly, in all material respects, the combined financial position of the Entity as at December 31, 2023, 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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 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.

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.

- 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 auditor’s 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 auditor’s 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 Accountants, Licensed Public Accountants

London, Canada

May 24, 2024

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Financial Position

December 31, 2023, with comparative information for 2022

	LDBA 2023	Main Street 2023	Total 2023	Total 2022
Financial assets				
Cash and cash equivalents	$ 1,878,784	$ 312,403	$ 2,191,187	$ 1,082,764
Accounts receivable	178,262	3,224	181,486	165,307
Due from the Hyde Park Business Improvement Association Board of Management (note 4)	2,490	-	2,490	11,048
	2,059,536	315,627	2,375,163	1,259,119
Financial liabilities				
Accounts payable and accrued liabilities (note 4)	232,689	529	233,218	299,717
Deferred revenue	2,490	-	2,490	11,048
Funds on deposit	-	144,517	144,517	144,705
	235,179	145,046	380,225	455,470
Net financial assets	1,824,357	170,581	1,994,938	803,649
Non-financial assets				
Tangible capital assets (note 3)	13,867	-	13,867	18,780
Prepaid expenses	9,940	-	9,940	11,496
	23,807	-	23,807	30,276
Commitments (note 6)				
Accumulated surplus (note 5)	$ 1,848,164	$ 170,581	$ 2,018,745	$ 833,925

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, 2023, with comparative information for 2022

	Budget	LDBA 2023	Main Street 2023	Total 2023	Total 2022
Revenue:					
Municipal levy from the City of London	$ 1,583,343	$ 1,723,334	$ -	$ 1,723,334	$ 1,715,552
Grant income		1,194,400	-	1,194,400	-
Main Street London funding	305,000	-	240,000	240,000	106,158
Interest income	1,700	17,432	1,822	19,254	6,544
Miscellaneous income (note 4)	30,000	8,425	-	8,425	377,803
Total revenue	1,920,043	2,943,591	241,822	3,185,413	2,206,057
Expenses:					
Business development	674,498	705,158	-	705,158	706,038
Salaries and wages	587,100	554,427	22,837	577,264	567,679
Programs	305,000	-	118,491	118,491	203,715
Member services	167,500	354,873	-	354,873	490,041
Administration	102,945	92,821	-	92,821	108,387
Rent	83,000	80,513	-	80,513	79,718
Amortization	-	8,473	-	8,473	19,522
Bad debts	-	-	-	-	600
Business retention	-	-	63,000	63,000	-
Total expenses	1,920,043	1,796,265	204,328	2,000,593	2,175,700
Annual surplus	-	1,147,326	37,494	1,184,820	30,357
Accumulated surplus, beginning of year	803,568	700,838	133,087	833,925	803,568
Accumulated surplus, end of year	$ 803,568	$ 1,848,164	$ 170,581	$ 2,018,745	$ 833,925

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Change in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	Budget	LDBA 2023	Main Street 2023	Total 2023	Total 2022
Annual surplus	$ -	$ 1,147,326	$ 37,494	$ 1,184,820	$ 30,357
Amortization of tangible capital assets	-	8,473	-	8,473	19,522
	-	1,155,799	37,494	1,193,293	49,879
Change in prepaid expenses	-	(2,004)	-	(2,004)	(11,496)
Change in net financial assets	-	1,153,795	37,494	1,191,289	38,383
Net financial assets, beginning of year	803,649	670,562	133,087	803,649	765,266
Net financial assets, end of year	$ 803,649	$ 1,824,357	$ 170,581	$ 1,994,938	$ 803,649

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash and cash equivalents provided by (used in):		
Operating activities:		
Annual surplus	$ 1,184,820	$ 30,357
Item not involving cash:		
Amortization	8,473	19,522
Changes in non-cash operating working capital:		
Accounts receivable	(16,179)	(71,009)
Due from related party	8,558	7,285
Prepaid expenses	1,556	(11,496)
Accounts payable and accrued liabilities	(66,499)	143,382
Deferred revenue	(8,558)	(7,285)
	1,112,171	110,756
Financing activities:		
Funds on deposit	(188)	(53,343)
Capital activities:		
Acquisitions of tangible capital assets	(3,560)	-
Investing activities:		
Change in investments, net	-	401,972
Increase in cash and cash equivalents	1,108,423	459,385
Cash and cash equivalents, beginning of year	1,082,764	623,379
Cash and cash equivalents, end of year	$ 2,191,187	$ 1,082,764
Supplemental cash flow information:		
Cash	$ 2,130,390	$ 1,021,967
Cash equivalents	60,797	60,797
	$ 2,191,187	$ 1,082,764

See accompanying notes to combined financial statements.

