

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Financial Statements

December 31, 2014

AUDITOR'S REPORT TO THE MEMBERS

We have audited the accompanying financial statements of **NEWTON BUSINESS IMPROVEMENT ASSOCIATION**, which comprise the statement of financial position as at **December 31, 2014**, and the statements of operations, changes in fund balances, 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **NEWTON BUSINESS IMPROVEMENT ASSOCIATION** as at **December 31, 2014**, 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.

CHARTERED ACCOUNTANTS

Surrey, BC
January 30, 2015

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Statement of Financial Position

As at **December 31, 2014**

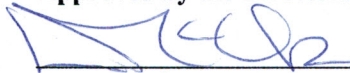


	<u>2014</u>	(Note 5) <u>2013</u>
ASSETS		
Current		
Cash	\$ 359,447	\$ 608
GST recoverable	866	679
Prepaid expenses	<u>2,189</u>	<u>70</u>
	<u>\$ 362,502</u>	<u>\$ 1,357</u>

LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 10,685	\$ -
Deferred revenue (Note 2)	<u>350,000</u>	<u>-</u>
	<u>360,685</u>	<u>-</u>

FUND BALANCES		
Unrestricted	<u>1,817</u>	<u>1,357</u>
	<u>\$ 362,502</u>	<u>\$ 1,357</u>

Approved by the Directors:

 _____ Director

 _____ Director

JASPAL BIRAR

The accompanying notes are an integral part of this statement.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Operations and Changes in Fund Balances
For the Year Ended **December 31, 2014**

	<u>2 0 1 4</u>	(Note 5) <u>2 0 1 3</u>
Revenues		
Property tax levy	\$ 400,000	\$ -
Grant	<u>-</u>	<u>33,600</u>
	400,000	33,600
Less: Unearned revenue	<u>350,000</u>	<u>-</u>
Earned revenue	<u>50,000</u>	<u>33,600</u>
Expenses		
Advertising and promotion	329	2,156
Bank charges and interest	87	36
Consulting fees	-	23,062
Insurance	3,071	2,750
Licences and business taxes	60	32
Meetings	190	998
Office	4,221	979
Professional fees	3,848	100
Rent	6,539	221
Repairs and maintenance	550	-
Telephone	254	-
Travel	5	1,909
Wages and benefits	<u>30,386</u>	<u>-</u>
	<u>49,540</u>	<u>32,243</u>
Excess of revenues over expenses	460	1,357
Fund balances, beginning of the year	<u>1,357</u>	<u>-</u>
Fund balances, end of the year	<u><u>\$ 1,817</u></u>	<u><u>\$ 1,357</u></u>

The accompanying notes are an integral part of this statement.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Statement of Cash Flows

December 31, 2014

	<u>2014</u>	(Note 5) <u>2013</u>
Cash flows from operating activities		
Cash receipts	\$ 400,000	\$ 33,600
Cash paid to suppliers, contractors and employees	(41,074)	(32,956)
Bank charges and interest	<u>(87)</u>	<u>(36)</u>
	<u>358,839</u>	<u>608</u>
Cash flows from financing activities		
	<u>-</u>	<u>-</u>
Cash flows from investing activities		
	<u>-</u>	<u>-</u>
Net increase in cash during the year	358,839	608
Cash and equivalents, beginning of the year	<u>608</u>	<u>-</u>
Cash and equivalents, end of the year	<u><u>\$ 359,447</u></u>	<u><u>\$ 608</u></u>

Cash and equivalents are represented by cash in bank.

The accompanying notes are an integral part of this statement.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

December 31, 2014

GENERAL INFORMATION

Incorporation -

The Society was incorporated on March 5, 2013 under the Society Act of British Columbia.

On March 10, 2014 the City of Surrey passed bylaw #18105 to establish the Newton Business Improvement Area. This area is geographically located near the intersection of King George Boulevard and 72nd Street in Surrey, British Columbia, extending for several blocks North and South. Bylaw #18105 provides for an annual grant of \$400,000 for each of the first five years of operation, being the years 2014 through 2018, and will remain in effect until March 31, 2019.

Statement of purpose -

Newton Business Improvement Association (the Association) was established for the following purposes:

- (a) to conduct studies and make reports respecting the advancement of projects, plans or improvements designed to benefit the Newton Business Improvement Area (the Area) and carrying out all the studies incidental to the objective of the Association, and to further these goals;
- (b) to improve, beautify or maintain streets and sidewalks in the Area;
- (c) to promote conservation of heritage property in the Area;
- (d) to encourage and promote commercial business development and entertainment, sports and cultural activities within the Area; and
- (e) to create a pleasant environment in the Newton Business Improvement Area.

