

Financial Statements

The Centretown Business Improvement Area

(formerly The Bank Street Improvement Area)

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Management and Members of The Centretown Business Improvement Area

Opinions, including Qualified Opinion on the Results of Operations, Changes in Net Financial Assets and Cash Flows

We have audited the financial statements of The Centretown Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

Unmodified Opinion on Financial Position

In our opinion, the accompanying statement of financial position presents fairly, in all material respects, the financial position of the Entity as at December 31, 2023, in accordance with Canadian public sector accounting standards.

Qualified Opinion on Results of Operations, Changes in Net Financial Assets and Cash Flows

In our opinion, except for the possible effects on the comparative information of the matter described in the "***Basis for Qualified Opinions, including Basis for Qualified Opinion on the Results of Operations and Cash Flows***" section of our auditor's report, the accompanying statement of operations, statement of changes in net financial assets and statement of cash flows present fairly, in all material respects, the results of operations, changes in net financial assets and cash flows for the year ended December 31, 2023 in accordance with Canadian public sector accounting standards.



Basis for Qualified Opinions, including Basis for Qualified Opinion on the Results of Operations and Cash Flows

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 was recognized as revenue in each respective year. The predecessor auditor was not able to obtain sufficient appropriate audit evidence about the BIA’s eligibility for the CEWS program in order to recognize the amount in revenue in the years ended December 31, 2020 or December 31, 2021. As a result, the predecessor auditor was 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 the annual surplus(deficit) for the year ended December 31, 2022. The predecessor auditor’s audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

As a result, our opinion on the results of operations, changes in net financial assets and cash flows for the year ended December 31, 2023 is also qualified because of the possible effects of this matter on the comparability of the current period’s figures to the comparative information.

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 auditor’s report.

We are independent of the Entity 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 unmodified opinion on the financial position and our qualified opinion on the results of operations, changes in net financial assets and cash flows.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed a qualified opinion on those financial statements on October 20, 2023, due to the matter described in the “***Basis for Qualified Opinions, including Basis for Qualified Opinion on the Results of Operations and Cash Flows***” section.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

October 1, 2024

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2023, with comparative information for 2022

Financial assets	2023	2022
Cash and cash equivalents	\$33	\$113,295
Accounts receivable	16,587	41,097
Total financial assets	16,620	154,392
Liabilities		
Cash due to the Corporation of the City of Ottawa	199,151	25,880
Accounts payable and accrued liabilities <i>[note 2]</i>	150,900	54,874
Total liabilities	350,051	80,754
Net financial (liabilities) assets	(333,431)	73,638
Non-financial assets		
Prepaid expenses	6,868	10,419
Tangible capital assets <i>[note 4]</i>	21,233	26,080
Total non-financial assets	28,101	36,499
Accumulated (deficit) surplus	(\$305,330)	\$110,137

See accompanying notes

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the year ended December 31, 2023, with comparative information for 2022

Revenue	Budget 2023 [note 5]	Actual 2023	Actual 2022
Tax revenue [note 3]	\$727,000	\$776,717	\$632,554
Payments in lieu of taxation	150,000	154,106	128,514
Other revenue	163,500	137,979	153,307
Subtotal	1,040,500	1,068,802	914,375
CEWS repayment [note 7]	–	(104,241)	–
Total revenue	1,040,500	964,561	914,375
Expenses			
Salaries	308,800	425,737	327,545
Office	97,000	343,774	190,864
Advertising and promotion [note 2]	454,130	300,366	307,593
Professional and consulting fees	96,000	125,962	125,603
Maintenance	86,000	112,344	94,716
Rent	58,570	54,339	51,429
Insurance	8,000	6,937	5,478
Audit fees	2,000	5,722	4,282
Depreciation	–	3,895	3,723
Tangible capital asset write-down	–	952	–
Provision for unforeseen	15,000	–	–
Total expenses	1,125,500	1,380,028	1,111,233
Annual deficit	(85,000)	(415,467)	(196,858)
Accumulated surplus, beginning of year	306,995	110,137	306,995
Accumulated (deficit) surplus, end of year	(\$221,995)	(\$305,330)	\$110,137

See accompanying notes

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2023, with comparative information for 2022

