

Financial Statements

The Rideau Business Improvement Area

December 31, 2018

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Rideau Business Improvement Area

Opinion

We have audited the financial statements of **The Rideau Business Improvement Area** [the "BIA"], which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2018, and its financial performance 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 report. We are independent of the BIA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

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

Those charged with governance are responsible for overseeing the BIA'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 these 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 BIA's internal control.
- 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 BIA'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 BIA 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.

We 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.

Ottawa, Canada
July 23, 2019

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

THE RIDEAU BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018, with comparative information for 2017

Table 1 - Statement of Financial Position - Financial Assets

Financial assets	2018	2017
Cash on deposit with the Corporation of the City of Ottawa	\$366,782	\$222,254
Accounts receivable <i>[note 2]</i>	705	-
Total financial assets	367,487	222,254

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2018	2017
Accounts payable and accrued liabilities <i>[note 2]</i>	105,402	45,850
Total liabilities	105,402	45,850
Net financial assets	262,085	176,404

Table 3 - Statement of Financial Position - Non-Financial Assets and Accumulated Surplus

Non-financial assets	2018	2017
Prepaid expenses	26,626	1,441
Tangible capital assets <i>[note 3]</i>	235,812	282,439
Total non-financial assets	262,438	283,880
Accumulated surplus	\$524,523	\$460,284

See accompanying notes

THE RIDEAU BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the year ended December 31, 2018, with comparative information for 2017

Table 4 - Statement of Operations - Revenue

Revenue	Budget 2018 [note 5]	Actual 2018	Actual 2017 [note 6]
Tax revenue [note 4]	\$850,820	\$888,700	\$776,304
Sundry	108,788	41,320	44,862
Payments in lieu of taxation	9,000	10,281	14,600
Interest earned on reserves [schedule 2]	1,000	1,140	1,200
Total revenue	969,608	941,441	836,966

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2018 [note 5]	Actual 2018	Actual 2017 [note 6]
Salary	267,000	302,394	303,755
Advertising and promotion	372,050	230,655	191,430
Office	59,450	110,914	83,759
Ground services	287,800	106,335	109,250
Rent	55,414	48,529	48,862
Security services	46,000	2,873	3,886
Furniture and equipment	12,600	16,969	27,590
Depreciation	10,000	46,627	17,416
Insurance	5,700	9,000	5,348
Audit fees	1,700	2,906	1,640
Total expenses	1,117,714	877,202	792,936
Annual surplus (deficit)	(148,106)	64,239	44,030
Accumulated surplus, beginning of year	460,284	460,284	416,254
Accumulated surplus, end of year	\$312,178	\$524,523	\$460,284

See accompanying notes

THE RIDEAU BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2018, with comparative information for 2017

Table 6 - Statement of Changes in Net Financial Assets

	Budget 2018 [note 5]	Actual 2018	Actual 2017
Annual surplus (deficit)	\$(148,106)	\$64,239	\$44,030
(Increase) decrease in prepaid expenses	-	(25,185)	5,597
Depreciation of tangible capital assets	-	46,627	17,416
Increase (decrease) in net financial assets	(148,106)	85,681	67,043
Net financial assets, beginning of year	176,404	176,404	109,361
Net financial assets, end of year	\$28,298	\$262,085	\$176,404

See accompanying notes

THE RIDEAU BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018, with comparative information for 2017

Table 7 - Statement of Cash Flows - Operating Activities

Operating activities	2018	2017
Annual surplus	\$64,239	\$44,030
Add item not affecting cash		
Depreciation	46,627	17,416
Changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	(705)	3,650
(Increase) decrease in prepaid expenses	(25,185)	5,597
Increase in accounts payable and accrued liabilities	59,552	11,372
Cash provided by operating activities	144,528	82,065

Table 8 - Statement of Cash Flows - Change in Cash and Cash Equivalents

Change in cash and cash equivalents	2018	2017
Net increase in cash and cash equivalents during the year	144,528	82,065
Cash and cash equivalents, beginning of the year	222,254	140,189
Cash and cash equivalents, end of the year	\$366,782	\$222,254

Table 9 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2018	2017
Cash on deposit with the Corporation of the City of Ottawa	\$366,782	\$222,254

See accompanying notes

THE RIDEAU BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Rideau Business Improvement Area [the "BIA"] are the representation of management prepared in accordance with accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. 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. These estimates and approximations 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 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

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 benefit to the BIA are charged to operations in the year of acquisition.

