

Financial Statements

The Sparks Street Business Improvement Area

December 31, 2018

Independent auditor's report

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

Opinion

We have audited the financial statements of **The Sparks Street 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 SPARKS STREET 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	\$655,556	\$545,095
Accounts receivable	6,275	197
Total financial assets	661,831	545,292

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2018	2017
Bank indebtedness	6,973	2,221
Accounts payable and accrued liabilities <i>[note 3]</i>	47,465	24,481
Total liabilities	54,438	26,702
Net financial assets	607,393	518,590

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

Non-financial assets	2018	2017
Prepaid expenses	4,878	3,883
Total non-financial assets	4,878	3,883
Accumulated surplus	\$612,271	\$522,473

See accompanying notes

THE SPARKS STREET 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	2018 Budget [note 4]	2018 Actual	2017 Actual
Tax revenue [note 2]	\$396,100	\$308,571	\$349,235
Sponsorship and other	185,500	173,857	203,117
Payments in lieu of taxation	101,151	160,522	191,791
Total revenue	682,751	642,950	744,143

Table 5 - Statement of Operations - Expenses

Expenses	2018 Budget [note 4]	2018 Actual	2017 Actual
Advertising	445,951	391,813	457,254
Salaries	142,300	99,949	81,337
Office	62,500	18,716	24,480
Rent	29,000	25,864	19,682
Insurance	19,000	13,125	10,484
Maintenance	-	-	17,850
Professional and consulting	2,500	779	1,600
Audit fees	1,500	2,906	1,639
Total expenses	702,751	553,152	614,326
Annual surplus (deficit)	(20,000)	89,798	129,817
Accumulated surplus, beginning of year	522,473	522,473	392,656
Accumulated surplus, end of year	\$502,473	\$612,271	\$522,473

See accompanying notes

THE SPARKS STREET 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

	2018 Budget [note 4]	2018 Actual	2017 Actual
Annual surplus (deficit)	\$(20,000)	\$89,798	\$129,817
(Increase) decrease in prepaid expenses	-	(995)	22,487
Increase (decrease) in net financial assets	(20,000)	88,803	152,304
Net financial assets, beginning of year	518,590	518,590	366,286
Net financial assets, end of year	\$498,590	\$607,393	\$518,590

See accompanying notes

THE SPARKS STREET 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	\$89,798	\$129,817
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable	(6,078)	(197)
(Increase) decrease in prepaid expenses	(995)	22,487
Increase (decrease) in accounts payable and accrued liabilities	22,984	(22,814)
Cash provided by operating activities	105,709	129,293

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	105,709	129,293
Cash and cash equivalents, beginning of the year	542,874	413,581
Cash and cash equivalents, end of the year	\$648,583	\$542,874

Table 9 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2018	2017
Bank indebtedness	\$(6,973)	\$(2,221)
Cash on deposit with the Corporation of the City of Ottawa	655,556	545,095
	\$648,583	\$542,874

THE SPARKS STREET 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 Sparks Street 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 expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenue as it becomes earned and measurable; expenditures 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 on deposit with the Corporation of the City of Ottawa, accounts receivable, bank indebtedness 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 payment in lieu of taxes on behalf of the BIA. Taxation 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 3.

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. TAX REVENUE

Tax revenue comprises the following:

Table 10 - Tax Revenue Breakdown

	2018 \$	2017 \$
General tax levy	332,341	363,332
Supplementary assessments	332	10,394
Remissions	(21,080)	(21,530)
Vacancy rebates	(3,022)	(2,961)
	<u>308,571</u>	<u>349,235</u>

3. 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 paid the National Capital Commission \$19,236 for office space under a leasing contract. 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.

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 \$682,751 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$20,000, which is not included in revenue for purposes of the financial statement presentation.