	Actual 2023	Actual 2022
Annual deficit	(\$415,467)	(\$196,858)
Acquisition of tangible capital assets	–	(22,387)
Depreciation of tangible capital assets	3,895	3,723
Tangible capital asset write-down	952	–
Decrease in prepaid expenses	3,551	42,184
Decrease in net financial assets	(407,069)	(173,338)
Net financial assets, beginning of year	73,638	246,976
Net financial (liabilities) assets, end of year	(\$333,431)	\$73,638

See accompanying notes

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023, with comparative information for 2022

Operating transactions	2023	2022
Annual deficit	(\$415,467)	(\$196,858)
Add items not affecting cash		
Depreciation	3,895	3,723
Tangible capital asset write-down	952	–
Changes in non-cash working capital balances related to operations		
Decrease in accounts receivable	24,510	62,564
Decrease in prepaid expenses	3,551	42,184
Increase (decrease) in accounts payable and accrued liabilities	96,026	(87,771)
Cash used in operating transactions	(286,533)	(176,158)
Capital transactions		
Acquisition of tangible capital assets	–	(22,387)
Cash used in capital transactions	–	(22,387)
Change in cash and cash equivalents		
Net (decrease) in cash during the year	(286,533)	(198,545)
Cash and cash equivalents, beginning of year	87,415	285,960
Cash and cash equivalents, end of year	(\$199,118)	\$87,415
Cash and cash equivalents consist of		
Cash and cash equivalents	\$33	\$113,295
Cash due to the Corporation of the City of Ottawa	(199,151)	(25,880)
	(\$199,118)	\$87,415

See accompanying notes

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Centretown Business Improvement Area [the “BIA”] are the responsibility of management prepared in accordance with Canadian public sector accounting standards. In the year, the BIA changed its name from The Bank Street Business Improvement Area.

Use of estimates

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. Where and when required, estimates are used in areas such as the useful life of tangible capital assets, depreciation, and other revenues. These estimates and assumptions are based on the BIA’s best information and judgement and actual amounts may differ significantly from these estimates.

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.

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 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, other pricing, market, liquidity 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. LEGAL NAME CHANGE

With effect from December 6, 2023, the name of the BIA was changed from Bank Street to Centretown.

3. RELATED PARTY TRANSACTIONS

The BIA purchases certain services from companies controlled by the City of Ottawa, as well as from members of the BIA's Board of Directors and company executives, in the normal course of business at the exchange amount, which is the amount agreed to by both parties. During the year, the BIA incurred expenses of \$6,049 [2022 - \$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, 2023, the BIA incurred expenses with the City of Ottawa of \$778 [2022 - \$3,017] and recognized grant revenue from the City of Ottawa of \$20,500 [2022 - \$97,550] within Other Revenue on the Statement of Operations. As at December 31, 2023, \$273 [2022 - \$597] is included in accounts payable and accrued liabilities that is due to related parties.

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

4. TAX REVENUE

Tax revenue comprises the following:

	2023	2022
	\$	\$
General tax levy	786,954	686,887
Supplementary assessments	1,064	398
Remissions	(11,301)	(54,910)
Vacancy rebates	-	179
Tax revenue	776,717	632,554

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	2023	2022
	\$	\$
Equipment	27,356	32,250
Accumulated depreciation	(6,123)	(6,170)
Net book value	21,233	26,080

6. BUDGET AMOUNTS

Budget data presented in these financial statements is based upon the 2023 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 \$1,040,500 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$85,000, which is not included in revenue for purposes of the financial statement presentation.

THE CENTRETOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

7. CEWS Repayment

In the years ended December 31, 2020 and December 31, 2021, the BIA applied for the Canada Emergency Wage Subsidy (CEWS) and was approved and received a total of \$88,454 in CEWS funding, which was recorded as other revenue in the year received.

In 2023, the Canada Revenue Agency (CRA) assessed that Business Improvement Areas are non-qualifying entities as per ITA 125.7 and determined they were not eligible to receive CEWS. As a result, the BIA recorded a CEWS repayment of \$104,241 including \$15,787 of accrued interest payable. Subsequent to year-end, a payment of \$88,454 was made to the CRA, as the BIA expects that the interest portion is waived.