

Financial Statements

The Somerset Street Chinatown Business Improvement Area

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Management and Members of The Somerset Street Chinatown 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 Somerset Street Chinatown 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 Entity 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 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 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.



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 18, 2024

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

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

Financial assets	2023	2022
Cash on deposit with the Corporation of the City of Ottawa	\$34,459	\$14,355
Investments <i>[note 3]</i>	482,242	528,568
Accounts receivable <i>[note 2]</i>	3,522	81,290
Total financial assets	520,223	624,213
Liabilities		
Accounts payable and accrued liabilities <i>[note 2]</i>	42,300	59,149
Deferred revenue <i>[note 4]</i>	–	10,924
Total liabilities	42,300	70,073
Net financial assets	477,923	554,140
Non-financial assets		
Prepaid expenses	2,103	2,122
Tangible capital assets <i>[note 6]</i>	171,290	73,153
Total non-financial assets	173,393	75,275
Accumulated surplus <i>[note 7]</i>	\$651,316	\$629,415

See accompanying notes

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

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

Revenue	Budget 2023	Actual 2023	Actual 2022
	<i>[note 8]</i>		
Tax revenue <i>[note 5]</i>	\$141,340	\$143,077	\$106,124
Other revenue	70,000	215,488	322,822
Payments in lieu of taxation	–	2,324	1,633
Investment income	–	23,762	6,581
Subtotal	211,340	384,651	437,160
CEWS Repayment <i>[note 9]</i>		(29,556)	–
Total revenue	211,340	355,095	437,160
Expenses			
Advertising and promotion	120,000	75,632	87,486
Maintenance	10,000	71,478	56,731
Salaries	54,500	71,956	125,942
Office	13,700	50,701	23,506
Professional and consulting	6,000	33,342	35,083
Depreciation	–	18,565	8,464
Audit fees	2,500	5,963	4,236
Insurance	3,500	3,024	2,742
Interest and bank charges	–	1,372	–
Rent	1,140	1,160	47,129
Total expenses	211,340	333,193	391,319
Annual surplus	–	21,901	45,841
Accumulated surplus, beginning of year	629,415	629,415	583,574
Accumulated surplus, end of year <i>[note 7]</i>	\$629,415	\$651,316	\$629,415

See accompanying notes

THE SOMERSET STREET CHINATOWN 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 surplus	\$21,901	\$45,841
Decrease (increase) in prepaid expenses	19	(992)
Acquisition of tangible capital assets	(116,702)	(47,264)
Depreciation of tangible capital assets	18,565	8,464
(Decrease) increase in net financial assets	(76,217)	6,049
Net financial assets, beginning of year	554,140	548,091
Net financial assets, end of year	\$477,923	\$554,140

See accompanying notes

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

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

Operating transactions	2023	2022
Annual surplus	\$21,901	\$45,841
Add item not affecting cash		
Depreciation	18,565	8,464
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	77,768	(51,591)
Decrease (increase) in prepaid expenses	19	(992)
(Decrease) increase in accounts payable and accrued liabilities	(16,849)	43,695
Decrease in deferred revenue	(10,924)	(662)
Cash provided by operating transactions	90,480	44,755
Capital transactions		
Acquisition of tangible capital assets	(116,702)	(47,264)
Cash used in capital transactions	(116,702)	(47,264)
Investing transactions		
Purchase of investments	(482,242)	(528,568)
Maturities of investments	528,568	525,727
Cash (used in) provided by investing transactions	46,326	(2,841)
Change in cash and cash equivalents		
Net increase(decrease) in cash and cash equivalents during the year	20,104	(5,350)
Cash and cash equivalents, beginning of year	14,355	19,705
Cash and cash equivalents, end of year	\$34,459	\$14,355
Cash and cash equivalents consist of		
Cash on deposit with the Corporation of the City of Ottawa	34,459	14,355
	\$34,459	\$14,355

See accompanying notes

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

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 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 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.

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

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, 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 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 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 \$7,876 [2022 - \$208], which it paid to related parties in return for goods and services.

Included in amounts paid to related parties for goods and services is \$7,771 [2022 – \$nil] paid to Hydro Ottawa for additional electricity supply locations within the BIA for decoration purposes. These transactions occurred at exchange amounts.

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 recognized grant revenue from the City of Ottawa of \$11,099 [2022 – \$21,257] within other revenue on the Statement of Operations.

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

3. INVESTMENTS

Investment income is recorded as revenue in the period in which it is earned. Investments consist of guaranteed investments certificate maturing from October 2024 to November 2025, and earning interest at rates ranging from 4.75% to 5.90% [2022 – 3.25% to 4.55%] per annum.

4. DEFERRED REVENUE

Deferred revenue consists of funding received that is restricted for a specified purpose. As at December 31, 2023, there remains \$nil [2022 – \$10,924] of deferred revenue for the maintenance of the Chinatown Gateway.

5. TAX REVENUE

Tax revenue comprises the following:

	2023	2022
	\$	\$
General tax levy	142,335	106,208
Supplementary assessments	742	683
Remissions	-	(767)
	143,077	106,124

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	2023	2022
	\$	\$
Equipment	215,659	98,957
Accumulated depreciation	(44,369)	(25,804)
Net book value	171,290	73,153

THE SOMERSET STREET CHINATOWN BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

7. ACCUMULATED SURPLUS

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

8. 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 may differ 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.

9. 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 \$29,556 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 \$29,556 for the CEWS funding received in prior years. This amount was paid subsequent to year-end.