

Financial Statements

The Kanata North Business Improvement Area

And Independent Auditor's Report thereon

December 31, 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 Kanata North Business Improvement Area

Opinion

We have audited the financial statements of The Kanata North 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 liabilities 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").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations, its changes in net financial liabilities and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 opinion.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 23, 2023.



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.

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'.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

October 9, 2024

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

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

Financial assets	2023	2022
Cash	\$16,812	\$53,496
Accounts receivable	604,209	655,294
Total financial assets	621,021	708,790
Liabilities		
Cash due to the Corporation of the City of Ottawa	1,316,277	1,379,312
Accounts payable and accrued liabilities	50,664	23,313
Deferred revenue	275,178	342,545
Total liabilities	1,642,119	1,745,170
Net financial liabilities	(1,021,098)	(1,036,380)
Non-financial assets		
Tangible capital assets <i>[note 4]</i>	857,298	1,084,452
Prepaid expenses	50,885	33,816
Total non-financial assets	908,183	1,118,268
Accumulated (deficit) surplus	(\$112,915)	\$81,888

Contractual obligation *[note 5]*

See accompanying notes

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

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

Revenue	Budget 2023 (note 8)	Actual 2023	Actual 2022
Tax revenue <i>[note 3]</i>	\$440,500	\$445,203	\$431,446
Other revenue	2,045,338	1,486,218	1,370,875
Contributed services <i>[note 7]</i>	–	106,126	108,295
Payments in lieu of taxation	–	2,509	2,393
Total revenue	2,485,838	2,040,056	1,913,009
Expenses			
Advertising and promotion <i>[note 7]</i>	285,600	715,771	574,188
Salaries	593,000	531,748	521,204
Professional and consulting fees	913,738	331,517	347,845
Depreciation	407,906	238,591	170,552
Office <i>[note 7]</i>	79,500	183,717	210,755
Rent	204,094	199,906	188,247
Tangible capital assets write-down	–	22,549	–
Audit fees	–	6,814	15,900
Insurance	2,000	4,246	3,428
Total expenses	2,485,838	2,234,859	2,032,119
Annual deficit	–	(194,803)	(119,110)
Accumulated surplus, beginning of year	81,888	81,888	200,998
Accumulated (deficit) surplus, end of year	\$81,888	(\$112,915)	\$81,888

See accompanying notes

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

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

	Actual 2023	Actual 2022
Annual deficit	(\$194,803)	(\$119,110)
Acquisition of tangible capital assets	(33,986)	(438,864)
Tangible capital assets write-down	22,549	–
Depreciation of tangible capital assets	238,591	170,552
Increase in prepaid expenses	(17,069)	(17,387)
Increase in net financial liabilities	15,282	(404,809)
 Net financial liabilities, beginning of year	 (1,036,380)	 (631,571)
Net financial liabilities, end of year	(\$1,021,098)	(\$1,036,380)

See accompanying notes

THE KANATA NORTH 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	(\$194,803)	(\$119,110)
Add item not affecting cash		
Depreciation	238,591	170,552
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	51,085	(318,720)
Increase (decrease) in prepaid expenses	(17,069)	(17,387)
Decrease in deferred revenue	(67,367)	(90,072)
Increase (decrease) in accounts payable and accrued liabilities	27,351	(588,661)
Cash provided by (used in) operating transactions	37,788	(963,398)
Capital transactions		
Acquisition of tangible capital assets	(33,986)	(438,864)
Tangible capital assets write-down	22,549	–
Cash used in capital transactions	(11,437)	(438,864)
Change in cash and cash equivalents		
Net increase (decrease) in cash and cash equivalents during the year	26,351	(1,402,262)
Cash and cash equivalents, beginning of year	(1,325,816)	76,446
Cash and cash equivalents, end of year	(\$1,299,465)	(\$1,325,816)
Cash and cash equivalents consist of	2023	2022
Cash	\$16,812	\$53,496
Cash due to the Corporation of the City of Ottawa	(1,316,277)	(1,379,312)
	(\$1,299,465)	(\$1,325,816)

See accompanying notes

THE KANATA NORTH 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 Kanata North 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 revenues as they become 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 assets, less residual value, are depreciated on a straight-line basis over their estimated useful life, which ranges from five to fifteen years. When a new tangible asset is acquired, depreciation is recorded from when the asset is put into use.

