

Financial Statements

The Sparks Street Business Improvement Area

December 31, 2021

Independent auditor's report

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

Qualified opinion

We have audited the financial statements of **The Sparks 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 \$8,764 and \$21,677, 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 sponsorship and other 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 sponsorship and other 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 receivable, accounts payable and accrued liabilities, net financial assets, and accumulated surplus as at December 31, 2021, and sponsorship and other revenue and annual surplus (deficit) for the year then ended.

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 21, 2022

Chartered Professional Accountants
Licensed Public Accountants



THE SPARKS 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	\$895,472	\$804,034
Accounts receivable	14,451	13,193
Total financial assets	909,923	817,227

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2021	2020
Bank indebtedness	8,229	8,155
Accounts payable and accrued liabilities <i>[note 3]</i>	22,386	35,437
Total liabilities	30,615	43,592
Net financial assets	879,308	773,635

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

Non-financial assets	2021	2020
Capital assets <i>[note 5]</i>	68,854	-
Prepaid expenses	9,309	7,923
Total non-financial assets	78,163	7,923
Accumulated surplus	\$957,471	\$781,558

See accompanying notes

THE SPARKS 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	2021 Budget [note 4]	2021 Actual	2020 Actual
Tax revenue [note 2]	\$362,338	\$352,566	\$350,048
Payments in lieu of taxation	177,789	178,497	180,304
Sponsorship and other	119,500	23,978	16,264
Total revenue	659,627	555,041	546,616

Table 5 - Statement of Operations - Expenses

Expenses	2021 Budget [note 4]	2021 Actual	2020 Actual
Advertising	478,187	134,428	252,612
Salaries	171,300	144,686	123,440
Office	69,140	58,065	34,944
Rent	28,000	21,079	25,478
Insurance	9,000	9,566	7,851
Professional and consulting	1,000	1,028	366
Depreciation	-	1,780	-
Bad debt expense	-	4,429	-
Audit fees	3,000	4,067	4,324
Total expenses	759,627	379,128	449,015
Annual surplus (deficit)	(100,000)	175,913	97,601
Accumulated surplus, beginning of year	781,558	781,558	683,957
Accumulated surplus, end of year	\$681,558	\$957,471	\$781,558

See accompanying notes

THE SPARKS 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

	2021 Budget [note 4]	2021 Actual	2020 Actual
Annual surplus (deficit)	(\$100,000)	\$175,913	\$97,601
Acquisition of capital assets	-	(70,634)	-
Depreciation of capital assets	-	1,780	-
Increase in prepaid expenses	-	(1,386)	(4,108)
Increase in net financial assets	(100,000)	105,673	93,493
Net financial assets, beginning of year	773,635	773,635	680,142
Net financial assets, end of year	\$673,635	\$879,308	\$773,635

See accompanying notes

THE SPARKS 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 surplus	\$175,913	\$97,601
Add item not affecting cash		
Depreciation of capital assets	1,780	-
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable	(1,258)	(7,690)
Increase in prepaid expenses	(1,386)	(4,108)
(Decrease) increase in accounts payable and accrued liabilities	(13,051)	314
Cash provided by operating activities	161,998	86,117

Table 8 - Statement of Cash Flows - Capital Activities

Capital activities	2021	2020
Acquisition of tangible capital assets	(70,634)	-
Cash used in capital activities	(70,634)	-

Table 9 - 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	91,364	86,117
Cash and cash equivalents, beginning of the year	795,879	709,762
Cash and cash equivalents, end of the year	\$887,243	\$795,879

Table 10 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2021	2020
Bank indebtedness	(\$8,229)	\$(8,155)
Cash on deposit with the Corporation of the City of Ottawa	895,472	804,034
	\$887,243	\$795,879

THE SPARKS 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 Sparks 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 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 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 is five years. When a new tangible asset is acquired, depreciation is recorded from when the asset is put into use.

Financial instruments

The financial instruments of the BIA consist of cash on deposit with the Corporation of the City of Ottawa, accounts receivable, bank indebtedness and 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. TAX REVENUE

Tax revenue comprises the following:

Table 11 - Tax Revenue Breakdown

	2021	2020
	\$	\$
General tax levy	359,220	362,338
Supplementary assessments	(4,302)	-
Vacancy rebates	(8)	-
Remissions	(2,344)	(12,290)
	352,566	350,048

3. 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 \$21,020, 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, 2021, the BIA recognized grant revenue from the City of Ottawa of \$2,301 [2020 - nil] within sponsorship revenue and other on the Statement of Operations. As at December 31, 2021, nil [2020 - nil] is included in accounts payable and accrued liabilities that is due to related parties.

4. 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 assets, which are prepared in accordance with Canadian public sector accounting standards. The total approved revenue budget of \$759,627 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from

reserves of \$100,000, which is not included in revenue for purposes of the financial statement presentation.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 12 - Tangible Capital Assets Breakdown

	2021	2020
	\$	\$
Equipment	70,634	-
Accumulated depreciation	(1,780)	-
Net book value	68,854	-

6. 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 \$21,677 [2020 - \$8,764] worth of CEWS revenue in sundry revenue in 2021.