

Downtown Surrey Business Improvement Association

Financial Statements
December 31, 2017



February 7, 2018

Independent Auditor's Report

To the Members of Downtown Surrey Business Improvement Association

We have audited the accompanying financial statements of Downtown Surrey Business Improvement Association, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Downtown Surrey Business Improvement Association as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Downtown Surrey Business Improvement Association's ability to continue as a going concern.

Report on other legal and regulatory requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Downtown Surrey Business Improvement Association

Statement of Financial Position

As at December 31, 2017

| | 2017 \$ | 2016 \$ |
|---|----------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 836,568 | 825,847 |
| Accounts receivable | 1,000 | 1,000 |
| GST receivable | 14,662 | 13,239 |
| Prepaid expenses | 8,299 | 10,608 |
| | <u>860,529</u> | <u>850,694</u> |
| Security deposit | 3,147 | 3,147 |
| Equipment (note 4) | <u>7,357</u> | <u>9,407</u> |
| | <u>871,033</u> | <u>863,248</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 5) | 23,309 | 26,797 |
| Deferred revenue (note 6) | 264,720 | 226,741 |
| | <u>288,029</u> | <u>253,538</u> |
| Net Assets | | |
| General Fund | 575,647 | 600,303 |
| Capital Assets Fund | <u>7,357</u> | <u>9,407</u> |
| | <u>583,004</u> | <u>609,710</u> |
| | <u>871,033</u> | <u>863,248</u> |
| Going concern (note 1) | | |
| Commitments (note 8) | | |

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

Downtown Surrey Business Improvement Association

Statement of Operations

For the year ended December 31, 2017

| | 2017 \$ | 2016 \$ |
|---|-----------------------|---------------------|
| Revenues | | |
| Property tax levy | 934,172 | 900,359 |
| Event sponsorships | 38,899 | 27,000 |
| Student intern grant | 25,047 | 26,334 |
| Interest income | 5,197 | 4,965 |
| | <hr/> 1,003,315 | <hr/> 958,658 |
| Operating expenses | | |
| Amortization | 2,050 | 2,372 |
| Area enhancement | 87,782 | 97,433 |
| Board of directors | 16,525 | 17,193 |
| Canada 150 activities | 36,837 | - |
| Economic development | 37,273 | 20,907 |
| Events | 63,612 | 62,942 |
| Facilities and office | 152,501 | 132,140 |
| Finance and audit | 11,350 | 11,898 |
| Government relations | 3,599 | 3,959 |
| Marketing and communications | 78,442 | 69,572 |
| Member services | 22,646 | 19,792 |
| Safety | 146,783 | 141,537 |
| Salaries, wages and benefits | 370,621 | 351,754 |
| | <hr/> 1,030,021 | <hr/> 931,499 |
| (Deficiency) excess of revenues over expenses for the year | <hr/> (26,706) | <hr/> 27,159 |

The accompanying notes are an integral part of these financial statements.

Downtown Surrey Business Improvement Association

Statement of Changes in Net Assets

For the year ended December 31, 2017

| | 2017 | | |
|---|---------------------|----------------|----------------|
| | General Fund | Capital | Total |
| | \$ | Assets Fund | \$ |
| | | \$ | \$ |
| Balance - Beginning of year | 600,303 | 9,407 | 609,710 |
| Deficiency of revenues over expenses for the year | (24,656) | (2,050) | (26,706) |
| Balance - End of year | <u>575,647</u> | <u>7,357</u> | <u>583,004</u> |
| | | | 2016 |
| | General Fund | Capital | Total |
| | \$ | Assets Fund | \$ |
| | | \$ | \$ |
| Balance - Beginning of year | 572,085 | 10,466 | 582,551 |
| Excess of revenues over expenses for the year | 29,531 | (2,372) | 27,159 |
| Transfer to Capital Assets Fund | (1,313) | 1,313 | - |
| Balance - End of year | <u>600,303</u> | <u>9,407</u> | <u>609,710</u> |

The accompanying notes are an integral part of these financial statements.

Downtown Surrey Business Improvement Association

Statement of Cash Flows

For the year ended December 31, 2017

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| Cash flows from operating activities | | |
| (Deficiency) excess of revenues over expenses for the year | (26,706) | 27,159 |
| Item not affecting cash - amortization | 2,050 | 2,372 |
| | <hr/> | <hr/> |
| | (24,656) | 29,531 |
| Changes in non-cash working capital | | |
| GST receivable | (1,423) | (967) |
| Prepaid expenses | 2,309 | (790) |
| Accounts payable and accrued liabilities | (3,488) | (7,631) |
| Deferred revenue | 37,979 | 6,604 |
| | <hr/> | <hr/> |
| | 10,721 | 26,747 |
| Cash flows from investing activities | | |
| Purchase of equipment | - | (1,313) |
| | <hr/> | <hr/> |
| Increase in cash and cash equivalents | 10,721 | 25,434 |
| Cash and cash equivalents - Beginning of year | 825,847 | 800,413 |
| | <hr/> | <hr/> |
| Cash and cash equivalents - End of year | 836,568 | 825,847 |
| | <hr/> | <hr/> |

The accompanying notes are an integral part of these financial statements.

