

Financial Statements

The Kanata North Business Improvement Area

December 31, 2020

Independent auditor's report

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

Opinion

We have audited the financial statements of **The Kanata North Business Improvement Area** [the "BIA"], which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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 12, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020, with comparative information for 2019

Table 1 - Statement of Financial Position - Financial Assets

Financial assets	2020	2019
Cash	\$60,733	\$276
Cash on deposit with the Corporation of the City of Ottawa	86,067	186,691
Accounts receivable	5,259	168
Total financial assets	152,059	187,135

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2020	2019
Accounts payable and accrued liabilities <i>[note 2]</i>	36,336	41,854
Total liabilities	36,336	41,854
Net financial assets	115,723	145,281

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

Non-financial assets	2020	2019
Prepaid expenses	7,510	5,128
Total non-financial assets	7,510	5,128
Accumulated surplus	\$123,233	\$150,409

Contractual obligation [note 6]

See accompanying notes

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

For the year ended December 31, 2020, with comparative information for 2019

Table 4 - Statement of Operations - Revenue

Revenue	Budget 2020 [note 4]	Actual 2020	Actual 2019
Tax revenue [note 3]	\$449,000	\$449,890	\$445,437
Advertising income	6,500	86,563	89,387
Payments in lieu of taxation	1,500	2,286	1,872
Total revenue	457,000	538,739	536,696

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2020 [note 4]	Actual 2020	Actual 2019 [note 5]
Salaries	177,700	179,732	227,066
Advertising and promotion	266,700	262,441	203,009
Office	12,600	22,271	69,319
Rent	10,000	15,302	27,252
Professional and consulting fees	58,800	79,939	35,899
Insurance	4,700	3,616	5,209
Audit fees	2,500	2,614	2,612
Provision for unforeseen	4,000	—	—
Total expenses	537,000	565,915	570,366
Annual deficit	(80,000)	(27,176)	(33,670)
Accumulated surplus, beginning of year	150,409	150,409	184,079
Accumulated surplus, end of year	\$70,409	\$123,233	\$150,409

See accompanying notes

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2020, with comparative information for 2019

Table 6 - Statement of Changes in Net Financial Assets

	Budget 2020 <i>[note 4]</i>	Actual 2020	Actual 2019
Annual deficit	\$(80,000)	\$(27,176)	\$(33,670)
Increase in prepaid expenses	—	(2,382)	(2,185)
Decrease in net financial assets	(80,000)	(29,558)	(35,855)
Net financial assets, beginning of year	145,281	145,281	181,136
Net financial assets, end of year	\$65,281	\$115,723	\$145,281

See accompanying notes

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020, with comparative information for 2019

Table 7 - Statement of Cash Flows - Operating Activities

Operating activities	2020	2019
Annual deficit	\$(27,176)	\$(33,670)
Changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	(5,091)	3,632
Increase in prepaid expenses	(2,382)	(2,185)
Decrease in accounts payable and accrued liabilities	(5,518)	(19,115)
Cash used in operating activities	(40,167)	(51,338)

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

Change in cash and cash equivalents	2020	2019
Net decrease in cash and cash equivalents during the year	(40,167)	(51,338)
Cash and cash equivalents, beginning of year	186,967	238,305
Cash and cash equivalents, end of year	\$146,800	\$186,967

Table 9 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2020	2019
Cash	\$60,733	\$276
Cash on deposit with the Corporation of the City of Ottawa	86,067	186,691
	\$146,800	\$186,967

See accompanying notes

THE KANATA NORTH BUSINESS IMPROVEMENT AREA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Kanata North Business Improvement Area [the “BIA”] are the responsibility 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 revenues as they become 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 and cash equivalents, 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, 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 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.

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 exchange amounts, which is the amount agreed to by both parties. During the year, the BIA incurred expenses of \$17,494, which it paid to related parties in return for goods and services.

The BIA also paid KRP Properties \$13,863 [2019 – \$31,076] for office space under a leasing contract from January 2020 to June 2020. These transactions occurred at exchange amounts.

The BIA is also related to all entities under control of the City of Ottawa. As at December 31, 2020, nil [2019 – \$112] of the related party transactions is included in accounts payable and accrued liabilities.

3. TAX REVENUE

Tax revenue comprises the following:

Table 10 - Tax Revenue Breakdown

	2020	2019
	\$	\$
General tax levy	449,199	448,874
Supplementary assessments	3,057	1,560
Remissions	(2,366)	(5,084)
Vacancy rebates	—	87
	449,890	445,437

4. BUDGET AMOUNTS

Budget data presented in these financial statements is based upon the 2020 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 \$537,000 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$80,000 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.

6. CONTRACTUAL OBLIGATION

In 2020, the BIA entered into a new lease agreement, which expires on April 30, 2026. The annual commitment as at December 31, 2020 is comprised of:

Table 11 – Contractual Obligation Breakdown

2021	2022	2023	2024	2025	2026
\$	\$	\$	\$	\$	\$
44,185	69,897	69,897	69,897	69,897	23,299

7. SUBSEQUENT EVENT

In January 2021, the Kanata North BIA Board of Management confirmed their intention to proceed with the development of a technology centre, located at 350 Legget Drive in Kanata, with the goal of promoting regional economic development for the many technology companies located within the boundaries of the BIA. The new centre will bring together partners from the financial, academic and technology sectors in order to create synergies to help enhance innovation and collaboration. In June 2021, the BIA made a progress payment of \$119,140 towards the construction / renovations to the facility. The technology centre is part of a broader project where significant growth is expected to occur over the next 3 years (2021, 2022 and 2023). The budget for the project is \$6.3 million over that 3 year period. The BIA has received confirmation of a provincial grant that will provide \$1,500,000 over the 3 year period and expects to fund the remaining portion of the budget through sponsorships of \$1,340,000 as well as membership and other revenues over that same 3 year period. The

BIA have projected a steady increase to expenses as revenues increase through the phased approach to expansion. All sponsorship contracts will be secured for a minimum of three years to mitigate the risk of shortfall with committed expenses.