

Financial Statements

The Bank Street Business Improvement Area

December 31, 2019

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Bank Street Business Improvement Area

Opinion

We have audited the financial statements of **The Bank Street Business Improvement Area** [the "BIA"], which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2019, and its financial performance 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 report. We are independent of the BIA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 BIA'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 BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 auditor's 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 these 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 BIA'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 BIA'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 BIA 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.

We 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.

Ottawa, Canada
July 15, 2020

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



THE BANK STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019, with comparative information for 2018

Table 1 - Statement of Financial Position - Financial Assets

| Financial assets | 2019 | 2018 |
|---|-----------------|-------------|
| Cash and cash equivalents | \$10,564 | \$637 |
| Cash on deposit with the Corporation of the City of Ottawa | 133,016 | 81,193 |
| Accounts receivable | 10,450 | 24,550 |
| Total financial assets | 154,030 | 106,380 |

Table 2 - Statement of Financial Position - Liabilities

| Liabilities | 2019 | 2018 |
|--|----------------|-------------|
| Accounts payable and accrued liabilities <i>[note 2]</i> | 37,220 | 38,222 |
| Deferred revenue | 11,999 | - |
| Total liabilities | 49,219 | 38,222 |
| Net financial assets | 104,811 | 68,158 |

Table 3 - Statement of Financial Position - Non-Financial Assets and Accumulated Surplus

| Non-financial assets | 2019 | 2018 |
|---|------------------|-------------|
| Prepaid expenses | 7,684 | 82,981 |
| Tangible capital assets <i>[note 4]</i> | 31,147 | 29,521 |
| Total non-financial assets | 38,831 | 112,502 |
| Accumulated surplus | \$143,642 | \$180,660 |

See accompanying notes

THE BANK STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the year ended December 31, 2019, with comparative information for 2018

Table 4 - Statement of Operations - Revenue

| Revenue | Budget 2019 | Actual 2019 | Actual 2018 |
|------------------------------|------------------------|------------------------|------------------------|
| Tax revenue <i>[note 3]</i> | \$726,600 | \$773,799 | \$637,866 |
| Payments in lieu of taxation | 110,000 | 140,137 | 82,747 |
| Sundry | 50,500 | 69,281 | 64,075 |
| Total revenue | 887,100 | 983,217 | 784,688 |

Table 5 - Statement of Operations - Expenses

| Expenses | Budget 2019 | Actual 2019 | Actual 2018 |
|---|------------------------|------------------------|------------------------|
| Advertising and promotion <i>[note 2]</i> | 321,800 | 555,132 | 323,738 |
| Salaries | 258,000 | 274,229 | 236,002 |
| Office | 86,600 | 65,816 | 60,561 |
| Rent | 55,000 | 55,071 | 52,373 |
| Maintenance | 97,000 | 48,896 | 66,040 |
| Depreciation | - | 6,722 | 3,611 |
| Insurance | 20,000 | 5,426 | 5,958 |
| Audit fees | 1,700 | 3,775 | 2,906 |
| Tangible capital asset write-down | - | 2,968 | - |
| Professional and consulting fees | 2,000 | 2,200 | - |
| Provision for unforeseen | 45,000 | - | - |
| Total expenses | 887,100 | 1,020,235 | 751,189 |
| Annual (deficit) surplus | - | (37,018) | 33,499 |
| Accumulated surplus, beginning of year | 180,660 | 180,660 | 147,161 |
| Accumulated surplus, end of year | \$180,660 | \$143,642 | \$180,660 |

See accompanying notes

THE BANK STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2019, with comparative information for 2018

Table 6 - Statement of Changes in Net Financial Assets

| | Budget 2019 | Actual 2019 | Actual 2018 |
|--|------------------------|------------------------|------------------------|
| Annual (deficit) surplus | \$ - | \$(37,018) | \$33,499 |
| Acquisition of tangible capital assets | - | (11,316) | - |
| Depreciation of tangible capital assets | - | 6,722 | 3,611 |
| Tangible capital asset write-down | - | 2,968 | - |
| Decrease (increase) in prepaid expenses | - | 75,297 | (1,024) |
| Increase in net financial assets | - | 36,653 | 36,086 |
| Net financial assets, beginning of year | 68,158 | 68,158 | 32,072 |
| Net financial assets, end of year | \$68,158 | \$104,811 | \$68,158 |

See accompanying notes

THE BANK STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019, with comparative information for 2018

