

FINANCIAL STATEMENTS

**STRATHCONA BUSINESS
IMPROVEMENT ASSOCIATION**

March 31, 2020



INDEPENDENT AUDITOR'S REPORT

To the Members of
Strathcona Business Improvement Association

Opinion

We have audited the financial statements of Strathcona Business Improvement Association (the Association), which comprise the statement of financial position as at March 31, 2020 and the statements of operations, changes in net assets and 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 Association as at March 31, 2020 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.

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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 audit 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 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

- 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 Association'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 Association 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.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

Tompkins Wozny LLP

Vancouver, Canada
July 30, 2020

Chartered Professional Accountants

Strathcona Business Improvement Association

STATEMENT OF FINANCIAL POSITION

As at March 31

	2020	2019
	\$	\$
ASSETS		
Current		
Cash and cash equivalents [note 3]	602,236	961,629
Accounts receivable [note 4]	67,389	50,836
Prepaid expenses	7,475	2,945
	677,100	1,015,410
Capital assets [note 5]	9,197	18,913
	686,297	1,034,323
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals [note 6]	24,131	55,989
Deferred revenue - business improvement levy	—	531,625
- grant contributions	—	16,756
Deferred contributions for capital assets [note 7]	8,528	17,057
	32,659	621,427
NET ASSETS		
BIA fund	637,582	374,160
General fund	16,056	38,736
	653,638	412,896
	686,297	1,034,323

Economic dependence [note 10]


Commitments [note 11]

Other - COVID-19 [note 14]

See accompanying notes to the financial statements

As approved by:


Director


Director



STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	BIA Fund	General	Total
	\$	\$	\$
2020			
Balance, beginning of year	374,160	38,736	412,896
Excess of revenue for the year	263,422	(22,680)	240,742
Balance, end of year	637,582	16,056	653,638
2019			
Balance, beginning of year	275,494	38,517	314,011
Excess of revenue for the year	98,666	219	98,885
Balance, end of year	374,160	38,736	412,896

See accompanying notes to the financial statements

**STATEMENT OF OPERATIONS
- BIA FUND**

Year ended March 31

	2020	2019
	\$	\$
REVENUE		
Business improvement levy	1,063,250	900,200
Interest and other income	6,808	3,820
	1,070,058	904,020
EXPENSES		
Salaries and benefits	204,033	200,127
Operating costs		
Accounting and legal	18,910	10,466
Amortization	1,187	3,337
Annual General Meeting	8,966	5,073
Association memberships	3,635	2,568
Board and membership meetings	7,476	3,599
Board member development	1,074	905
Conferences and professional development	9,894	11,571
Insurance	3,976	3,862
Office equipment	1,063	1,857
Office expense	19,516	16,904
Rent and utilities	19,039	17,663
Security and alarms	—	439
Strategic planning	13,190	8,212
Telephone	5,331	5,674
Travel	2,711	1,909
	115,968	94,039
Communications, brand and marketing		
Brand, marketing and communications	85,070	86,314
Member communications	—	14,419
	85,070	100,733
Community Relations		
Advocacy	—	41,051
Partnerships and programs	3,051	400
	3,051	41,451

STATEMENT OF OPERATIONS
- BIA FUND

	2020	2019
	\$	\$
EXPENSES (Continued)		
Sustainability		
Sustainable business strategies	—	8,964
	—	8,964
Core Programs and Services		
Arts and culture	—	3,600
Beautification	43,985	34,219
Community Safety	224,059	207,259
Events - membership	18,125	26,304
Events - sponsorship and donations	21,525	7,550
Graffiti removal	37,259	36,396
Metrics and indicators	—	6,697
Street and lane clean-up	53,561	38,015
	398,514	360,040
Total expenses	806,636	805,354
Excess of revenue for the year	263,422	98,666

See accompanying notes to the financial statements

**STATEMENT OF OPERATIONS
- GENERAL FUND**

Year ended March 31

	2020	2019
	\$	\$
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REVENUE		
Grants and donations	20,956	29,044
Interest and other income	—	219
Amortization of deferred contributions for capital assets	8,529	8,529
	29,485	37,792
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EXPENSES		
Amortization	8,529	8,529
Partnerships and programs	43,636	29,044
	52,165	37,573
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Excess of revenue (expenses) for the year	(22,680)	219
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See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended March 31

