

Financial Statements

The Kanata North Business Improvement Area

December 31, 2021

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Kanata North Business Improvement Area

Opinion

We have audited the financial statements of **The Kanata North 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 (debt) 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, 2021, 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 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 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 20, 2022

Chartered Professional Accountants
Licensed Public Accountants



THE KANATA NORTH 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	\$20,394	\$60,733
Cash on deposit with the Corporation of the City of Ottawa	56,052	86,067
Accounts receivable	336,574	5,259
Total financial assets	413,020	152,059

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2021	2020
Accounts payable and accrued liabilities <i>[note 2]</i>	611,975	36,336
Deferred revenue	432,616	-
Total liabilities	1,044,591	36,336
Net financial (debt) assets	(631,571)	115,723

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

Non-financial assets	2021	2020
Tangible capital assets <i>[note 4]</i>	816,140	-
Prepaid expenses	16,429	7,510
Total non-financial assets	832,569	7,510
Accumulated surplus	\$200,998	\$123,233

Contractual obligation *[note 6]*

See accompanying notes

THE KANATA NORTH 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 [note 5]	Actual 2021	Actual 2020
Tax revenue [note 3]	\$450,500	\$391,937	\$449,890
Other revenue	631,500	803,618	86,563
Contributed services [note 8]	-	288,682	-
Payments in lieu of taxation	-	2,276	2,286
Total revenue	1,082,000	1,486,513	538,739

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2021 [note 5]	Actual 2021	Actual 2020
Salaries	334,000	348,712	179,732
Advertising and promotion	203,000	339,828	262,441
Office	299,000	270,028	22,271
Rent	43,000	76,445	15,302
Professional and consulting fees	238,500	311,715	79,939
Insurance	6,000	4,012	3,616
Audit fees	3,500	2,871	2,614
Depreciation	-	55,137	-
Provision for unforeseen	5,000	-	-
Total expenses	1,132,000	1,408,748	565,915
Annual surplus (deficit)	(50,000)	77,765	(27,176)
Accumulated surplus, beginning of year	123,233	123,233	150,409
Accumulated surplus, end of year	\$73,233	\$200,998	\$123,233

See accompanying notes

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL (DEBT) ASSETS

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

Table 6 - Statement of Changes in Net Financial Debt

	Budget 2021 <i>[note 5]</i>	Actual 2021	Actual 2020
Annual surplus (deficit)	(\$50,000)	\$77,765	(\$27,176)
Acquisition of tangible capital assets	-	(871,277)	-
Depreciation of tangible capital assets	-	55,137	-
Increase in prepaid expenses	-	(8,919)	(2,382)
Decrease in net financial assets	(50,000)	(747,294)	(29,558)
Net financial assets, beginning of year	115,723	115,723	145,281
Net financial (debt) assets, end of year	\$65,723	(\$631,571)	\$115,723

See accompanying notes

THE KANATA NORTH 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 surplus (deficit)	\$77,765	(\$27,176)
Add item not affecting cash		
Depreciation	55,137	-
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable	(331,315)	(5,091)
Increase in prepaid expenses	(8,919)	(2,382)
Increase in deferred revenue	432,616	
Increase (decrease) in accounts payable and accrued liabilities	575,639	(5,518)
Cash provided by (used in) operating activities	800,923	(40,167)

Table 8 - Statement of Cash Flows - Capital Activities

Capital activities	2021	2020
Acquisition of tangible capital assets	(871,277)	-
Cash used in capital activities	(871,277)	-

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

Change in cash and cash equivalents	2021	2020
Net decrease in cash and cash equivalents during the year	(70,354)	(40,167)
Cash and cash equivalents, beginning of year	146,800	186,967
Cash and cash equivalents, end of year	\$76,446	\$146,800

Table 10 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2021	2020
Cash	\$20,394	\$60,733
Cash on deposit with the Corporation of the City of Ottawa	56,052	86,067
	\$76,446	\$146,800

See accompanying notes

THE KANATA NORTH 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 Kanata North 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 revenues as they become 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 assets, less residual value, are depreciated on a straight-line basis over their estimated useful life, which ranges from five to fifteen 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, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the BIA is not exposed to significant interest, 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 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.

Contributed services

Contributed services consist of in-kind contributions to the BIA. These transactions are recognized at the fair value of the services provided and in the period in which the services were incurred.

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. During the year, the BIA incurred expenses of \$518,489, which it paid to related parties in return for goods and services.

Included in amounts paid to related parties for goods and services, is \$498,549 [2020 – \$13,863] paid to KRP Properties for leasehold improvements to their office space and the leasing contract for the office space. These transactions occurred at exchange amounts.

The BIA is also 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 \$34,981 [2020 - \$16,400] within advertising income on the Statement of Operations. As at December 31, 2021, nil [2020 – nil] of the related party transactions is included in accounts payable and accrued liabilities.

3. TAX REVENUE

Tax revenue comprises the following:

Table 9 - Tax Revenue Breakdown

	2021	2020
	\$	\$
General tax levy	447,786	449,199
Supplementary assessments	-	3,057
Remissions	(55,851)	(2,366)
Vacancy rebates	2	-
	391,937	449,890

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 10 - Tangible Capital Assets Breakdown

	2021	2020
	\$	\$
Leasehold improvements	626,661	-
Equipment	244,616	-
Accumulated depreciation	(55,137)	-
Net book value	(816,140)	-

5. BUDGET AMOUNTS

Budget data presented in these financial statements is based upon the 2021 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 debt, which are prepared in accordance with Canadian public sector accounting standards. The total approved revenue budget of \$1,082,000 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$50,000, which is not included in revenue for purposes of the financial statement presentation.

6. CONTRACTUAL OBLIGATION

In 2020, the BIA entered into a new lease agreement, which expires on May 31, 2026. The annual base rent commitment as at December 31, 2021 consists of the following:

Table 13 – Contractual Obligation Breakdown

2022	2023	2024	2025	2026
\$	\$	\$	\$	\$
120,221	121,849	121,849	121,849	50,770

7. HUB350 EXPANSION

In January 2021, the BIA confirmed their intention to proceed with the development of a technology centre, located at 350 Legget Drive in Kanata, with the goal of promoting regional economic development for the many technology companies located within the boundaries of the BIA. The new centre will bring together partners from the financial, academic and technology sectors in order to create synergies to help enhance innovation and collaboration. In 2021, the BIA incurred \$845,750 towards the facility. The BIA has received confirmation of a provincial grant that will provide \$1,500,000 over the three-year period ending December 31, 2023, and the BIA has signed agreements with corporate sponsors that will provide \$1,555,000 as well as membership and other revenues over that same three-year period. All sponsorship contracts have been secured for a minimum of three years to mitigate the risk of shortfall with committed expenses.

8. CONTRIBUTED SERVICES

The BIA entered into a three-year contract with Telus on May 31, 2021 to receive in-kind service contributions to help support the Hub350 project. In 2021, Telus provided the BIA with \$217,982 [2020 – nil] worth of telecommunications services. This amount has been recognized as revenue in the financial statements under the contributed services line, and a corresponding expense has been included in the office line.

The BIA also entered into a three-year contract with Invest Ottawa on September 1, 2021 which includes in-kind contributions to help support CAV Canada. In 2021, Invest Ottawa provided the BIA with \$70,700 [2020 – nil] worth of services in support of the event. This amount has been recognized as revenue in the financial statements under the contributed services line, and a corresponding expense has been included in the advertising line.