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.

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.

1. Significant accounting policies (continued):

(j) Financial instruments:

Financial Instruments are classified into three categories: fair value, amortized cost or cost. Portfolio investments reported at fair value consist of equity instruments, certain fixed income securities, and any other investments where the investments are managed and evaluated on a fair value basis and the fair value option is elected.

Other financial instruments, including cash and cash equivalents, accounts receivable, loans receivable, and accounts payable and accrued liabilities are initially recorded at their fair value and are subsequently measured at cost or amortized cost, net of any provisions for impairment.

Upon standard implementation, amortized cost will be measured using the effective interest rate method, as opposed to the straight-line method.

Fair value category: Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and related balances reversed from the Statement of Remeasurement Gains and Losses. A Statement of Remeasurement Gains and Losses has not been included as there are no matters to report therein.

Amortized cost: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category.

2. Change in accounting policy - adoption of new accounting standards:

The Association adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments*.

(a) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

(b) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

(c) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

(d) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

Fair value hierarchy: The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

(i) Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

2. Change in accounting policy - adoption of new accounting standards (continued):

(d) PS 3450 *Financial Instrument*s (continued):

(ii) Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(iii) Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(e) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard had no impact on the Association.

3. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Furniture	$ 18,685	$ -	$ -	$ 18,685
Computer equipment	11,753	3,560	-	15,313
Leasehold improvements	124,272	-	-	124,272
Total	$ 154,710	$ 3,560	$ -	$ 158,270

Accumulated amortization	Balance at December 31, 2022	Disposals	Amortization expense	Balance at December 31, 2023
Furniture	$ 4,048	$ -	$ 3,737	$ 7,785
Computer equipment	11,753	-	593	12,346
Leasehold improvements	120,129	-	4,143	124,272
Total	$ 135,930	$ -	$ 8,473	$ 144,403

	Net book value December 31, 2022	Net book value December 31, 2023
Furniture	$ 14,637	$ 10,900
Computer equipment	-	2,967
Leasehold improvements	4,143	-
	$ 18,780	$ 13,867

4. 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 $220,009 (2022 - $204,686). This has been included in accounts payable and accrued liabilities on the Combined Statement of Financial Position. During the year, $1,160,000 (2022 - $101,371) was received from the City and recorded within grant income (2022 - miscellaneous income) on the Combined Statement of Operations. Included in accounts receivable is $12,047 owing from the City (2022 - nil).

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 $17,765 (2022 - $12,936) on behalf of the Association. This has been included in miscellaneous income and member services on the Combined Statement of Operations.

5. Accumulated surplus:

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

	2023	2022
Surplus:		
Invested in tangible capital assets	$ 13,867	$ 18,780
Operating surplus	1,860,361	670,440
	1,874,228	689,220
Restricted cash for Downtown Dollars	144,517	144,705
	$ 2,018,745	$ 833,925

6. Commitments:

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

2024	$ 86,520
2025	31,825
	$ 118,345

7. Financial risks and concentration of risk:

As the valuation of all financial instruments held by the Association at fair value are derived from quoted prices in active markets, all would be in Level 1 of the fair value hierarchy.

Risks arising from financial instruments and risk management

The Association is exposed to a variety of financial risks including credit risks, liquidity risk and market risk. The Association's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Association's financial performance.

(a) Credit risk:

The Association's principal financial assets that are subject to credit risk are cash and accounts receivable. The carrying amounts of financial assets on the Statement of Financial Position represent the Association's maximum credit exposure as at the Statement of Financial Position date.

(b) Liquidity risk:

The Association mitigates liquidity risk by monitoring cash activities and expected outflows through extensive budgeting. Accounts payable and accrued liabilities are all current. There have been no significant changes from the previous year in the Association's exposure to liquidity risk or policies, procedures and methods used to measure the risk. All accounts payable and accrued liabilities will be paid within six (6) months.

(c) Market risk:

The Association is exposed to interest rate risk and price risk with regard to its short and long-term investments, all of which are regularly monitored.

The Association's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. It is the Association's opinion that the Association is not exposed to significant interest rate or currency risks arising from these financial instruments except as otherwise disclosed.