

FINANCIAL STATEMENTS

**STRATHCONA BUSINESS
IMPROVEMENT ASSOCIATION**

March 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of
Strathcona Business Improvement Association

Report on the Financial Statements

We have audited the accompanying financial statements of Strathcona Business Improvement Association, which comprise the statement of financial position as at March 31, 2018 and the statement of operations, changes in net assets and cash flows for the year then ended and 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 Association'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 Association'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strathcona Business Improvement Association as at March 31, 2018 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.

Report on Other Legal and Regulatory Requirements

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

Tompkins Wozny LLP

Vancouver, Canada
August 29, 2018

Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at March 31

	2018	2017
	\$	\$
ASSETS		
Current		
Cash	282,887	212,520
Accounts receivable [note 3]	44,609	35,350
Prepaid expenses	36,562	15,481
	364,058	263,351
Capital assets [note 4]	30,779	41,087
	394,837	304,438
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals [note 5]	55,240	49,714
Deferred contributions for capital assets	25,586	34,115
	80,826	83,829
NET ASSETS		
BIA fund	275,494	182,122
General fund	38,517	38,487
	314,011	220,609
	394,837	304,438

Economic dependence [note 9]

Commitment [note 10]

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
	\$	\$	\$
2018			
Balance, beginning of year	182,122	38,487	220,609
Excess of revenues for the year	93,372	30	93,402
Balance, end of year	275,494	38,517	314,011
2017			
Balance, beginning of year	184,935	37,144	222,079
Excess of expenses for the year	(2,813)	1,343	(1,470)
Balance, end of year	182,122	38,487	220,609

See accompanying notes to the financial statements

**STATEMENT OF OPERATIONS
- BIA FUND**

Year ended March 31

	2018	2017
	\$	\$
REVENUE		
Business improvement levy	841,500	668,000
Interest and other income	2,225	5,064
	843,725	673,064
EXPENSES		
Salaries and benefits	181,378	187,915
General and administrative expense		
Accounting and legal	10,654	13,809
Amortization	3,337	2,817
Annual General Meeting	6,134	4,971
Association memberships	2,156	1,617
Board and membership meetings	8,369	3,438
Board member development	750	6,689
Conferences and professional development	9,651	4,354
Insurance	3,763	7,072
Office equipment	1,906	—
Office expense	19,766	17,404
Rent	16,621	15,288
Security and alarms	443	315
Telephone	5,083	3,802
Travel and car allowance	1,599	1,510
	90,232	83,086
Marketing		
Advertising	—	38,804
Made in Strathcona	106,914	—
Public relations	—	12,089
	106,914	50,893
Community Relations		
Advocacy	2,954	37,656
Programming and partnerships	4,841	2,467
	7,795	40,123

STATEMENT OF OPERATIONS
- BIA FUND

	2018	2017
	\$	\$
EXPENSES (Continued)		
Sustainability		
Members' education and outreach	2,367	1,823
Sustainable business strategies	4,628	5,040
	6,995	6,863
Core Programs and Services		
Beautification	53,393	21,403
Community economic development	—	6,013
Community Watch	184,280	154,945
Events - membership	11,729	30,140
Events - sponsorship and donations	5,691	7,250
Graffiti removal	35,417	34,178
Metrics and indicators	29,725	9,225
Newsletter	7,576	4,629
Renewal	—	15,285
Street and lane clean-up	29,228	23,222
Website	—	707
	357,039	306,997
Total expenses	750,353	675,877
Excess of revenue (expenses) for the year	93,372	(2,813)

See accompanying notes to the financial statements

Strathcona Business Improvement Association

**STATEMENT OF OPERATIONS
- GENERAL FUND**

Year ended March 31

	2018	2017
	\$	\$
REVENUE		
Grants and donations	62,930	26,093
Interest and other income	19	2
Amortization of deferred contributions for capital assets	8,529	8,529
	71,478	34,624
EXPENSES		
Amortization	8,529	8,529
Environmental initiatives	42,047	1,600
Marketing - advertising	—	14,825
Sustainable business strategies	—	8,327
Research and consulting	20,872	—
	71,448	33,281
Excess of revenue for the year	30	1,343

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended March 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue (expenses) for the year	93,402	(1,470)
Items not affecting cash		
Amortization of deferred contributions for capital assets	(8,529)	(8,529)
Amortization of capital assets	11,866	11,346
Changes in non-cash working capital items		
Accounts receivable	(9,259)	9,741
Prepaid expenses	(21,081)	5,479
Accounts payable and accruals	5,526	36,680
Deferred grants	—	(9,000)
Cash provided by operating activities	71,925	44,247
INVESTING ACTIVITIES		
Purchase of capital assets	(1,558)	(9,789)
Cash used in investing activities	(1,558)	(9,789)
Increase in cash for the year	70,367	34,458
Cash, beginning of year	212,520	178,062
Cash, end of year	282,887	212,520

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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 Levy contributions from the City of Vancouver to carry out the member purposes of the organization.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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.

Cash

Cash is defined as cash on deposit, net of cheques issued and outstanding at the year-end.

The statement of cash flows is prepared on a net basis and cash flows for operating activities are reported using the indirect method.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Operations	—	128
Grants receivable	30,341	24,341
Government - GST	14,268	10,881
	44,609	35,350
Allowance for doubtful accounts	—	—
	44,609	35,350

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

4. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2018			
Workshop equipment	42,644	17,058	25,586
Furniture and equipment	3,341	1,336	2,005
Computer equipment	2,206	951	1,255
Website	5,800	3,867	1,933
	53,991	23,212	30,779
2017			
Workshop equipment	42,644	8,529	34,115
Furniture and equipment	3,341	668	2,673
Computer equipment	648	216	432
Website	5,800	1,933	3,867
	52,433	11,346	41,087

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.

5. ACCOUNTS PAYABLE AND ACCRUALS

	2018 \$	2017 \$
Operations	40,574	37,624
Wages payable	14,547	11,971
Government remittance - WorkSafeBC	119	119
	55,240	49,714

6. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

	2018 \$	2017 \$
Balance, beginning of year	34,115	42,644
Contributions used to purchase capital assets	—	—
Amortization	(8,529)	(8,529)
Balance, end of year	25,586	34,115

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

7. 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, 2018.

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.

8. CITY OF VANCOUVER

In the fiscal year ending March 31, 2018, the City of Vancouver gave the Association \$841,500.

The monies;

- (a) are to be spent in accordance with the Business Promotion Scheme as defined by the Vancouver Charter and in accordance with the purpose of the association as determined from time to time by the members, the Association and the City of Vancouver, and
- (b) if not required for immediate use may be reinvested only in such securities in which trustees are authorized by law to invest.

9. 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, 2018

10. COMMITMENT

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 GST.

11. RELATED PARTY TRANSACTIONS

The Association entered into contracts with My Loud Speaker to provide marketing services at a cost of \$98,130 in fiscal year 2018. The company is associated with a member of the board of directors. 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.

12. DISCLOSURE OF REMUNERATION

Pursuant to the British Columbia Societies Act, the Association is required to disclose wages and benefits paid to employees in the amount of \$75,000 or more during the fiscal year. Salaries and benefits expense includes remuneration paid to one employee for a total amount of \$75,341 [2017 - \$76,796] for the fiscal year ending March 31, 2018. No remuneration was paid to any members of the Board *[note 11]*.