

Financial Statements

The Sparks Street Mall Authority

December 31, 2020

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Sparks Street Mall Authority

Opinion

We have audited the financial statements of **The Sparks Street Mall Authority** [the "Mall Authority"], 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 Mall Authority as at December 31, 2020, and its results of operations, its changes in net financial assets, 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 Mall Authority 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 Mall Authority'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 Mall Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mall Authority'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 Mall Authority'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 Mall Authority'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 Mall Authority 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
November 23, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



THE SPARKS STREET MALL AUTHORITY

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	\$23,059	\$23,185
Cash on deposit with the Corporation of the City of Ottawa	749,602	629,479
Accounts receivable	19,573	8,916
Total financial assets	792,234	661,580

Table 2 - Statement of Financial Position - Liabilities

Liabilities	2020	2019
Accounts payable and accrued liabilities <i>[note 2]</i>	35,687	38,858
Total liabilities	35,687	38,858
Net financial assets	756,547	622,722

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

Non-financial assets	2020	2019
Prepaid expenses	2,870	1,437
Tangible capital assets <i>[note 3]</i>	86,310	126,619
Total non-financial assets	89,180	128,056
Accumulated surplus	\$845,727	\$750,778

See accompanying notes

THE SPARKS STREET MALL AUTHORITY

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	\$241,000	\$245,810	\$227,129
Payments in lieu of taxation	241,000	236,190	219,121
Permits and concessions	80,000	1,600	80,579
Contributed services [note 6]	–	23,310	–
Sundry	56,000	48,320	66,532
Total revenue	618,000	555,230	593,361

Table 5 - Statement of Operations - Expenses

Expenses	Budget 2020 [note 4]	Actual 2020	Actual 2019 [note 5]
Maintenance	326,800	178,893	297,883
Salaries	138,650	123,082	110,850
Professional and consulting	27,500	1,893	46,654
Depreciation	–	40,309	29,651
Rent	29,000	25,477	23,612
Office	145,770	83,246	14,415
Insurance	9,600	2,013	412
Electricity and water	3,000	2,754	2,910
Audit fees	3,000	2,614	2,620
Total expenses	683,320	460,281	529,007
Annual surplus (deficit)	(65,320)	94,949	64,354
Accumulated surplus, beginning of year	750,778	750,778	686,424
Accumulated surplus, end of year	\$685,458	\$845,727	\$750,778

See accompanying notes

THE SPARKS STREET MALL AUTHORITY

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 surplus (deficit)	\$(65,320)	\$94,949	\$64,354
(Increase) decrease in prepaid expenses	-	(1,433)	280
Depreciation of tangible capital assets	-	40,309	29,651
Acquisition of tangible capital assets	-	-	(54,236)
Increase (decrease) in net financial assets	(65,320)	133,825	40,049
Net financial assets, beginning of year	622,722	622,722	582,673
Net financial assets, end of year	\$557,402	\$756,547	\$622,722

See accompanying notes

THE SPARKS STREET MALL AUTHORITY

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 surplus	\$94,949	\$64,354
Add item not affecting cash		
Depreciation	40,309	29,651
Changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	(10,657)	8,933
(Increase) decrease in prepaid expenses	(1,433)	280
(Decrease) increase in accounts payable and accrued liabilities	(3,171)	29,927
Cash provided by operating activities	119,997	133,145

Table 8 - Statement of Cash Flows - Capital Activities

Capital activities	2020	2019
Acquisition of tangible capital assets	-	(54,236)
Cash used in capital activities	-	(54,236)

Table 9 - Statement of Cash Flows - Change in Cash and Cash Equivalents

Change in cash and cash equivalents	2020	2019
Net increase in cash and cash equivalents during the year	119,997	78,909
Cash and cash equivalents, beginning of the year	652,664	573,755
Cash and cash equivalents, end of the year	\$772,661	\$652,664

Table 10 - Statement of Cash Flows - Cash Breakdown

Cash and cash equivalents consist of	2020	2019
Cash	\$23,059	\$23,185
Cash on deposit with the Corporation of the City of Ottawa	749,602	629,479
	\$772,661	\$652,664

THE SPARKS STREET MALL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of The Sparks Street Mall Authority [the “Mall Authority”] 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 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.

Tangible capital assets

Tangible capital assets are initially recorded at cost and depreciated over their estimated useful lives using the straight-line method. Capital expenditures that do not generate future economic benefit to the Mall Authority are charged to operations in the year of acquisition.

The equipment, less residual value, is depreciated on a straight-line basis over its estimated useful life, which ranges from three to fifteen years. When a new tangible asset is acquired, depreciation is recorded when the asset is put into use.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The financial instruments of the Mall Authority 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 Mall Authority 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 taxes on behalf of the Mall Authority. 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 Mall Authority purchases certain services from companies controlled by the Board of Directors' members and company executives in the normal course of business at the exchange amount, which is the amount agreed to by both parties. During the year, the Mall Authority incurred expenses of \$27,837, which it paid to related parties in return for goods and services.

In 2020, the following material related party transaction occurred with a company associated with a member of the Board of Directors. The Mall Authority paid the National Capital Commission \$22,116 [2019 – \$16,403] for office space under a leasing contract. These transactions occurred at exchange amounts.

In addition, the Mall Authority is related to all entities under control of the City of Ottawa. As at December 31, 2020, \$191 [2019 – \$135] is included in accounts payable and accrued liabilities that is due to related parties.

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

Table 11 - Tangible Capital Assets Breakdown

	2020	2019
	\$	\$
Equipment	190,277	190,277
Accumulated depreciation	(103,967)	(63,658)
Net book value	86,310	126,619

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 \$683,320 reconciles to the budget figures reported in these financial statements after deducting the budgeted contribution from reserves of \$65,320, 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. CONTRIBUTED SERVICES

The Mall Authority entered into an agreement for commercial advertising with Stingray Radio in 2020. The Mall Authority received an additional \$23,310 worth of commercials at no extra cost. This non-monetary transaction has been recognized at the fair value of the contributed services in contributed services revenue and office expenses.

7. COVID-19 IMPACT

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The Government of Canada has announced a new set of economic measures to stabilize the economy during this challenging period. In response to the negative economic impact of COVID-19, various government programs have been announced to provide financial relief to affected businesses. The Corporation determined that it qualified for the Canada Emergency Wage Subsidy [“CEWS”] under the COVID-19 Economic Response Plan in Canada. The BIA recognized \$8,764 worth of CEWS revenue in sundry revenue in 2020.