

Financial Statements

The Somerset Street Chinatown Business Improvement Area

December 31, 2019

Independent auditor's report

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

Opinion

We have audited the financial statements of **The Somerset Street Chinatown 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 28, 2020

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



THE SOMERSET STREET CHINATOWN 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 <i>[note 3]</i>	\$ -	\$500
Cash on deposit with the Corporation of the City of Ottawa	35,292	-
Investments <i>[note 4]</i>	595,317	550,000
Accrued interest receivable	12,664	13,074
Accounts receivable <i>[note 2]</i>	9,753	76,539
Total financial assets	653,026	640,113

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2019	2018
Bank indebtedness	-	23,244
Accounts payable and accrued liabilities <i>[note 2]</i>	6,306	11,091
Deferred revenue <i>[note 5]</i>	21,768	12,858
Total liabilities	28,074	47,193
Net financial assets	624,952	592,920

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

Non-financial assets	2019	2018
Prepaid expenses	917	2,758
Tangible capital assets <i>[note 7]</i>	25,657	8,121
Total non-financial assets	26,574	10,879
Accumulated surplus <i>[note 10]</i>	\$651,526	\$603,799

See accompanying notes

THE SOMERSET STREET CHINATOWN 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 [note 8]
Tax revenue [note 6]	\$166,900	\$167,081	\$165,336
Sundry	10,000	46,607	70,600
Payments in lieu of taxation	-	2,437	2,415
Investment income	-	13,016	12,017
Total revenue	176,900	229,141	250,368

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2019	Actual 2019	Actual 2018
Advertising, promotions and street cleaning	44,100	47,184	80,662
Professional and consulting	34,000	46,475	32,054
Salaries	33,700	37,492	38,381
Office	13,300	11,829	9,174
Rent	9,000	8,402	7,937
Maintenance	11,000	7,900	10,533
Other	-	6,654	402
Decoration installation	25,000	6,418	18,832
Insurance	3,800	3,818	3,571
Audit fees	3,000	3,742	3,256
Depreciation	-	1,380	427
Interest and bank charges	-	120	148
Total expenses	176,900	181,414	205,377
Annual surplus	-	47,727	44,991
Accumulated surplus, beginning of year	603,799	603,799	558,808
Accumulated surplus, end of year [note 10]	\$603,799	\$651,526	\$603,799

See accompanying notes

THE SOMERSET STREET CHINATOWN 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 surplus	\$ -	\$47,727	\$44,991
Decrease (increase) in prepaid expenses	-	1,841	(554)
Acquisition of tangible capital assets	-	(18,916)	(8,548)
Depreciation of tangible capital assets	-	1,380	427
Increase in net financial assets	-	32,032	36,316
Net financial assets, beginning of year	592,920	592,920	556,604
Net financial assets, end of year	\$592,920	\$624,952	\$592,920

See accompanying notes

THE SOMERSET STREET CHINATOWN 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 surplus	\$47,727	\$44,991
Add item not affecting cash		
Depreciation	1,380	427
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accrued interest receivable	410	(4,095)
Decrease (increase) in accounts receivable	66,786	(50,333)
Decrease (increase) in prepaid expenses	1,841	(554)
(Decrease) increase in bank indebtedness	(23,244)	23,244
(Decrease) increase in accounts payable and accrued liabilities	(4,785)	6,804
Increase (decrease) in deferred revenue	8,910	(13,088)
Cash provided by operating activities	99,025	7,396

Table 8 - Statement of Cash Flows - Capital Activities

Capital activities	2019	2018
Acquisition of tangible capital assets	(18,916)	(8,548)
Cash used in capital activities	(18,916)	(8,548)

Table 9 - Statement of Cash Flows - Investing Activities

Investing activities	2019	2018
Purchase of investments	(395,317)	(280,000)
Maturities of investments	350,000	260,000
Cash used in investing activities	(45,317)	(20,000)

Table 10 - Statement of Cash Flows - Change in Cash and Cash Equivalents

Change in cash and cash equivalents	2019	2018
Net increase (decrease) in cash and cash equivalents during the year	34,792	(21,152)
Cash and cash equivalents, beginning of year	500	21,652
Cash and cash equivalents, end of year	\$35,292	\$500

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS (CONTINUED)

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

Table 11 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2019	2018
Cash and cash equivalents	\$ -	\$500
Cash on deposit with the Corporation of the City of Ottawa	35,292	-
	\$35,292	\$500

See accompanying notes

THE SOMERSET STREET CHINATOWN 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 Somerset Street Chinatown 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 Canadian 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 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, investments, cash on deposit with the Corporation of the City of Ottawa, accounts receivable and accounts payable and accrued liabilities. The investments consist of guaranteed investment certificates that are recorded at cost. Unless otherwise noted, it is management's opinion that the BIA is not exposed to significant interest rate, liquidity, market, 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 tax on behalf of the BIA. Tax revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and 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 \$88, 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, \$62 [2018 – nil] is included in accounts payable and accrued liabilities and nil [2018 – \$59,718] is included in accounts receivable due from related parties.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and short-term investments with maturities of less than 90 days from original term.

4. INVESTMENTS

Investments consist of guaranteed investments certificate maturing from August 2020 to October 2021, and earning interest at rates ranging from 1.20% to 2.90% [2018 – 2.00% to 2.90%] per annum.

5. DEFERRED REVENUE

Deferred revenue consists of funding received that is restricted for a specified purpose. As at December 31, 2019, there remains \$12,553 [2018 – \$12,858] of deferred revenue for the maintenance of the Chinatown Gateway. In addition, \$7,115 was included for a digital service squad grant and \$2,100 for a graffiti grant on the statement of financial position that has not yet met the eligibility criteria for recognition.

6. TAX REVENUE

Tax revenue comprises the following:

Table 12 - Tax Revenue Breakdown

	2019	2018
	\$	\$
General tax levy	167,438	167,518
Remissions	(357)	(1,245)
Vacancy rebates	-	(937)
	167,081	165,336

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 13 - Tangible Capital Assets Breakdown

	2019	2018
	\$	\$
Equipment	27,465	8,548
Accumulated depreciation	(1,808)	(427)
Net book value	25,657	8,121

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

9. 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.

10. ACCUMULATED SURPLUS

Accumulated surplus includes a reserve fund of \$60,000 for the maintenance of the Chinatown Gateway.