

Financial Statements

The Somerset Street Chinatown Business Improvement Area

December 31, 2022

Independent auditor's report

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

Qualified 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, 2022, 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, 2022, 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 \$27,875 and \$1,681, 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, 2022 and December 31, 2021, sundry revenue for the year ended December 31, 2021, and annual surplus (deficit) for the years ended December 31, 2022 and December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2021 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 20, 2023

Chartered Professional Accountants
Licensed Public Accountants



THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022, with comparative information for 2021

Table 1 - Statement of Financial Position - Financial Assets

Financial assets	2022	2021
Cash on deposit with the Corporation of the City of Ottawa	\$14,355	\$19,705
Investments <i>[note 3]</i>	528,568	525,727
Accounts receivable	81,290	29,699
Total financial assets	624,213	575,131

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2022	2021
Accounts payable and accrued liabilities	59,149	15,454
Deferred revenue <i>[note 4]</i>	10,924	11,586
Total liabilities	70,073	27,040
Net financial assets	554,140	548,091

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

Non-financial assets	2022	2021
Prepaid expenses	2,122	1,130
Tangible capital assets <i>[note 6]</i>	73,153	34,353
Total non-financial assets	75,275	35,483
Accumulated surplus <i>[note 8]</i>	\$629,415	\$583,574

See accompanying notes

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the year ended December 31, 2022, with comparative information for 2021

Table 4 - Statement of Operations - Revenue

Revenue	Budget 2022 [note 7]	Actual 2022	Actual 2021
Tax revenue [notes 5 and 10]	\$107,841	\$106,124	\$59,478
Sundry [notes 2 and 9]	10,000	322,822	73,003
Payments in lieu of taxation	-	1,633	860
Investment income	-	6,581	6,181
Total revenue	117,841	437,160	139,522

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2022 [note 7]	Actual 2022	Actual 2021
Advertising, promotions and street cleaning	58,400	87,486	23,751
Professional and consulting	9,000	35,083	28,969
Salaries	51,487	125,942	56,957
Office	7,761	23,506	4,192
Rent	1,140	47,129	1,160
Maintenance	10,000	56,731	6,012
Legal fees	-	-	1,343
Decoration installation	-	-	3,205
Insurance	3,500	2,742	2,279
Audit fees	2,500	4,236	4,116
Depreciation	-	8,464	8,372
Total expenses	143,788	391,319	140,356
Annual surplus (deficit)	(25,947)	45,841	(834)
Accumulated surplus, beginning of year	583,574	583,574	584,408
Accumulated surplus, end of year [note 8]	\$557,627	\$629,415	\$583,574

See accompanying notes

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2022, with comparative information for 2021

Table 6 - Statement of Changes in Net Financial Assets

	Budget 2022 <i>[note 7]</i>	Actual 2022	Actual 2021
Annual surplus (deficit)	(\$25,947)	\$45,841	(\$834)
Increase in prepaid expenses	-	(992)	(39)
Acquisition of tangible capital assets	-	(47,264)	(24,228)
Depreciation of tangible capital assets	-	8,464	8,372
Increase (decrease) in net financial assets	(25,947)	6,049	(16,729)
Net financial assets, beginning of year	548,091	548,091	564,820
Net financial assets, end of year	\$522,144	\$554,140	\$548,091

See accompanying notes

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022, with comparative information for 2021

Table 7 - Statement of Cash Flows - Operating Activities

Operating activities	2022	2021
Annual surplus (deficit)	\$45,841	(\$834)
Add item not affecting cash		
Depreciation	8,464	8,372
Changes in non-cash working capital balances related to operations		
Decrease in accrued interest receivable	-	9,541
Increase in accounts receivable	(51,591)	(20,850)
Increase in prepaid expenses	(992)	(39)
Increase in accounts payable and accrued liabilities	43,695	11,241
Decrease in deferred revenue	(662)	(611)
Cash provided by operating activities	44,755	6,820

Table 8 - Statement of Cash Flows - Capital Activities

Capital activities	2022	2021
Acquisition of tangible capital assets	(47,264)	(24,228)
Cash used in capital activities	(47,264)	(24,228)

Table 9 - Statement of Cash Flows - Investing Activities

Investing activities	2022	2021
Purchase of investments	(528,568)	(525,727)
Maturities of investments	525,727	510,628
Cash used in investing activities	(2,841)	(15,099)

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

Change in cash and cash equivalents	2022	2021
Net decrease in cash and cash equivalents during the year	(5,350)	(32,507)
Cash and cash equivalents, beginning of year	19,705	52,212
Cash and cash equivalents, end of year	\$14,355	\$19,705

See accompanying notes

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

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 and are 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 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 BIA consist of 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.

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 are the amounts agreed to by both parties. During the year, the BIA incurred expenses of \$208, 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. During the year ended December 31, 2022, the BIA recognized grant revenue from the City of Ottawa of \$21,257 [2021 – \$41,322] within sundry revenue on the statement of operations.

3. INVESTMENTS

Investments consist of guaranteed investments certificate maturing from September 2023 to December 2023, and earning interest at rates ranging from 3.25% to 4.55% [2021 – 0.1% to 0.57%] per annum.

4. DEFERRED REVENUE

Deferred revenue consists of funding received that is restricted for a specified purpose. As at December 31, 2022, there remains \$10,924 [2021 – \$11,586] of deferred revenue for the maintenance of the Chinatown Gateway.

5. TAX REVENUE

Tax revenue comprises the following:

Table 11 - Tax Revenue Breakdown

	2022	2021
	\$	\$
General tax levy	106,208	59,120
Supplementary assessments	683	530
Remissions	(767)	(172)
	106,124	59,478

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 12 - Tangible Capital Assets Breakdown

	2022	2021
	\$	\$
Equipment	98,957	51,693
Accumulated depreciation	(25,804)	(17,340)
Net book value	73,153	34,353

7. BUDGET AMOUNTS

Budget data presented in these financial statements is based upon the 2022 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 \$117,841 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$25,947, which is not included in revenue for purposes of the financial statement presentation.

8. ACCUMULATED SURPLUS

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

9. COVID-19 IMPACT

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. 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. In 2022, the BIA recognized \$nil [2021 – \$1,681] worth of CEWS revenue in sundry revenue.

10. SUBSEQUENT EVENTS

The BIA elected to increase its general tax levy by 33.9% to \$144,340 [2022 – \$107,841] for the 2023 fiscal year.