Downtown Surrey Business Improvement Association

Notes to Financial Statements

December 31, 2017

1 Purpose of the Association and going concern

Downtown Surrey Business Improvement Association (the Association) was incorporated on January 9, 2002 under the Societies Act of British Columbia. On March 24, 2003, the City of Surrey passed by-law #14923 to establish the Whalley Business Improvement Area. This area is geographically located in the downtown core of Surrey, British Columbia.

The name of the Association was changed from Whalley Business Association Society to Whalley Business Improvement Association on November 17, 2004. The Association's name was further changed to Downtown Surrey Business Improvement Association on October 5, 2007.

The Association was established for the following purposes:

- a) to develop, encourage and promote trade and commerce in Downtown Surrey;
- b) to sponsor and organize promotions and events in order to attract people to Downtown Surrey;
- c) to create a more viable business atmosphere in Downtown Surrey;
- d) to promote matters of common concern and interest to businesses and property owners in the Downtown Surrey area;
- e) to conduct studies of, and advance projects, plans or improvements designed to benefit the Association;
- f) to co-operate with and aid any persons, body, group or association in projects designed to benefit the Association; and
- g) to raise revenue to carry out the purposes of the Association.

These financial statements have been prepared on a going concern basis which assumes that the Association will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. The majority of the Association's funding is received from the property tax levy collected by the City of Surrey pursuant to Bylaw 17519. Bylaw 17519 was approved for a five-year term ending March 31, 2018. A bylaw has not yet been approved to renew funding for another term. The ability of the Association to continue as a going concern is dependent on this renewal. As a result, the above casts significant doubt about the Association's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty, and these adjustments could be material.

2 Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Downtown Surrey Business Improvement Association

Notes to Financial Statements

December 31, 2017

3 Significant accounting policies

Fund accounting

The General Fund accounts for the Association's program delivery and administrative activities. This Fund reports unrestricted resources and restricted operating grants.

The Capital Assets Fund reports the assets, liabilities, revenues and expenses related to the Association's equipment acquisition activities.

Revenue recognition

Sponsorship revenue is accounted for when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured. Property tax levy and student intern grant revenue is recorded using the percentage-of-completion method.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits maturing within 90 days from the date of purchase.

Financial instruments

The Association's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

Financial assets and liabilities are initially measured at fair value and subsequently at amortized cost.

Equipment

Equipment is recorded at acquisition cost less accumulated amortization. Amortization has been provided for using the following annual rates and methods:

| | |
|---------------------------------|------------------------------|
| Computer software and equipment | 30% declining balance method |
| Equipment | 20% declining balance method |
| Furniture and fixtures | 20% declining balance method |

In the year of acquisition, one-half the normal rate of amortization is taken.

Downtown Surrey Business Improvement Association

Notes to Financial Statements

December 31, 2017

4 Equipment

| | | | 2017 | 2016 |
|------------------------|------------|-----------------------------------|-----------|-----------|
| | Cost \$ | Accumulated amortization \$ | Net \$ | Net \$ |
| Computer software | 2,546 | 2,546 | - | - |
| Computer equipment | 11,208 | 10,029 | 1,179 | 1,684 |
| Equipment | 9,766 | 8,523 | 1,243 | 1,554 |
| Furniture and fixtures | 54,547 | 49,612 | 4,935 | 6,169 |
| | 78,067 | 70,710 | 7,357 | 9,407 |

5 Government remittances

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become payable. In respect of government remittances, \$7,507 (2016 - \$6,572) is included within accounts payable and accrued liabilities.

6 Related party transactions

During the year, the following related party transactions occurred:

- The Association incurred payroll and bookkeeping services of \$938 (2016 - \$3,080), which are included in facilities and office expense, to David Pel & Company, a company controlled by a director of the Association.
- The Association incurred information technology costs of \$38 (2016 - \$1,291), which are included in facilities and office expense, to Sprite Multimedia Systems Ltd., a company controlled by a director of the Association.
- Included in deferred revenue is a contribution to the Surrey International Marathon Society (the Society) of \$28,909. The Chief Executive Officer and Manager of the Association were directors of the Society.

These transactions occurred in the normal course of business and were measured at the exchange amounts.

Downtown Surrey Business Improvement Association

Notes to Financial Statements

December 31, 2017

7 Financial instruments

Interest rate risk

The Association is exposed to interest rate risk on its cash and cash equivalents.

Credit risk

The financial instruments that potentially expose the Association to a concentration of credit risk are cash and cash equivalents. The Association limits its exposure to credit losses by placing its cash and cash equivalents with a Canadian chartered bank.

Foreign exchange risk

The Association is not exposed to significant foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Association cannot meet the demand for cash and cash equivalents or fund its obligations as they become due. Management minimizes its exposure to liquidity risk by regularly monitoring cash flows.

8 Commitments

The Association has a long-term lease agreement for office space. Future minimum lease payment under this operating lease in 2018 is \$35,879.

The Association must also pay its proportionate share of property taxes and operating costs.