Annual budget -

Bylaw #18105 specifies that an annual budget shall be submitted to City Council for approval, based on a fiscal year commencing April 1st, and which contains information sufficient in detail to describe all anticipated expenses and revenues, and which has been approved by a majority of members present at the annual general meeting of the Association. The attached 2014 annual budget, included in the Schedule of Program Expenses, was approved by the founding directors of the Association and accepted by City Council at first reading of the Bylaw on November 12, 2013.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

December 31, 2014

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SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

Fund accounting -

The society follows the restricted fund method of accounting for contributions.

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

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the society's capital asset acquisition activities. The society had no capital assets as at December 31, 2014.

All funds received by the society from the City of Surrey property tax levy are restricted to the stated purposes of the society and the expenses and revenues described in the approved budget.

Use of estimates -

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Revenue recognition -

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. The society employs the percentage completion method to account for revenues.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

December 31, 2014

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Financial instruments -

Measurement of financial instruments

The society initially measures its financial assets and liabilities at fair value.

The society subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, amounts receivable. Financial liabilities measured at amortized costs include, accounts payable, and other accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Transaction costs

The society recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Capital assets -

Equipment acquisitions are recorded at cost. The society amortizes asset costs on the basis of their useful life.

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

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

(Audited)

December 31, 2014

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Note 1. Start-up

Operations of the society in fiscal 2014 are at the start-up phase, consisting of costs to hire staff and obtain premises and supplies. Expenditures relating to programs have not commenced. The initial property tax levy was received June 22, 2014.

Note 2. Deferred revenue

Budgeted revenues and expenses relate to a fiscal year ended March 31. At December 31, 2014 revenues amounting to 25% of the annual budget relate to fiscal 2015 activities. \$100,000 was deferred to account for this timing difference, less \$12,000 for start-up costs incurred in 2014 and which benefit the whole of the budget year.

In this first year of operations, budgets for Area Enhancement, Business relations / memberships, Marketing & communications, and Safety were not spent because the programs have not been activated. \$262,000 was deferred to account for this difference.

Note 3. Economic dependence

The society derives all revenues from a property tax levy on businesses located in the Newton Business Improvement Area, as defined by the City of Surrey.

Note 4. Lease commitment

The society has committed to lease office space for a five year term expiring September 15, 2019. The lease payments are as follows for each fiscal year:

2015	\$ 22,522
2016	23,833
2017	24,540
2018	24,680
2019	<u>17,723</u>
	<u>\$ 113,298</u>

Note 5. Comparative figures

The comparative figures are for the seven months ended December 31, 2013.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Schedule of Program Expenses
For the Year Ended **December 31, 2014**

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	<u>Actual</u> <u>2 0 1 4</u>	<u>Budget</u> <u>2 0 1 4</u>	(Note 5) <u>2 0 1 3</u>
Area enhancement			
Area enhancement projects	\$ -	\$ 20,000	\$ -
Clean streets	-	35,000	-
Graffiti removal program	-	25,000	-
	<u>-</u>	<u>25,000</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>
Business relations / memberships			
BIABC membership	\$ -	\$ 500	\$ -
Business recruitment	-	3,000	-
Education / conferences	-	2,500	-
Industry memberships	-	1,000	-
Member communications	-	2,500	\$ -
Student scholarship & internship program	-	1,000	-
	<u>-</u>	<u>1,000</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 10,500</u>	<u>\$ -</u>
Facilities and office			
Advertising and promotion	\$ 329	\$ -	\$ 2,156
Annual General Meeting	-	2,000	-
Bank charges	87	-	36
Consulting fees	-	-	23,062
Equipment repairs and maintenance	550	-	-
Meetings	190	-	998
Insurance	3,071	1,500	2,750
License and memberships	60	-	32
Office supplies and materials	4,221	7,000	979
Professional fees	3,848	2,500	100
Rent	6,539	24,000	221
Telephone	254	-	-
Travel	5	-	1,909
Wages and benefits	30,386	101,000	-
	<u>30,386</u>	<u>101,000</u>	<u>-</u>
	<u>\$ 49,540</u>	<u>\$ 138,000</u>	<u>\$ 32,243</u>

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Schedule of Program Expenses
For the Year Ended **December 31, 2014**

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	<u>Actual</u> <u>2 0 1 4</u>	<u>Budget</u> <u>2 0 1 4</u>	(Note 5) <u>2 0 1 3</u>
Marketing & communications			
Advertising and promotion	\$ -	\$ 15,000	\$ -
Brochures & flyers	-	8,000	-
Co-op advertising	-	2,500	-
Promotions, special and member events	-	35,000	-
Website development and maintenance	-	5,000	-
	<u>\$ -</u>	<u>\$ 65,500</u>	<u>\$ -</u>
 Safety			
Surrey crime reduction strategies	\$ -	\$ 100,000	\$ -
Safety projects / initiatives	-	6,000	-
	<u>\$ -</u>	<u>\$ 106,000</u>	<u>\$ -</u>