

Financial Statements

The Heart of Orleans Business Improvement Area

December 31, 2018

Independent auditor's report

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

Opinion

We have audited the financial statements of **The Heart of Orleans 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 24, 2019

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



THE HEART OF ORLEANS 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	\$1,000	\$1,000
Cash on deposit with the Corporation of the City of Ottawa	106,917	112,447
Accounts receivable	13,819	204
Government remittances recoverable	-	4,082
Total financial assets	121,736	117,733

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2018	2017
Accounts payable and accrued liabilities <i>[note 2]</i>	42,149	13,903
Total liabilities	42,149	13,903
Net financial assets	79,587	103,830

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

Non-financial assets	2018	2017
Prepaid expenses	1,020	795
Total non-financial assets	1,020	795
Accumulated surplus	\$80,607	\$104,625

See accompanying notes

THE HEART OF ORLEANS 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 4]	Actual 2018	Actual 2017
Tax revenue [note 3]	\$186,000	\$194,513	\$183,386
Sundry	25,000	29,151	34,904
Total revenue	211,000	223,664	218,290

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2018 [note 4]	Actual 2018	Actual 2017
Salaries	109,000	125,107	87,171
Advertising and promotion	56,300	70,548	86,678
Office	33,700	14,087	31,767
Maintenance	23,000	24,652	15,506
Professional and consulting fees	18,000	2,527	6,087
Audit fees	1,400	2,906	1,639
Insurance	4,900	3,735	3,749
Rent	4,200	4,120	4,811
Furniture and equipment	500	-	-
Total expenses	251,000	247,682	237,408
Annual deficit	(40,000)	(24,018)	(19,118)
Accumulated surplus, beginning of year	104,625	104,625	123,743
Accumulated surplus, end of year	\$64,625	\$80,607	\$104,625

See accompanying notes

THE HEART OF ORLEANS 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 4]	Actual 2018	Actual 2017
Annual deficit	\$ (40,000)	\$ (24,018)	\$ (19,118)
(Increase) decrease in prepaid expenses	-	(225)	1,273
Decrease in net financial assets	(40,000)	(24,243)	(17,845)
Net financial assets, beginning of year	103,830	103,830	121,675
Net financial assets, end of year	\$63,830	\$79,587	\$103,830

See accompanying notes

THE HEART OF ORLEANS 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 deficit	\$(24,018)	\$(19,118)
Changes in non-cash working capital balances related to operations		
Decrease in government remittance recoverable	4,082	12,661
Increase in accounts receivable	(13,615)	(204)
(Increase) decrease in prepaid expenses	(225)	1,273
Increase in accounts payable and accrued liabilities	28,246	2,096
Cash used in operating activities	(5,530)	(3,292)

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

Change in cash and cash equivalents	2018	2017
Net decrease in cash and cash equivalents during the year	(5,530)	(3,292)
Cash and cash equivalents, beginning of the year	113,447	116,739
Cash and cash equivalents, end of the year	\$107,917	\$113,447

Table 9 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consists of	2018	2017
Cash	\$1,000	\$1,000
Cash on deposit with the Corporation of the City of Ottawa	106,917	112,447
	\$107,917	\$113,447

See accompanying notes

THE HEART OF ORLEANS 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 Heart of Orleans 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 the 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.

Financial instruments

The financial instruments of the BIA consist of cash, cash on deposit with the Corporation of the City of Ottawa, accounts receivable, 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.

Tax revenue

Annually, the City of Ottawa bills and collects tax levies as well as payments in lieu of taxation on behalf of the BIA. Tax revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and when reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, \$108 [2017 - \$130] is included in accounts payable and accrued liabilities that is due to related parties.

3. TAX REVENUE

Tax revenue comprises the following:

Table 10 - Tax Revenue Breakdown

	2018	2017
	\$	\$
General tax levy	197,667	197,818
Supplementary assessments	-	2,928
Remissions	(1,044)	(11,983)
Vacancy rebates	(2,110)	(5,377)
	194,513	183,386

4. 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 \$211,000 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$40,000, which is not included in revenue for purposes of the financial statement presentation.

5. COMPARATIVE FIGURES

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