

Financial Statements

The Manotick Business Improvement Area

December 31, 2018

Independent auditor's report

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

Opinion

We have audited the financial statements of **The Manotick 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
August 7, 2019

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

THE MANOTICK 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 and cash equivalents	\$1,000	\$24,212
Accounts receivable	241	-
Total financial assets	1,241	24,212

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2018	2017
Cash due to the Corporation of the City of Ottawa	1,381	2,830
Accounts payable and accrued liabilities <i>[note 2]</i>	8,075	28,086
Total liabilities	9,456	30,916
Net debt	(8,215)	(6,704)

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

Non-financial assets	2018	2017
Prepaid expenses	923	8,747
Total non-financial assets	923	8,747
Accumulated (deficit) surplus	\$(7,292)	\$2,043

See accompanying notes

THE MANOTICK 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	Actual 2018	Actual 2017
Tax revenue <i>[note 3]</i>	\$214,760	\$206,164	\$174,733
Sundry	11,146	22,681	14,200
Payments in lieu of taxation	-	6,070	5,671
Total revenue	225,906	234,915	194,604

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2018	Actual 2018	Actual 2017
Advertising and promotion	113,210	144,070	133,874
Professional and consulting fees	82,000	61,830	59,530
Maintenance	19,546	24,077	24,712
Office and administration	6,270	9,054	11,537
Insurance	3,580	3,392	2,959
Audit fees	1,300	1,827	1,639
Rent	-	-	120
Total expenses	225,906	244,250	234,371
Annual deficit	-	(9,335)	(39,767)
Accumulated surplus, beginning of year	2,043	2,043	41,810
Accumulated (deficit) surplus, end of year	\$2,043	\$(7,292)	\$2,043

See accompanying notes

THE MANOTICK BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET DEBT

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

Table 6 - Statement of Changes in Net Debt

	Budget 2018	Actual 2018	Actual 2017
Annual deficit	\$ -	\$(9,335)	\$(39,767)
Decrease (increase) in prepaid expenses	-	7,824	(6,707)
Increase in net debt	-	(1,511)	(46,474)
Net debt, beginning of year	(6,704)	(6,704)	39,770
Net debt, end of year	\$(6,704)	\$(8,215)	\$(6,704)

See accompanying notes

THE MANOTICK 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	\$(9,335)	\$(39,767)
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable	(241)	-
Decrease (increase) in prepaid expenses	7,824	(6,707)
(Decrease) increase in accounts payable and accrued liabilities	(20,011)	9,881
Cash used in operating activities	(21,763)	(36,593)

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	(21,763)	(36,593)
Cash and cash equivalents, beginning of year	21,382	57,975
Cash and cash equivalents, end of year	\$(381)	\$21,382

Table 9 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2018	2017
Cash and cash equivalents	\$1,000	\$24,212
Cash due to the Corporation of the City of Ottawa	(1,381)	(2,830)
	\$(381)	\$21,382

See accompanying notes

THE MANOTICK 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 Manotick 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 the 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 and cash equivalents, accounts receivable, accounts payable and accrued liabilities and cash due to the Corporation of the City of Ottawa. Unless otherwise noted, it is management’s opinion that the BIA is not exposed to significant interest rate risk, currency risk or credit risk 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 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.

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 PS 3320 and PS 3380 did not result in additional note disclosures. The disclosure on PS 2200 is included in Note 2.

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 2018, the following material related party transaction occurred with a company associated with a member of the Board of Directors. The BIA entered into contracts with the Manotick Messenger to provide advertising services at a cost of \$6,473. This transaction occurred at commercial rates.

In addition, the BIA is related to all entities under control of the City of Ottawa. As at December 31, 2018, nil [2017 – nil] 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	208,700	190,839
Remissions	(2,040)	(13,051)
Vacancy rebates	(496)	(3,055)
	206,164	174,733