

Financial Statements

The Preston Street Business Improvement Area

December 31, 2021

Independent auditor's report

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

Qualified opinion

We have audited the financial statements of **The Preston Street Business Improvement Area** [the "BIA"], which comprise the statement of financial position as at December 31, 2021, 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, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA 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 qualified opinion

During the years ended December 31, 2020 and December 31, 2021, the BIA applied for and received \$50,165 and \$10,847, respectively, in government assistance from the Canada Emergency Wage Subsidy ["CEWS"] program under the COVID-19 Economic Response Plan in Canada, which has been recognized as sundry revenue in the statement of operations in each respective year. We were unable to obtain sufficient appropriate audit evidence about the BIA's eligibility for the CEWS program in order to recognize the amount in sundry revenue in the years ended December 31, 2020 or December 31, 2021. As a result, we were unable to determine whether any adjustments might be necessary to accounts payable and accrued liabilities, net financial assets, and accumulated surplus as at December 31, 2021 and December 31, 2020, and sundry revenue and annual surplus (deficit) for the years then ended. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 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 qualified audit 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.

Ernst & Young LLP

Ottawa, Canada
October 24, 2022

Chartered Professional Accountants
Licensed Public Accountants



THE PRESTON STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2021, with comparative information for 2020

Table 1 - Statement of Financial Position - Financial Assets

Financial assets	2021	2020
Cash on deposit with the Corporation of the City of Ottawa	\$469,604	\$442,840
Accounts receivable	-	11,257
Total financial assets	469,604	454,097

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2021	2020
Accounts payable and accrued liabilities <i>[note 2]</i>	148,824	30,719
Total liabilities	148,824	30,719
Net financial assets	320,780	423,378

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

Non-financial assets	2021	2020
Prepaid expenses	949	5,516
Total non-financial assets	949	5,516
Accumulated surplus	\$321,729	\$428,894

See accompanying notes

THE PRESTON STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the year ended December 31, 2021, with comparative information for 2020

Table 4 - Statement of Operations - Revenue

Revenue	Budget 2021	Actual 2021	Actual 2020
Tax revenue <i>[note 3]</i>	\$230,000	\$226,009	\$220,202
Sundry	10,000	108,317	102,467
Total revenue	240,000	334,326	322,669

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2021	Actual 2021	Actual 2020
Advertising and promotion	30,000	66,208	58,135
Maintenance	42,105	24,636	56,454
Salaries	120,295	262,591	136,348
Professional and consulting fees	14,400	48,372	—
Rentals	14,400	20,191	21,980
Office	8,760	12,549	12,492
Insurance	5,540	3,319	3,750
Audit fees	4,500	3,625	2,184
Total expenses	240,000	441,491	291,343
Annual (deficit) surplus	-	(107,165)	31,326
Accumulated surplus, beginning of year	428,894	428,894	397,568
Accumulated surplus, end of year	\$428,894	\$321,729	\$428,894

See accompanying notes

THE PRESTON STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2021, with comparative information for 2020

Table 6 - Statement of Changes in Net Financial Assets

	Budget 2021	Actual 2021	Actual 2020
Annual (deficit) surplus	-	(\$107,165)	\$31,326
Decrease (increase) in prepaid expenses	-	4,567	(3,250)
(Decrease) increase in net financial assets	-	(102,598)	28,076
Net financial assets, beginning of year	423,378	423,378	395,302
Net financial assets, end of year	\$423,378	\$320,780	\$423,378

See accompanying notes

THE PRESTON STREET BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021, with comparative information for 2020

Table 7 - Statement of Cash Flows - Operating Activities

Operating activities	2021	2020
Annual (deficit) surplus	(\$107,165)	\$31,326
Changes in non-cash working capital balances related to operations		
Decrease (increase) in prepaid expenses	4,567	(3,250)
Increase (decrease) in accounts payable and accrued liabilities	118,105	(1,362)
Decrease (increase) in accounts receivable	11,257	(6,563)
Decrease in deferred revenue	-	(5,221)
Cash provided by operating activities	26,764	14,930

Table 8 - Statement of Cash Flows - Change in Cash and Cash Equivalents

Change in cash and cash equivalents	2021	2020
Net increase in cash and cash equivalents during the year	26,764	14,930
Cash and cash equivalents, beginning of year	442,840	427,910
Cash and cash equivalents, end of year	\$469,604	\$442,840

Table 9 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2021	2020
Cash on deposit with the Corporation of the City of Ottawa	\$469,604	\$442,840

See accompanying notes

THE PRESTON STREET BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Preston 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.

Financial instruments

The financial instruments of the BIA consist of cash on deposit with the Corporation of the City of Ottawa, accounts receivable, 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 payment in lieu of taxes on behalf of the BIA. Taxation 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.

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 exchange amounts, which is the amount agreed to by both parties.

In addition, the BIA is related to all entities under control of the City of Ottawa. During the year ended December 31, 2021, the BIA recognized grant revenue from the City of Ottawa of \$20,235 [2020 - \$16,200] within sundry revenue on the Statement of Operations. As at December 31, 2021, nil [2020 – \$447] is included in accounts payable and accrued liabilities that is due to related parties.

3. TAX REVENUE

Tax revenue comprises the following:

Table 10 - Tax Revenue Breakdown

	2021	2020
	\$	\$
General tax levy	226,978	220,911
Supplementary assessments	-	795
Remissions	(969)	(1,504)
	226,009	220,202

4. COVID-19 IMPACT

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. In response to the negative economic impact of COVID-19, various government programs have been announced to provide financial relief to affected businesses. The BIA determined that it qualified for the Canada Emergency Wage Subsidy [“CEWS”] under the COVID-19 Economic Response Plan in Canada. The BIA recognized \$10,847 [2020 - \$50,165] worth of CEWS revenue in sundry revenue in 2021. Additionally, in an effort to provide financial relief to members dealing with COVID-19 restrictions, the BIA elected to maintain their general tax levy budget at \$230,000 [2020 - \$230,000] for the 2021 fiscal year. The BIA elected to budget for an increased tax levy of \$345,000 [2021 – \$230,000] for the 2022 fiscal year.