	2020	2019
	\$	\$
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OPERATING ACTIVITIES		
Excess of revenue for the year	240,742	98,885
Items not affecting cash		
Amortization of deferred contributions for capital assets	(8,529)	(8,529)
Amortization of capital assets	9,716	11,866
Changes in non-cash working capital items		
Accounts receivable	(16,553)	(6,227)
Prepaid expenses	(4,530)	33,617
Accounts payable and accruals	(31,858)	749
Deferred grants	(548,381)	548,381
Cash provided by (used in) operating activities	(359,393)	678,742
Increase (decrease) in cash for the year	(359,393)	678,742
Cash and cash equivalents, beginning of year	961,629	282,887
Cash and cash equivalents, end of year	602,236	961,629

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

1. PURPOSE OF THE ASSOCIATION

The Strathcona Business Improvement Association (the "Association") was incorporated on February 1, 1999 under the British Columbia Societies Act as a not-for-profit organization and therefore is exempt from income taxes. The objectives of the Association are to:

- (a) to develop, encourage and promote business in the Strathcona Area Business Improvement Area of Vancouver, British Columbia;
- (b) to make studies of, and advance any project, plan, or improvement designed to benefit the Strathcona Area Business Improvement Area;
- (c) to cooperate with and aid any person, body, group or association in projects designed to benefit the Strathcona Area Business Improvement Area;
- (d) to liaise with other interest groups in the area and to work together on projects and promotions to accomplish the purpose of the Association;
- (e) to encourage, support and facilitate entertainment, sports and cultural activities with the Strathcona Area Business Improvement Area for the purpose of furthering the economic and commercial welfare of the Area;
- (f) in affiliation with other Business Improvement Area associations, to promote and carry out the purpose of the Association in matters of common concern and interest;
- (g) to promote matters of common concern and interest to business and property owners in the Strathcona Area Business Improvement Area and to bring together business and property owners in the improvement area for fulfilling the purpose of the Association; and
- (h) to raise revenue to carry out the purposes of the Association.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Funding Accounting

The Association follows fund accounting using the deferral method of accounting for contributions. The major funds are described below:

BIA Fund

The BIA fund is funded by a recoverable grant authorized under a City of Vancouver Strathcona BIA Grant Allocation By-law to grant money for a business promotion scheme in the Strathcona Business Improvement Area (BIA). The funds are recovered by the City of Vancouver by a property tax levy on BC Assessment Class 5 and 6 properties authorized under the Strathcona BIA Designation By-law.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

General Fund

For receipt of special grants and activities outside of the regular budgeted programming of the Association.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of management estimates relate to the determination of the net recoverable value of assets, in particular as it relates to the useful lives of capital assets, accrued liabilities, grant receivables and deferred grants. Actual results could differ from the estimates.

Measurement of Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accruals.

Revenue Recognition

The Association follows the deferral method of accounting for contributions.

The Business Improvement Association Levy, which is externally restricted, is revenue derived from a special levy imposed on businesses within the defined borders of the Strathcona BIA and administered and collected through the property tax office of the City of Vancouver. This revenue is recognized when received or receivable. Funding received in advanced is deferred to the appropriate year.

Restricted grants are recognized as revenue in the year the related expenditures are incurred.

Donations are recorded on a cash basis and reported as revenue when received.

Unrestricted revenue is recorded when funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed Services

Volunteers contribute their time to assist the Association in carrying out its activities. Due to the difficulty in determining the fair value of such services, the value of the contributed services is not recognized in these financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution, if a value can be reasonably estimated. Amortization is provided using the straight line basis at the following annual rates:

- Workshop equipment 5 years
- Furniture and equipment 5 years
- Computer equipment 3 years
- Website 3 years

A full year's amortization is recorded on capital assets in the year of acquisition and no amortization is recorded in the year of disposition.

Capital assets are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount of an asset may not be recoverable. Any non-recoverable amount will be recorded as an impairment charge in the year it is recognized.

3. CASH EQUIVALENTS

Cash and cash equivalents includes a term deposit of \$150,000 [2019 - \$Nil] which accrues interest at rate of 1.7% [2019 - Nil%] and matures on June 7, 2020.

