

Financial Statements

The Sparks Street Mall Authority

December 31, 2019

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Sparks Street Mall Authority

Opinion

We have audited the financial statements of **The Sparks Street Mall Authority** [the "Mall Authority"], 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 Mall Authority 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 Mall Authority 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 Mall Authority'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 Mall Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mall Authority'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 Mall Authority'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 Mall Authority'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 Mall Authority 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 30, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



THE SPARKS STREET MALL AUTHORITY

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	\$23,185	\$28,123
Cash on deposit with the Corporation of the City of Ottawa	629,479	545,632
Accounts receivable	8,916	17,849
Total financial assets	661,580	591,604

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2019	2018
Accounts payable and accrued liabilities <i>[note 2]</i>	38,858	8,931
Total liabilities	38,858	8,931
Net financial assets	622,722	582,673

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

Non-financial assets	2019	2018
Prepaid expenses	1,437	1,717
Tangible capital assets <i>[note 3]</i>	126,619	102,034
Total non-financial assets	128,056	103,751
Accumulated surplus	\$750,778	\$686,424

See accompanying notes

THE SPARKS STREET MALL AUTHORITY

STATEMENT OF OPERATIONS

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

Table 4 - Statement of Operations - Revenue

Revenue	Budget 2019 [note 4]	Actual 2019	Actual 2018
Tax revenue	\$225,750	\$227,129	\$216,313
Payments in lieu of taxation	220,500	219,121	208,687
Permits and concessions	73,210	80,579	81,263
Sundry	63,100	66,532	62,330
Total revenue	582,560	593,361	568,593

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2019 [note 4]	Actual 2019	Actual 2018
Maintenance	352,100	297,883	308,491
Salaries	177,560	104,631	119,423
Professional and consulting	52,500	46,654	778
Depreciation	-	29,651	17,241
Rent	29,000	23,612	25,086
Office	36,550	14,415	14,069
Insurance	9,000	6,631	7,332
Electricity and water	4,100	2,910	2,094
Audit fees	1,750	2,620	2,906
Total expenses	662,560	529,007	497,420
Annual surplus (deficit)	(80,000)	64,354	71,173
Accumulated surplus, beginning of year	686,424	686,424	615,251
Accumulated surplus, end of year	\$606,424	\$750,778	\$686,424

See accompanying notes

THE SPARKS STREET MALL AUTHORITY

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 [note 4]	Actual 2019	Actual 2018
Annual surplus (deficit)	\$(80,000)	\$64,354	\$71,173
Decrease in prepaid expenses	-	280	63
Depreciation of tangible capital assets	-	29,651	17,241
Acquisition of tangible capital assets	-	(54,236)	(68,516)
Increase (decrease) in net financial assets	(80,000)	40,049	19,961
Net financial assets, beginning of year	582,673	582,673	562,712
Net financial assets, end of year	\$502,673	\$622,722	\$582,673

See accompanying notes

THE SPARKS STREET MALL AUTHORITY

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	\$64,354	\$71,173
Add item not affecting cash		
Depreciation	29,651	17,241
Changes in non-cash working capital balances related to operations		
Decrease in accounts receivable	8,933	6,614
Decrease in prepaid expenses	280	63
Increase (decrease) in accounts payable and accrued liabilities	29,927	(29,007)
Cash provided by operating activities	133,145	66,084

Table 8 - Statement of Cash Flows - Capital Activities

Capital activities	2019	2018
Acquisition of tangible capital assets	(54,236)	(68,516)
Cash used in capital activities	(54,236)	(68,516)

Table 9 - 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	78,909	(2,432)
Cash and cash equivalents, beginning of the year	573,755	576,187
Cash and cash equivalents, end of the year	\$652,664	\$573,755

Table 10 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2019	2018
Cash	\$23,185	\$28,123
Cash on deposit with the Corporation of the City of Ottawa	629,479	545,632
	\$652,664	\$573,755

THE SPARKS STREET MALL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Sparks Street Mall Authority [the "Mall Authority"] 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 expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenue as it becomes earned and measurable; expenditures 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 benefit to the Mall Authority 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 fifteen 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 Mall Authority consist of cash, 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 Mall Authority 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 taxes on behalf of the Mall Authority. 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 Mall Authority did not have any applicable restructuring transactions meeting the criteria established within PS 3430.

2. RELATED PARTY TRANSACTIONS

The Mall Authority 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 Mall Authority incurred expenses of \$5,721, which it paid to related parties in return for goods and services. In 2019, the following material related party transaction occurred with a company associated with a member of the Board of Directors. The Mall Authority paid the National Capital Commission \$16,403 [2018 – \$19,236] for office space under a leasing contract. This transaction occurred at commercial rates.

In addition, the Mall Authority is related to all entities under control of the City of Ottawa. As at December 31, 2019, \$135 [2018 – \$152] is included in accounts payable and accrued liabilities that is due to related parties.

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 11 - Tangible Capital Assets Breakdown

	2019	2018
	\$	\$
Equipment	190,277	136,041
Accumulated depreciation	(63,658)	(34,007)
Net book value	126,619	102,034

4. BUDGET AMOUNTS

Budget data presented in these financial statements is based upon the 2019 budget approved by the Board of Directors. The Board-approved budget is prepared on a basis that differs from budget amounts reported on the statements of operations and changes in net financial assets, which are prepared in accordance with Canadian public sector accounting standards. The total approved revenue budget of \$582,560 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$80,000, which is not included in revenue for purposes of the financial statement presentation.

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 Mall Authority 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 Mall Authority.