The equipment, less residual value, is depreciated over five, seven or ten years on a straight-line basis.

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 or credit risks arising from these financial instruments.

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 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.

New Accounting Standards

The Public Sector Accounting Board issued new accounting standards effective for fiscal years beginning on or after April 1, 2017.

Of these pronouncements, PS 2200 *Related Party Disclosures*, PS 3320 *Contingent Assets*, and PS 3380 *Contractual Rights* provide guidance on disclosure requirements only. The adoption of these standards did not result in additional note disclosures.

In addition to these disclosure standards, the BIA adopted PS 3420 *Inter-entity Transactions* which establishes the accounting and reporting for transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The adoption of this new standard did not result in any financial impact on the BIA's financial statements.

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, 2018, \$429 [2017 – \$3,007] is included in accounts payable and accrued liabilities due to related parties and nil [2017 – nil] is included in accounts receivable due from related parties.

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 10 - Tangible Capital Assets Breakdown

	2018 \$	2017 \$
Equipment	339,252	339,252
Accumulated depreciation	(103,440)	(56,813)
Net book value	235,812	282,439

4. TAX REVENUE

Tax revenue comprises the following:

Table 11 - Tax Revenue Breakdown

	2018 \$	2017 \$
General tax levy	896,834	760,532
Supplementary assessment	10,178	37,098
Remissions	(14,418)	(11,161)
Vacancy rebates	(3,894)	(10,165)
	888,700	776,304

5. BUDGET AMOUNTS

Budget data presented in these financial statements is based upon the 2018 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 \$969,608 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$148,106, which is not included in revenue for purposes of the financial statement presentation.

6. CHANGE IN ESTIMATED USEFUL LIFE OF TANGIBLE CAPITAL ASSETS

In 2018, the useful life of the kiosk structures and their related components was adjusted downwards, from twenty years to seven and ten years, due to new information.

7. COMPARATIVE FIGURES

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

THE RIDEAU BUSINESS IMPROVEMENT AREA

Schedule 1

Statement of Operating Fund

For the year ended December 31, 2018, with comparative information for 2017

	Budget 2018 [note 5]	Actual 2018	Actual 2017 [note 6]
Revenue			
Tax revenue [note 4]	\$850,820	\$888,700	\$776,304
Sundry	108,788	41,320	44,862
Payments in lieu of taxation	9,000	10,281	14,600
Total revenue	968,608	940,301	835,766
	Budget 2018 [note 5]	Actual 2018	Actual 2017 [note 6]
Expenses			
Salary	267,000	302,394	303,755
Advertising and promotion	372,050	230,655	191,430
Office	59,450	110,914	83,759
Ground services	287,800	106,335	109,250
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Furniture and equipment	12,600	16,969	27,590
Depreciation	10,000	46,627	17,416
Insurance	5,700	9,000	5,348
Audit fees	1,700	2,906	1,640
Total expenses	1,117,714	877,202	792,936
Excess (deficiency) of revenue over expenses	(149,106)	63,099	42,830
Financing and transfers			
Transfers from reserve fund	1,000	1,140	1,200
Total financing and transfers	1,000	1,140	1,200
Net increase (decrease) in fund balance	(148,106)	64,239	44,030
Fund balance, beginning of year	392,324	392,324	348,294
Fund balance, end of year	\$244,218	\$456,563	\$392,324

See accompanying notes

THE RIDEAU BUSINESS IMPROVEMENT AREA

Schedule 2

Statement of Reserve Fund

For the year ended December 31, 2018, with comparative information for 2017

	Budget 2018 <i>[note 5]</i>	Actual 2018	Actual 2017
Revenue			
Interest earned	\$1,000	\$1,140	\$1,200
Expenses			
Contributed to operating fund	(1,000)	(1,140)	(1,200)
Net increase in fund balance during the year	-	-	-
Fund balance, beginning of year	67,960	67,960	67,960
Fund balance, end of year	\$67,960	\$67,960	\$67,960

See accompanying notes