

Financial statements

**The Somerset Street Chinatown Business
Improvement Area**

December 31, 2016



Building a better
working world

Independent auditors' report

To the Board of Directors of the
Somerset Street Chinatown Business Improvement Area

We have audited the accompanying financial statements of the **Somerset Street Chinatown Business Improvement Area**, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and accumulated surplus, changes in net financial assets, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Somerset Street Chinatown Business Improvement Area** as at December 31, 2016, and the results of its operations, changes in net financial position, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Ottawa, Canada
June 21, 2017

Chartered Professional Accountants
Licensed Public Accountants



The Somerset Street Chinatown Business Improvement Area

Statement of financial position

As at December 31

	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents <i>[note 3]</i>	163,706	39,961
Investments	382,794	464,189
Accounts receivable	13,623	15,740
Total financial assets	560,123	519,890
Liabilities		
Accounts payable and accrued liabilities	3,978	6,750
Deferred revenue <i>[note 4]</i>	46,150	46,150
Total liabilities	50,128	52,900
Net financial assets	509,995	466,990
Non-financial assets		
Prepaid expenses	2,901	2,833
Accumulated surplus	512,896	469,823

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Statement of operations and accumulated surplus

Year ended December 31

	Budget 2016 \$	Actual 2016 \$	Actual 2015 \$
Revenue			
Tax levies	164,900	167,324	170,634
Sundry	10,000	41,280	46,835
Investment income	—	3,588	7,163
	174,900	212,192	224,632
Expenses			
Advertising, promotions and street cleaning	58,100	55,509	79,311
Professional and consulting fees	32,000	32,054	31,954
Salaries and wages	33,700	33,715	33,715
General and administrative	11,300	9,906	12,447
Rent	9,000	7,937	7,937
Maintenance [including graffiti removal]	11,000	10,533	10,533
Audit fees	3,000	3,053	2,951
Insurance	3,800	3,641	3,544
Decoration installation	13,000	12,624	12,470
Bank charges	—	147	280
	174,900	169,119	195,142
Annual surplus	—	43,073	29,490
Accumulated surplus, beginning of year	469,823	469,823	440,333
Accumulated surplus, end of year	469,823	512,896	469,823

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Statement of changes in net financial assets

Year ended December 31

	Budget 2016	Actual 2016	Actual 2015
	\$	\$	\$
Annual surplus	—	43,073	29,490
Decrease (increase) in prepaid expenses	—	(68)	4,548
Decrease in net financial assets	—	43,005	34,038
Net financial assets, beginning of year	466,990	466,990	432,952
Net financial assets, end of year	466,990	509,995	466,990

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Statement of cash flows

Year ended December 31

	2016	2015
	\$	\$
Operating activities		
Annual surplus	43,073	29,490
Deduct non-cash items		
Accrued interest	(3,335)	(6,609)
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	2,117	(2,091)
Decrease (increase) in prepaid expenses	(68)	4,548
Increase (decrease) in accounts payable and accrued liabilities	(2,772)	2,343
Cash provided by operating activities	39,015	27,681
Investing activities		
Purchase of investments	(260,000)	(141,129)
Maturities of investments	344,730	21,115
Cash provided by (used in) investing activities	84,730	(120,014)
Net increase (decrease) in cash and cash equivalents during the year	123,745	(92,333)
Cash and cash equivalents, beginning of year	39,961	132,294
Cash and cash equivalents, end of year	163,706	39,961

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Notes to financial statements

December 31, 2016

1. Basis of presentation and summary of significant accounting policies

Basis of presentation

The financial statements of the Somerset Street Chinatown Business Improvement Area [the "BIA"] have been prepared by management in accordance with generally accepted accounting principles for the public sector as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since 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 assumptions. These estimates and assumptions 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.

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.

Tax revenue

Annually, the City of Ottawa bills and collects tax levies as well as payment 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 tax revenue also includes adjustments related to reassessments or appeals related to prior years.

Financial instruments

The financial instruments of the BIA consist of cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities. The investments consist of guaranteed investment certificates that are recorded at cost plus accrued interest. Unless otherwise noted, it is management's opinion that the BIA is not exposed to significant interest, liquidity, market, currency, or credit risks arising from these financial instruments.

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 commercial rates. In addition, the BIA is related to all entities under control of the City of Ottawa. As at December 31, 2016, \$181 [2015 – \$97] is included in accounts payable and accrued liabilities due to related parties and, during the year, the BIA received grant funds from the City of Ottawa in the amount of \$35,874 [2015 – \$44,000]. These funds are recognized in revenue in accordance with the accounting policies disclosed in note 1.

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Notes to financial statements

December 31, 2016

3. Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with maturities of less than 90 days.

4. Deferred revenue

Deferred revenue consists of funding received from the City of Ottawa that is restricted for the specified purpose of maintenance of the Chinatown Gateway. As at December 31, 2016, there remains \$46,150 [2015 – \$46,150] of deferred revenue on the statement of financial position that has not yet met the eligibility criteria for recognition.

5. Comparative financial statements

Certain comparative figures for 2015 have been reclassified to conform to the presentation adopted in the current year.

