

Financial Statements

The Byward Market Business Improvement Area

September 30, 2023



KPMG LLP

150 Elgin Street, Suite 1800
Ottawa, ON K2P 2P8
Canada
Telephone 613 212 5764
Fax 613 212 2896

INDEPENDENT AUDITOR'S REPORT

To the Board of Management and Members of The Byward Market 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 Byward Market Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at September 30, 2023
- the statement of operations for the period then ended
- the statement of changes in net financial assets for the period then ended
- the statement of cash flows for the period 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 September 30, 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, Changes in Net Financial Assets 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 period ended September 30, 2023 in accordance with Canadian public sector accounting standards.



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

During the years ended December 31, 2020 and December 31, 2021, the Entity applied for and received \$10,200 and \$14,432, 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 Entity'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 period ended September 30, 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, Changes in Net Financial Assets 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.



Page 4

- 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 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

September 24, 2024

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at September 30, 2023, with comparative information for December 31, 2022

Financial assets	2023	2022
Cash	\$-	\$1,500
Cash on deposit with the Corporation of the City of Ottawa	13,420	258,242
Accounts receivable	16,095	110,297
Total financial assets	29,515	370,039
Liabilities		
Accounts payable and accrued liabilities <i>[note 3]</i>	29,415	65,015
Total liabilities	29,415	65,015
Net financial assets	\$100	\$305,024
Non-financial assets		
Prepaid expenses	-	13,069
Total non-financial assets	-	13,069
Accumulated surplus	\$100	\$318,093

See accompanying notes

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the period from January 1, 2023 to September 30, 2023, with comparative information for January 1, 2022 to December 31, 2022

Revenue	Budget 2023 [note 5]	Actual 2023	Actual 2022
Tax revenue [note 4]	\$—	(\$3,303)	\$530,530
Other revenue	50,000	69,342	256,860
Payments in lieu of taxation	—	283	26,994
Subtotal	50,000	66,322	814,384
CEWS repayment [note 6]	—	(24,632)	—
Total revenue	50,000	41,690	814,384
Expenses			
Professional and consulting fees	103,400	98,579	66,803
Advertising and promotion	107,000	81,355	289,027
Salaries	68,825	65,064	305,073
Office and administration	23,000	50,922	64,040
Rent	30,000	27,158	43,118
Maintenance	17,312	24,002	25,972
Audit fees	3,000	7,882	3,946
Insurance	3,000	4,290	4,572
Furniture and equipment	1,000	431	300
Total expenses	356,537	359,683	802,851
Annual (deficit) surplus	(306,537)	(317,993)	11,533
Accumulated surplus, beginning of period	318,093	318,093	306,560
Accumulated surplus, end of period	\$11,556	\$100	\$318,093

See accompanying notes

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the period from January 1, 2023 to September 30, 2023, with comparative information for January 1, 2022 to December 31, 2022

	Actual 2023	Actual 2022
Annual (deficit) surplus	(\$317,993)	\$11,533
Decrease (increase) in prepaid expenses	13,069	(7,745)
(Decrease) increase in net financial assets	(304,924)	3,788
Net financial assets, beginning of period	305,024	301,236
Net financial assets, end of period	\$100	\$305,024

See accompanying notes

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the period from January 1, 2023 to September 30, 2023, with comparative information for January 1, 2022 to December 31, 2022

Operating transactions	2023	2022
Annual (deficit) surplus	(\$317,993)	\$11,533
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	94,202	(91,211)
Decrease (increase) in prepaid expenses	13,069	(7,745)
Decrease in accounts payable and accrued liabilities	(35,600)	(97,597)
Cash used in operating transactions	(246,322)	(185,020)
Change in cash and cash equivalents		
Net decrease in cash and cash equivalents during the Period	(246,322)	(185,020)
Cash and cash equivalents, beginning of period	259,742	444,762
Cash and cash equivalents, end of period	\$13,420	\$259,742
Cash and cash equivalents consist of		
Cash and cash equivalents	\$-	\$1,500
Cash on deposit with the Corporation of the City of Ottawa	13,420	258,242
	\$13,420	\$259,742

See accompanying notes

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the period from January 1, 2023 to September 30, 2023, with comparative information for January 1, 2022 to December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Byward Market Business Improvement Area [the "BIA"] are the responsibility of management prepared in accordance with Canadian public sector accounting standards.

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 periods 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.

Financial instruments

The financial instruments of the BIA consist of 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 risk arising from these financial instruments.

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the period from January 1, 2023 to September 30, 2023, with comparative information for January 1, 2022 to December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2. DISSOLUTION OF OPERATIONS

The BIA ceased business operations effective September 30, 2023 to facilitate the transition to the new district model, now operating as the Byward Market District Authority. The formal approval for dissolution of the BIA was voted on and passed by City Council on June 14, 2023. As a result, the financial statements have been prepared for the period from January 1, 2023, to September 30, 2023

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 period, the BIA incurred expenses of \$605 (2022 - \$5,205), 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 period ended September 30, 2023, the BIA recognized grant revenue from the City of Ottawa of \$24,002 [2022 - \$48,832] within other revenue on the Statement of Operations. As at September 30, 2023, nil [2022 – \$335] is included in accounts payable and accrued liabilities that is due to related parties.

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the period from January 1, 2023 to September 30, 2023, with comparative information for January 1, 2022 to December 31, 2022

4. TAX REVENUE

Tax revenue comprises the following:

	2023	2022
	\$	\$
General tax levy	–	549,506
Supplementary assessments	622	862
Vacancy Rebate	–	18
Remissions	(3,925)	(19,856)
	<u>(3,303)</u>	<u>530,530</u>

Due to the decision to discontinue operations, the BIA did not collect tax levies in 2023. However, there were ongoing adjustments related to reassessments or appeals from prior years, resulting in a negative balance of \$3,303 in tax revenue for the period from January 1, 2023, to September 30, 2023.

5. 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 statement of operations, which is prepared in accordance with Canadian public sector accounting standards. The total approved revenue budget of \$50,000 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$306,537, which is not included in revenue for purposes of the financial statement presentation.

THE BYWARD MARKET BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

For the period from January 1, 2023 to September 30, 2023, with comparative information for January 1, 2022 to December 31, 2022

6. 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 \$24,632 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 as such, were not eligible to receive CEWS funding. As a result, the BIA recorded a CEWS repayment and an account payable of \$24,632 for the CEWS funding received in prior years. This amount was paid subsequent to period-end.