The Somerset Street Chinatown Business Improvement Area

Financial statements

December 31, 2018

Building a better working world

Independent auditor's report

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

Opinion

We have audited the accompanying financial statements of **The Somerset Street Chinatown Business Improvement Area** [the "BIA"], which comprise the statement of financial position as at December 31, 2018, and the statement of operations and accumulated surplus, the statement of changes in net financial assets, and the 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
June 24, 2019

The Somerset Street Chinatown Business Improvement Area

Statement of financial position

As at December 31

	2018	2017
	$	$
Financial assets		
Cash and cash equivalents *[note 3]*	**500**	21,652
Investments *[note 4]*	**550,000**	530,000
Accrued interest receivable	**13,074**	8,979
Accounts receivable *[note 2]*	**76,539**	26,206
Total financial assets	**640,113**	586,837
Liabilities		
Bank indebtedness	**23,244**	—
Accounts payable and accrued liabilities *[note 2]*	**11,091**	4,287
Deferred revenue *[note 5]*	**12,858**	25,946
Total liabilities	**47,193**	30,233
Net financial assets	**592,920**	556,604
Non-financial assets		
Prepaid expenses	**2,758**	2,204
Tangible capital assets *[note 6]*	**8,121**	—
Total non-financial assets	**10,879**	2,204
Accumulated surplus	**603,799**	558,808

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Statement of operations and accumulated surplus

Year ended December 31

	Budget 2018 $	Actual 2018 $	Actual 2017 $
Revenue			
Tax levies	**164,900**	**167,751**	164,293
Sundry *[note 2]*	**10,000**	**70,600**	59,989
Investment income	**—**	**12,017**	8,015
	174,900	**250,368**	232,297
Expenses			
Advertising, promotions and street cleaning	**71,100**	**80,662**	93,065
Professional and consulting fees	**32,000**	**32,054**	32,054
Salaries and wages	**33,700**	**38,381**	33,605
General and administrative	**10,100**	**9,174**	7,782
Rent	**9,000**	**7,937**	7,937
Maintenance [including graffiti removal]	**12,200**	**10,533**	10,533
Audit fees	**3,000**	**3,256**	3,114
Insurance	**3,800**	**3,571**	3,093
Decoration installation	**—**	**18,832**	12,360
Interest and bank charges	**—**	**148**	158
Insurance recovery	**—**	**—**	(17,316)
Amortization	**—**	**427**	—
Other	**—**	**402**	—
	174,900	**205,377**	186,385
Annual surplus	**—**	**44,991**	45,912
Accumulated surplus, beginning of year	**558,808**	**558,808**	512,896
Accumulated surplus, end of year	**558,808**	**603,799**	558,808

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Statement of changes in net financial assets

Year ended December 31

	Budet 2018 $	Actual 2018 $	Actual 2017 $
Annual surplus	—	**44,991**	45,912
Decrease (increase) in prepaid expenses	—	**(554)**	697
Increase in tangible capital assets	—	**(8,121)**	—
Increase in net financial assets	—	**36,316**	46,609
Net financial assets, beginning of year	**556,604**	**556,604**	509,995
Net financial assets, end of year	**556,604**	**592,920**	556,604

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Statement of cash flows

Year ended December 31

	2018	2017
	$	$
Operating activities		
Annual surplus	**44,991**	45,912
Add item not involving cash		
Amortization	**427**	—
	45,418	45,912
Changes in non-cash working capital balances related to operations		
Decrease in accrued interest receivable	**(4,095)**	(6,287)
Increase in accounts receivable	**(50,333)**	(12,583)
Decrease (increase) in prepaid expenses	**(554)**	697
Increase in bank indebtedness	**23,244**	—
Increase in accounts payable and accrued liabilities	**6,804**	309
Decrease in deferred revenue	**(13,088)**	(20,204)
Cash provided by operating activities	**7,396**	7,844
Capital activities		
Purchase of tangible capital assets	**(8,548)**	—
Cash used in capital activities	**(8,548)**	**—**
Investing activities		
Purchase of investments	**(280,000)**	(270,000)
Maturities of investments	**260,000**	120,102
Cash used in investing activities	**(20,000)**	(149,898)
Net decrease in cash and cash equivalents during the year	**(21,152)**	(142,054)
Cash and cash equivalents, beginning of year	**21,652**	163,706
Cash and cash equivalents, end of year	**500**	21,652

See accompanying notes

The Somerset Street Chinatown Business Improvement Area

Notes to financial statements

December 31, 2018

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. 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.

Tangible capital assets

Capital assets are initially recorded at cost and amortized over their estimated useful lives using the straight-line method. Capital expenditures that do not generate future economic benefits to the BIA are charged to operations in the year of acquisition.

The equipment, less residual value, is amortized over ten years on a straight-line basis. In the year of acquisition, half of the normal amortization is recorded for all tangible capital assets.

Notes to financial statements

December 31, 2018

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 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 due to related parties and $59,718 [2017 – $8,297] is included in accounts receivable due from related parties. During the year, the BIA received grant funds from the City of Ottawa in the amount of $56,932 [2017 – $35,710] and tax levies of $167,751 [2017 – $164,293]. These funds are recognized in revenue in accordance with the accounting policies disclosed in note 1.

3. Cash and cash equivalents

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

4. Investments

Investments consist of guaranteed investments certificate maturing from August 2019 to August 2020, and earning interest at rates ranging from 2.00% to 2.90% [2017 – 1.65% to 2.00%] per annum.

5. 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, 2018, there remains $12,858 [2017 – $25,946] of deferred revenue on the statement of financial position that has not yet met the eligibility criteria for recognition.

Notes to financial statements

December 31, 2018

6. Tangible capital assets

Tangible capital assets comprise the following:

	2018	2017
	$	$
Equipment	**8,548**	—
Less: accumulated amortization	**(427)**	—
Net book value	**8,121**	—

7. Comparative financial statements

Certain comparative figures for 2017 have been reclassified to conform to the presentation adopted in the current year.