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The financial instruments of the BIA consist of cash, , accounts receivable, cash due to the Corporation of the City of Ottawa, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the BIA is not exposed to significant interest, 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 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.

Contributed services

Contributed services consist of in-kind contributions to the BIA. These transactions are recognized at the fair value of the services provided and in the period in which the services were incurred.

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 \$212,658 [2022 - \$379,058] which it paid to related parties in return for goods and services. The BIA also recognized \$64,189 [2022 - \$218,333] in revenues from related parties, which was received in return for provided goods and services.

Included in amounts paid to related parties for goods and services is \$212,305 [2022 - \$313,769] paid to KRP Properties for leasehold improvements to their office space and the leasing contract for the office space. These transactions occurred at exchange amounts.

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. RELATED PARTY TRANSACTIONS (CONTINUED)

The BIA is also 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 \$14,986 [2022 - \$5,826] within other revenue on the statement of operations.

3. TAX REVENUE

Tax revenue comprises the following:

	2023	2022
	\$	\$
General tax levy	445,203	448,106
Remissions	-	(16,721)
Vacancy rebates	-	61
	445,203	431,446

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	2023	2022
	\$	\$
Leasehold improvements	766,531	766,531
Equipment	577,596	543,609
Accumulated depreciation	(464,280)	(225,688)
Tangible capital assets write-down	(22,549)	-
Net book value	857,298	1,084,452

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. CONTRACTUAL OBLIGATION

In 2020, the BIA entered into a new lease agreement, which expires on May 31, 2026. The annual base rent commitment as at December 31, 2022 consists of the following:

2024	2025	2026
\$122,185	\$122,185	\$50,910

6. HUB350 EXPANSION

In January 2021, the BIA confirmed its intention to proceed with the development of a technology centre, located at 350 Legget Drive in Kanata, with the goal of promoting regional economic development for the many technology companies located within the boundaries of the BIA. The new centre will bring together partners from the financial, academic and technology sectors in order to create synergies to help enhance innovation and collaboration. In 2023, the BIA incurred \$33,986 [2022 - \$438,864] towards the facility. The BIA has received confirmation of a provincial grant that will provide \$1,372,992 over the three-year period ending December 31, 2023, and the BIA has signed agreements with corporate sponsors that will provide \$2,137,797 as well as membership and other revenues over that same three-year period.

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. CONTRIBUTED SERVICES

The BIA entered into a three-year contract with Telus on May 31, 2021 to receive in-kind service contributions to help support the Hub350 project. In 2023, Telus provided the BIA with \$75,540 [2022 - \$75,540] worth of telecommunications services. This amount has been recognized as revenue in the financial statements under the contributed services line, and a corresponding expense has been included in the office expenses line.

The BIA also entered into a three-year contract with the Ottawa Senators on July 1, 2023 that includes in-kind contributions to help support Executive Community Sponsorship efforts. In 2023, the Ottawa Senators provided the BIA with \$12,586 [2022 - \$nil] worth of services in support of the event. This amount has been recognized as revenue in the financial statements under the contributed services line, and a corresponding expense has been included in the office expenses line.

The BIA also entered into a five-year contract with Ross Video on March 23, 2022 that includes in-kind contributions to help support the Hub350 project. In 2023, Ross Video provided the BIA with \$18,000 [2022 - \$32,755] worth of services in support of the event. This amount has been recognized as revenue in the financial statements under the contributed services line, and a corresponding expense has been included in the office expenses line.

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.