

Financial Statements

The Bank Street Business Improvement Area

December 31, 2022

Independent auditor's report

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

Qualified opinion

We have audited the financial statements of **The Bank Street 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 \$12,202 and \$76,252, 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 (deficit) surplus 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 BANK STREET 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 and cash equivalents	\$113,295	\$40,043
Cash on deposit with the Corporation of the City of Ottawa	-	245,917
Accounts receivable	41,097	103,661
Total financial assets	154,392	389,621

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2022	2021
Cash due to the Corporation of the City of Ottawa	25,880	-
Accounts payable and accrued liabilities <i>[note 2]</i>	54,874	142,645
Total liabilities	80,754	142,645
Net financial assets	73,638	246,976

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

Non-financial assets	2022	2021
Prepaid expenses	10,419	52,603
Tangible capital assets <i>[note 4]</i>	26,080	7,416
Total non-financial assets	36,499	60,019
Accumulated surplus	\$110,137	\$306,995

See accompanying notes

THE BANK STREET 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 5]	Actual 2022	Actual 2021
Tax revenue [notes 3 and 7]	\$605,950	\$632,554	\$581,754
Payments in lieu of taxation	120,000	128,514	123,687
Gain on sale of asset	-	-	804
Sundry [notes 2 and 6]	47,450	153,307	287,291
Total revenue	773,400	914,375	993,536

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2022 [note 5]	Actual 2022	Actual 2021
Advertising and promotion	305,000	307,593	325,194
Salaries	271,500	327,545	265,829
Professional and consulting fees	62,000	125,603	87,826
Maintenance	96,000	94,716	117,068
Rent	50,000	51,429	50,030
Office	88,900	190,864	49,232
Tangible capital asset write-down	-	-	5,000
Insurance	8,000	5,478	6,541
Depreciation	-	3,723	5,017
Audit fees	2,000	4,282	4,067
Provision for unforeseen	40,000	-	-
Total expenses	923,400	1,111,233	915,804
Annual (deficit) surplus	(150,000)	(196,858)	77,732
Accumulated surplus, beginning of year	306,995	306,995	229,263
Accumulated surplus, end of year	\$156,995	\$110,137	\$306,995

See accompanying notes

THE BANK STREET 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 [note 5]	Actual 2022	Actual 2021
Annual (deficit) surplus	(\$150,000)	(\$196,858)	\$77,732
Acquisition of tangible capital assets	-	(22,387)	(4,969)
Disposal of tangible capital assets	-	-	1,328
Depreciation of tangible capital assets	-	3,723	5,017
Tangible capital asset write-down	-	-	5,000
Gain on sale of tangible capital assets	-	-	(804)
Decrease (increase) in prepaid expenses	-	42,184	(34,395)
(Decrease) increase in net financial assets	(150,000)	(173,338)	48,909
Net financial assets, beginning of year	246,976	246,976	198,067
Net financial assets, end of year	\$96,976	\$73,638	\$246,976

See accompanying notes

THE BANK STREET 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 (deficit) surplus	(\$196,858)	\$77,732
Add items not affecting cash		
Depreciation	3,723	5,017
Tangible capital asset write-down	-	5,000
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	62,564	(87,441)
Decrease (increase) in prepaid expenses	42,184	(34,395)
(Decrease) increase in accounts payable and accrued liabilities	(87,771)	47,907
Cash (used in) provided by operating activities	(176,158)	13,820

Table 8 - Statement of Cash Flows - Capital Activities

Capital activities	2022	2021
Disposal of tangible capital assets	-	1,328
Gain on sale of tangible capital assets	-	(804)
Acquisition of tangible capital assets	(22,387)	(4,969)
Cash used in capital activities	(22,387)	(4,445)

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

Change in cash and cash equivalents	2022	2021
Net (decrease) increase in cash during the year	(198,545)	9,375
Cash and cash equivalents, beginning of year	285,960	276,585
Cash and cash equivalents, end of year	\$87,415	\$285,960

Table 10 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2022	2021
Cash and cash equivalents	\$113,295	\$40,043
Cash (due to) on deposit with the Corporation of the City of Ottawa	(25,880)	245,917
	\$87,415	\$285,960

See accompanying notes

THE BANK STREET 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 Bank Street 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 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 ten 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, cash due to the Corporation of the City of Ottawa 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 payments in lieu of taxation on behalf of the BIA. Tax revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and when 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 \$3,147, 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 incurred expenses with the City of Ottawa of \$3,017 [2021 – \$10,035] and recognized grant revenue from the City of Ottawa of \$97,550 [2021 – \$51,000] within sundry revenue on the statement of operations.

As at December 31, 2022, \$597 [2021 – \$140] is included in accounts payable and accrued liabilities that is due to related parties.

3. TAX REVENUE

Tax revenue comprises the following:

Table 11 - Tax Revenue Breakdown

	2022	2021
	\$	\$
General tax levy	686,887	675,607
Supplementary assessments	398	-
Remissions	(54,910)	(94,602)
Vacancy rebates	179	749
	632,554	581,754

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 12 - Tangible Capital Assets Breakdown

	2022	2021
	\$	\$
Equipment	32,250	29,921
Accumulated depreciation	(6,170)	(22,505)
Net book value	26,080	7,416

5. 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 \$773,400 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$150,000, which is not included in revenue for purposes of the financial statement presentation.

6. 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 – \$76,252] worth of CEWS revenue in sundry revenue.

7. SUBSEQUENT EVENTS

The BIA elected to increase its general tax levy by 15.5% to \$942,000 [2022 – \$815,400] for the 2023 fiscal year.