

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Financial Statements

December 31, 2015



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, 2015**, 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.

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, 2015**, 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.

As required by Part 5, Section 47, of the Society 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.

Bouchard + Company

CHARTERED PROFESSIONAL ACCOUNTANTS



Surrey, BC

February 18, 2016

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Financial Position
As at **December 31, 2015**

	<u>2015</u>	(Note 1) <u>2014</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 480,346	\$ 359,447
GST receivable	<u>3,960</u>	<u>866</u>
	484,306	360,313
Security deposit	<u>2,189</u>	<u>2,189</u>
	<u>\$ 486,495</u>	<u>\$ 362,502</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 10,682	\$ 10,685
Deferred revenue (Note 1)	<u>100,000</u>	<u>100,000</u>
	<u>110,682</u>	<u>110,685</u>
NET ASSETS		
General Fund	375,813	251,817
Capital Asset Fund	<u>-</u>	<u>-</u>
	<u>375,813</u>	<u>251,817</u>
	<u>\$ 486,495</u>	<u>\$ 362,502</u>

Approved by the Directors:


 _____ Director

 _____ Director

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, 2015**

	<u>2015</u>	(Note 1) <u>2014</u>
Revenues		
Property tax levy	\$ 400,000	\$ 300,000
Student intern grant	6,560	-
Event sponsorship income	<u>7,872</u>	<u>-</u>
	<u>414,432</u>	<u>300,000</u>
Expenses		
Advertising and promotion	5,441	329
Area enhancement	59,244	-
Bank charges and interest	109	87
Dues and subscriptions	1,059	-
Equipment rental	10,486	-
Events	24,602	-
Grants and contributions	3,000	-
Insurance	2,774	3,071
Meetings and conferences	3,679	250
Office	8,956	4,221
Professional fees	6,265	3,848
Rent	23,096	6,539
Repairs and maintenance	121	550
Sponsorships	3,500	-
Telephone	98	254
Travel	691	5
Wages and benefits	130,782	30,386
Website	<u>6,533</u>	<u>-</u>
	<u>290,436</u>	<u>49,540</u>
Excess of revenues over expenses	<u>\$ 123,996</u>	<u>\$ 250,460</u>

The accompanying notes are an integral part of this statement.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
 Statement of Changes in Net Assets
 For the Year Ended **December 31, 2015**

	<u>General Fund</u>	<u>Capital Asset Fund</u>	<u>2015 Total</u>
Balance, beginning of the year	\$ 251,817	\$ -	\$ 251,817
Excess of revenues over expenses for the year	<u>123,996</u>	<u>-</u>	<u>123,996</u>
Balance, end of the year	<u>\$ 375,813</u>	<u>\$ -</u>	<u>\$ 375,813</u>

	<u>General Fund</u>	<u>Capital Asset Fund</u>	(Note 1) <u>2014 Total</u>
Balance, beginning of the year	\$ 1,357	-	\$ 1,357
Excess of revenues over expenses for the year	<u>250,460</u>	<u>-</u>	<u>250,460</u>
Balance, end of the year	<u>\$ 251,817</u>	<u>-</u>	<u>\$ 251,817</u>

The accompanying notes are an integral part of this statement.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Cash Flows
December 31, 2015

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash receipts	\$ 414,432	\$ 400,000
Cash paid to suppliers, contractors and employees	(293,424)	(41,074)
Bank charges and interest	<u>(109)</u>	<u>(87)</u>
	<u>120,899</u>	<u>358,839</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	120,899	358,839
Cash and equivalents, beginning of the year	<u>359,447</u>	<u>608</u>
Cash and equivalents, end of the year	<u><u>\$ 480,346</u></u>	<u><u>\$ 359,447</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, 2015

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 2015 annual budget, included in the Schedule of Program Expenses, was approved by the directors of the Association and accepted by City Council.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Notes to Financial Statements
December 31, 2015

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SIGNIFICANT ACCOUNTING POLICIES

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

Fund accounting -

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

The General Fund accounts for the Association'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 Association's equipment acquisition activities. The society had no capital assets as at December 31, 2015.

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 -

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 to account for revenues.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Notes to Financial Statements
December 31, 2015

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Financial instruments -

Measurement of financial instruments

The Association's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. Financial instruments are initially measured at fair value and subsequently at amortized cost.

Equipment -

Equipment acquisitions over \$1,500 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.