4. ACCOUNTS RECEIVABLE

	2020	2019
	\$	\$
Operations	31	525
Interest receivable	2,082	—
Grants receivable	28,541	24,341
Government - GST	36,735	25,970
	67,389	50,836
Allowance for doubtful accounts	—	—
	67,389	50,836

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

5. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2020			
Workshop equipment	42,644	34,115	8,529
Furniture and equipment	3,341	2,673	668
Computer equipment	2,206	2,206	—
	48,191	38,994	9,197
2019			
Workshop equipment	42,644	25,587	17,057
Furniture and equipment	3,341	2,004	1,337
Computer equipment	2,206	1,687	519
Website	5,800	5,800	—
	53,991	35,078	18,913

The workshop equipment was purchased with a grant from the City of Vancouver to purchase metal workshop equipment to be leased to MakerLabs ("ML"). The lease with ML is for a nominal annual payment of \$1 per year for a five year term ending July 31, 2020, renewable annually thereafter under the same terms and conditions. ML has the sole right and use of, and responsibility for the equipment during the lease; however, title and ownership of the equipment remains with the Association.

6. ACCOUNTS PAYABLE AND ACCRUALS

	2020 \$	2019 \$
Operations	15,111	35,613
Wages payable	9,020	20,193
Government remittance - WorkSafeBC	—	183
	24,131	55,989

7. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

	2020 \$	2019 \$
Balance, beginning of year	17,057	25,586
Contributions used to purchase capital assets	—	—
Amortization	(8,529)	(8,529)
Balance, end of year	8,528	17,057

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

8. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis presents the Association's exposures to significant risks as at March 31, 2020.

Credit Risk

The Association is exposed to credit risk with respect to its bank deposits. The Association reduces its credit risk by placing its bank deposits with a chartered Canadian bank.

Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Association manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

9. CITY OF VANCOUVER

In the fiscal year ending March 31, 2020, the City of Vancouver paid the Association \$1,063,250 [2019 - \$900,200].

The monies are to be used:

- (a) in accordance with City of Vancouver requirements as set out in the Strathcona BIA Grant Allocation by-law, and
- (b) in accordance with the Purposes of the Association as set out in the Association's Constitution.

10. ECONOMIC DEPENDENCE

The primary source of the Association's revenue is from the City of Vancouver's business improvement levy. The Association's ability to continue viable operations is dependent upon maintaining this source of revenue. These financial statements have been prepared on a going concern basis on the assumption this source of revenue will continue to finance the Association's operations.

The Association currently has a seven year operating agreement with the City of Vancouver expiring March 31, 2024.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

11. COMMITMENTS

The Association entered into a lease for its premises for a two year term commencing September 1, 2018 at a monthly cost of \$1,100 plus taxes.

The Association entered into a community patrol contract with Paladin Security Group Ltd. effective September 1, 2017 to March 31, 2021 at an estimated minimum annual cost of \$196,084 plus taxes and increases in minimum wage rates (based on two officers working 8 hours per day).

The Association entered into a graffiti removal services contract with Goodbye Graffiti Inc. effective August , 2017 to July 31, 2020. The estimated minimum annual cost for 2021 is \$12,141 plus taxes.

12. RELATED PARTY TRANSACTIONS

During the 2020 fiscal year, the Association entered into following transactions with companies that are associated with members of the board of directors:

- (a) MP Enterprises to provide landscaping, micro-cleaning services, office lot cleaning and debris removal services at a cost of \$27,908 [2019 - \$10,269] including GST;
- (b) Savoury Chef Foods Ltd to provide catering services at a cost of \$422 [2019 - \$612] including GST;
- (c) The Butler Did It Catering Co to provide catering services at a cost of \$1,793 [2019 - \$1,029] including GST.

These transactions were carried out in the normal course of operations and are recorded at the exchange amount which is the value agreed to upon the parties.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

13. DISCLOSURE OF REMUNERATION

Pursuant to the British Columbia Societies Act, the Association is required to disclose contractor fees, wages and benefits paid to employees in the amount of \$75,000 or more during the fiscal year. Community safety includes contractor fees paid to one contract service company in the amount of \$213,005 net of GST rebate [2019 - \$207,255]. Salaries and benefits expense includes remuneration paid to one employee for a total amount of \$94,368 [2019 - \$Nil] for the fiscal year ending March 31, 2020. Salaries and benefits expense include an underpayment error from 2019, resulting in a one-time payment to correct. No remuneration was paid to any members of the Board [note 12].

14. OTHER - COVID-19

The recent outbreak of the coronavirus, also known as COVID-19, has spread across the globe and is impacting worldwide economic activity. The extent of the impact of this outbreak and related containment measures on the Society's operations cannot be reliably estimated at this time. A number of the Association's contractors have either suspended services or reduced their hours and new contracts will be re-negotiated in July 2020 onwards as businesses re-open.