Financial Statements

The Vanier Business Improvement Area

December 31, 2018

Independent auditor's report

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

Opinion

We have audited the financial statements of **The Vanier 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.

Emphasis of matter

We draw attention to note 5 to the financial statements, which explains that certain comparative information for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
July 29, 2019

THE VANIER 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** *[Restated, see Note 5]*
Cash	**$600**	$600
Cash on deposit with the Corporation of the City of Ottawa	**421,625**	367,482
Accounts receivable	**1,619**	-
Total financial assets	**423,844**	368,082

Table 2 - Statement of Financial Position - Liabilities

Liabilities	**2018**	**2017** *[Restated, see Note 5]*
Accounts payable and accrued liabilities *[Note 2]*	**125,288**	55,475
Total liabilities	**125,288**	55,475
Net financial assets	**298,556**	312,607

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

Non-financial assets	**2018**	**2017** *[Restated, see Note 5]*
Prepaid expenses	**1,610**	15,102
Tangible capital assets *[Note 4]*	**2,508**	15,445
Total non-financial assets	**4,118**	30,547
Accumulated surplus	**$302,674**	$343,154

See accompanying notes

THE VANIER 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** *[Restated, see Note 5]*
Tax revenue *[Note 3]*	$383,150	**$288,870**	$449,095
Sundry	12,000	**47,618**	42,441
Payments in lieu of taxation	1,300	**1,148**	1,361
Total revenue	396,450	**337,636**	492,897

Table 5 - Statement of Operations - Expenses

Expenses	**Budget 2018**	**Actual 2018**	**Actual 2017** *[Restated, see Note 5]*
Salaries	105,200	**143,310**	126,513
Advertising	125,850	**84,290**	86,285
Maintenance	57,500	**50,411**	56,122
Rent	30,000	**26,666**	26,156
Office	35,500	**35,141**	34,837
Professional and consulting fees	32,400	**16,658**	7,774
Insurance	9,000	**6,876**	6,541
Audit fees	1,000	**1,827**	2,602
Depreciation	-	**1,672**	4,055
Loss on disposal *[Note 4]*	-	**11,265**	-
Total expenses	396,450	**378,116**	350,885
Annual (deficit) surplus *[Note 6]*	-	**(40,480)**	142,012
Accumulated surplus, beginning of year	343,154	**343,154**	201,142
Accumulated surplus, end of year	$343,154	**$302,674**	$343,154

See accompanying notes

THE VANIER 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	Actual 2018	Actual 2017 *[Restated, see Note 5]*
Annual (deficit) surplus	$ -	**$(40,480)**	$142,012
Depreciation of tangible capital assets	-	**1,672**	4,055
Loss on disposal of tangible capital asset	-	**11,265**	-
Acquisition of tangible capital assets		**-**	(5,016)
Decrease (increase) in prepaid expenses	-	**13,492**	(13,464)
(Decrease) increase in net financial assets	-	**(14,051)**	127,587
Net financial assets, beginning of year	312,607	**312,607**	185,020
Net financial assets, end of year	$312,607	**$298,556**	$312,607

See accompanying notes

THE VANIER 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** *[Restated, see Note 5]*
Annual (deficit) surplus	**$(40,480)**	$142,012
Add items not affecting cash		
Depreciation	**1,672**	4,055
Loss on disposal of tangible capital asset	**11,265**	-
Changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	**(1,619)**	76
Decrease (increase) in prepaid expenses	**13,492**	(13,464)
Increase in accounts payable and accrued liabilities	**69,813**	42,760
Cash provided by operating activities	**54,143**	175,439

Table 8 - Statement of Cash Flows - Investing

Investing activities	**2018**	**2017** *[Restated, see Note 5]*
Acquisition of tangible capital assets	**-**	(5,016)
Cash used in investing activities	**-**	(5,016)

Table 9 - 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	**54,143**	170,423
Cash and cash equivalents, beginning of the year	**368,082**	197,659
Cash and cash equivalents, end of the year	**$422,225**	$368,082

Table 10 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	**2018**	**2017**
Cash	**$600**	$600
Cash on deposit with the Corporation of the City of Ottawa	**421,625**	367,482
	$422,225	$368,082

THE VANIER 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 Vanier 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 Public 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. The equipment, less residual value, is depreciated over three or five years on a straight-line basis.In the year of acquisition, half of the normal depreciation is recorded for all tangible capital assets.

Capital expenditures that do not generate future economic benefits to the BIA are charged to operations in the year of acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The financial instruments of the BIA consist of cash, 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.

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 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 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, $235 [2017 – $230] is included in accounts payable and accrued liabilities that is due to related parties.

3. TAX REVENUE

Tax revenue comprises the following:

Table 11 - Tax Revenue Breakdown

	2018	2017
	$	$
General tax levy	**374,020**	374,247
Supplementary assessments	**4,150**	117,172
Remissions	**(78,570)**	(36,271)
Vacancy rebates	**(10,730)**	(6,053)
	288,870	449,095

4. TANGIBLE CAPITAL ASSETS

In 2018, the BIA disposed of a parklet because it was damaged beyond repair, resulting in a loss of disposal of $11,265.

Table 12 - Tangible Capital Assets Cost

Cost	**2018**	**2017** *[Restated, see Note 5]*
	$	$
Balance, beginning of year	**21,109**	16,093
Additions	**-**	5,016
Disposals	**(16,093)**	-
Balance, end of year	**5,016**	21,109

Table 13 - Tangible Capital Assets – Accumulated Armortization

Accumulated armortization	**2018**	**2017** *[Restated, see Note 5]*
	$	$
Balance, beginning of year	**5,664**	1,609
Disposals	**(4,828)**	-
Amortization expense	**1,672**	4,055
Balance, end of year	**2,508**	5,664
Net book value, end of year	**2,508**	15,445

5. CORRECTION OF PRIOR-PERIOD ERROR

The 2017 financial statements have been restated to account for prior-period corrections. Changes were made to recognize a 2018 pre-paid expense of $10,176 which was expensed in 2017, and to reclassify computers which were purchased and expensed in 2017 to a tangible capital asset. The net effect of these changes were an increase in the 2017 annual surplus of $14,356 and an increase in tangible capital assets of $4,180.

6. SUBSEQUENT EVENT

In January 2019, the City received a decision from the Municipal Property Assessment Corporation to change the class and assessment value for a commercial property located in Vanier BIA resulting in a remission of $72,535. Accounts payable and accrued liabilities as at December 31, 2018 and net revenue for the period ended December 31, 2018 include $72,535 related to this remission.