Note 1. Deferred revenue

The property tax levy received fiscal 2015 relates to the period April 1, 2015 to March 31, 2016 as outlined in the City of Surrey Bylaw #18105. At December 31, 2015, revenues amounting to 25% of the levy relate to fiscal 2016 activities. Using the percentage-of-completion method, \$100,000 was deferred to account for this timing difference.

The 2014 comparative figures have been restated retrospectively due to an accounting policy change related to programs not yet activated. Deferred revenue was initially recorded at \$350,000 in fiscal 2014 and has been restated to \$100,000 to reflect this change. This has no effect on assets or expenses of the Association. The net result of the restatement is to increase net assets and decrease deferred revenue of the Association by \$250,000 in fiscal 2015.

It is management's intention to spend the excess of revenues over expenses accumulated in fiscal 2014 & 2015 over the next 3 years, including \$107,550 budgeted for fiscal 2016.

Note 2. Economic dependence

The society derived 97% (100%) of its revenues in fiscal 2015 (2014) from a property tax levy on businesses located in the Newton Business Improvement Area, as defined by the City of Surrey.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Notes to Financial Statements
December 31, 2015

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Note 3. Commitments

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:

2016	23,833
2017	24,540
2018	24,680
2019	<u>17,723</u>
	<u>\$ 90,776</u>

Note 4. Related Party Transactions

During the year, the Association purchased an insurance policy for \$2,577 (2014 - \$2,575) from Co-operators through JSB Insurance Agency, a company controlled by one of the directors. The Association's rent of \$23,096 (2014 - \$6,539) was paid to A.L. Scott Financial Inc. of Value Property Group, a company for which one of the directors is a property manager. These transactions occurred in the normal course of business and were measured at the exchange amounts.

Note 5. Financial Instruments**Credit risk**

Cash and cash equivalents potentially expose the Association to credit risk. The Association reduces its risk of loss by holding the cash and cash equivalents with a Canadian chartered bank.

Liquidity risk

The Association's liquidity risk is very low as it holds all of its cash and cash equivalents in bank account with no term restrictions. Management and the board regularly review cash flows to ensure that funds are available to meet obligations as they become due.

Interest rate risk

The Association is not exposed to interest rate risk as all of its cash and cash equivalents are held in a non-interest bearing bank account and it does not have any debt instruments.

Foreign exchange risk

The Association is not exposed foreign exchange risk as all of its revenue and expenses are incurred in Canadian dollars.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
 Schedule of Program Expenses
 For the Year Ended **December 31, 2015**

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	<u>Actual</u> <u>2015</u>	<u>Budget</u> <u>2015</u>	<u>Actual</u> <u>2014</u>
Business relations & memberships			
Member communications	\$ -	\$ 2,500	\$ -
Industry memberships	1,059	1,000	-
Business recruitment	-	3,000	-
Education / conferences	3,804	2,500	-
BIABC membership	-	500	\$ -
Student scholarship & internship program	-	1,000	-
	<u>\$ 4,863</u>	<u>\$ 10,500</u>	<u>\$ -</u>
Marketing & communications			
Promotions, special events and member events	\$ 40,283	\$ 35,000	\$ -
Advertising	5,412	15,000	-
Co-op advertising opportunities	-	2,500	-
Brochure & flyers	-	8,000	-
Website & social media	6,533	5,000	-
	<u>\$ 52,228</u>	<u>\$ 65,500</u>	<u>\$ -</u>
Safety and Street Enhancement			
Surrey crime prevention	\$ 3,000	\$ 100,000	\$ -
Safety resources	-	6,000	-
Street cleaning	8,886	35,000	-
Graffiti management and mural program	42,972	25,000	-
Miscellaneous area enhancement	15,805	20,000	-
	<u>\$ 70,663</u>	<u>\$ 186,000</u>	<u>\$ -</u>
Administration			
Initial setup	7,446	5,000	3,510
Audit & bookkeeping	6,265	2,500	3,848
Insurance	2,774	1,500	3,071
Annual general meeting	-	2,000	-
Office space	23,096	24,000	6,539
Miscellaneous office	739	2,000	2,186
Wages	99,075	101,000	30,256
Other payroll & CRA remittances	23,287	-	130
	<u>\$ 162,682</u>	<u>\$ 138,000</u>	<u>\$ 49,540</u>