Table 7 - Statement of Cash Flows - Operating Activities

| Operating activities | 2019 | 2018 |
|--|-------------------|-------------|
| Annual (deficit) surplus | \$(37,018) | \$33,499 |
| Add items not affecting cash | | |
| Depreciation | 6,722 | 3,611 |
| Tangible capital asset write-down | 2,968 | - |
| Changes in non-cash working capital balances related to operations | | |
| Decrease (increase) in accounts receivable | 14,100 | (14,832) |
| Decrease (increase) in prepaid expenses | 75,297 | (1,024) |
| Increase in deferred revenue | 11,999 | - |
| (Decrease) increase in accounts payable and accrued liabilities | (1,002) | 5,656 |
| Cash provided by operating activities | 73,066 | 26,910 |

Table 8 - Statement of Cash Flows - Capital Activities

| Capital activities | 2019 | 2018 |
|--|-----------------|-------------|
| Acquisition of tangible capital assets | (11,316) | - |
| Cash used in capital activities | (11,316) | - |

Table 9 - Statement of Cash Flows - Change in Cash and Cash Equivalents

| Change in cash and cash equivalents | 2019 | 2018 |
|---|------------------|-------------|
| Net increase in cash and cash equivalents during the year | 61,750 | 26,910 |
| Cash and cash equivalents, beginning of year | 81,830 | 54,920 |
| Cash and cash equivalents, end of year | \$143,580 | \$81,830 |

Table 10 - Statement of Cash Flows - Cash Breakdown

| Cash and cash equivalents consist of | 2019 | 2018 |
|--|------------------|-------------|
| Cash and cash equivalents | \$10,564 | \$637 |
| Cash on deposit with the Corporation of the City of Ottawa | 133,016 | 81,193 |
| | \$143,580 | \$81,830 |

See accompanying notes

THE BANK STREET BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Bank Street Business Improvement Area [the “BIA”] are the responsibility of management prepared in accordance with accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates and approximations have been made using careful judgment.

Accrual accounting

Revenue and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenue as it becomes earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services.

Government transfers are recognized in revenue in the fiscal years during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

Tangible capital assets

Tangible capital assets are initially recorded at cost and depreciated over their estimated useful lives using the straight-line method. Capital expenditures that do not generate future economic benefits to the BIA are charged to operations in the year of acquisition.

The equipment, less residual value, is depreciated on a straight-line basis over its estimated useful life, which ranges from three to ten years. When a new tangible asset is acquired, depreciation is recorded from when the asset is put into use.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The financial instruments of the BIA consist of cash and cash equivalents, cash on deposit with the Corporation of the City of Ottawa, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the BIA is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Tax revenue

Annually, the City of Ottawa bills and collects tax levies as well as payments in lieu of taxation on behalf of the BIA. Tax revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and when reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years.

New accounting standards

The Public Sector Accounting Board issued new accounting standards effective for fiscal years beginning on or after April 1, 2018.

PS 3430 *Restructuring Transactions* ["PS 3430"] establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. The BIA did not have any applicable restructuring transactions meeting the criteria established within PS 3430.

2. RELATED PARTY TRANSACTIONS

The BIA purchases certain services from companies controlled by the Board of Directors' members and company executives in the normal course of business at commercial rates. During the year, the BIA incurred expenses of \$17,284, which it paid to related parties in return for goods and services.

In addition, the BIA is related to all entities under control of the City of Ottawa. As at December 31, 2019, \$177 [2018 – \$364] is included in accounts payable and accrued liabilities that is due to related parties.

The BIA and the Glowfair Festival are related through common board membership. The Glowfair Festival is a separate entity and the related revenue, expenses, assets and liabilities with respect to the operations of the Glowfair Festival are not reflected in these financial statements. In 2019, the BIA provided funding to the Glowfair Festival and recorded advertising and promotion expense in the amount of \$452,975 [2018 – \$262,338].

3. TAX REVENUE

Tax revenue comprises the following:

Table 11 - Tax Revenue Breakdown

| | 2019 | 2018 |
|---------------------------|----------------|----------------|
| | \$ | \$ |
| General tax levy | 776,591 | 659,828 |
| Supplementary assessments | 645 | - |
| Remissions | (3,437) | (10,992) |
| Vacancy rebates | - | (10,970) |
| | 773,799 | 637,866 |

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 12 - Tangible Capital Assets Breakdown

| | 2019 | 2018 |
|--------------------------|-----------------|---------------|
| | \$ | \$ |
| Equipment | 47,431 | 36,115 |
| Accumulated depreciation | (16,284) | (6,594) |
| Net book value | 31,147 | 29,521 |

5. SUBSEQUENT EVENTS

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The Government of Canada has announced a new set of economic measures to stabilize the economy during this challenging period. The ongoing situation remains fluid and the BIA is currently assessing the impacts of this on its operations. At this time, it is not possible to reliably estimate any further impacts that the global COVID-19 outbreak may have on the financial results and condition of the BIA.