

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Financial Statements

December 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Newton Business Improvement Association

We have audited the accompanying financial statements of Newton 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 flow 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.

(continues)

Independent Auditor's Report to the Members of Newton Business Improvement Association *(continued)*

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, 2017 and the results of its operations and its cash flow 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 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.

Surrey, British Columbia
January 26, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Financial Position
December 31, 2017

| | 2017 | 2016 |
|------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 372,828 | \$ 432,288 |
| Goods and services tax recoverable | 9,529 | 9,704 |
| Prepaid expenses | 1,787 | - |
| Security deposit | 2,189 | 2,189 |
| | <u>\$ 386,333</u> | <u>\$ 444,181</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 24,487 | \$ 29,195 |
| Deferred income | 100,000 | 100,000 |
| | <u>124,487</u> | <u>129,195</u> |
| NET ASSETS | | |
| General fund | <u>261,846</u> | <u>314,986</u> |
| | <u>\$ 386,333</u> | <u>\$ 444,181</u> |

Approved by the Directors:

_____ Director

_____ Director

See notes to financial statements

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Operations
Year Ended December 31, 2017

| | 2017 | 2016 |
|--|--------------------|--------------------|
| Revenue | | |
| Property tax levy | \$ 400,000 | \$ 400,000 |
| Event sponsorship income | 12,043 | 8,424 |
| Student intern grant | 13,671 | 14,666 |
| | <u>425,714</u> | <u>423,090</u> |
| Operating expenses | | |
| Advertising and promotion | 5,731 | 20,111 |
| Area enhancement | 69,868 | 61,215 |
| Business taxes, licenses and memberships | 1,315 | 315 |
| Events | 42,291 | 33,916 |
| Government relations | 12,422 | - |
| Insurance | 1,455 | 2,610 |
| Interest and bank charges | 84 | 191 |
| Meetings and conventions | 2,565 | 4,009 |
| Office | 7,101 | 4,889 |
| Professional fees | 7,576 | 7,606 |
| Rental | 24,837 | 24,315 |
| Safety patrol, projects and initiatives | 165,634 | 164,003 |
| Salaries and wages | 138,205 | 160,735 |
| | <u>479,084</u> | <u>483,915</u> |
| Deficiency of revenue over operating expenses before other income | (53,370) | (60,825) |
| Other income | | |
| Interest income | 230 | - |
| Deficiency of revenue over operating expenses | \$ (53,140) | \$ (60,825) |

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Changes in Net Assets
 Year Ended December 31, 2017

| | General Fund | Capital Asset Fund | 2017 | 2016 |
|---------------------------------------|-----------------|-----------------------|------------|------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 314,986 | \$ - | \$ 314,986 | \$ 375,811 |
| Excess of revenue over expenses | (53,140) | - | (53,140) | (60,825) |
| NET ASSETS - END OF YEAR | \$ 261,846 | \$ - | \$ 261,846 | \$ 314,986 |

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Cash Flow
Year Ended December 31, 2017

| | 2017 | 2016 |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Deficiency of revenue over operating expenses | \$ (53,140) | \$ (60,825) |
| Changes in non-cash working capital: | | |
| Accounts payable | (4,708) | 18,511 |
| Prepaid expenses | (1,787) | - |
| Goods and services tax payable | 175 | (5,744) |
| | <u>(6,320)</u> | <u>12,767</u> |
| DECREASE IN CASH FLOW | (59,460) | (48,058) |
| Cash - beginning of year | <u>432,288</u> | <u>480,346</u> |
| CASH - END OF YEAR | \$ 372,828 | \$ 432,288 |

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

1. PURPOSE OF THE ASSOCIATION

Newton Business Improvement Association (the "Association") was incorporated under the Society Act of British Columbia on March 5, 2013. 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.

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.

2. BASIS OF PRESENTATION

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

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

Newton Business Improvement Association follows the deferral 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 Newton Business Improvement Association's equipment acquisition activities. Due to the small nature of the Association, it currently follows a policy whereby tangible capital are expensed when acquired. During the year, office furniture which included a conference table, shelving and a whiteboard were purchased for \$2,589. Additionally, various signage, cones and barricades were purchase for a total of \$3,592. These amounts were expensed during the year.

Revenue recognition

Property tax levy and student intern grant revenue is recorded using the percentage-of-completion method. The Association recognizes sponsorship revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

Cash and cash equivalents

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

Financial instruments policy

The Association's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets and liabilities are measured at amortized cost.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

4. RELATED PARTY TRANSACTIONS

During the year, the Association purchased an insurance policies for \$3,063 (2016 - \$2,610) from Co-operators through JSB Insurance Agency, a company controlled by one of the directors. The Association's rent of \$24,837 (2016 - \$24,315) was paid to A.L. Scott Financial Inc. of Value Property Group, a company for which one of directors is a property manager. These transactions occurred in the normal course of business and were measured at the exchange amounts.

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, \$2,153.37 (2016 - \$2,140.20) is included within accounts payable and accrued liabilities.

6. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure as of December 31, 2017.

(a) Credit risk

The financial instruments that potentially expose the Association to a concentration of credit risk are cash and cash equivalents. The Association reduces its risk of loss by holding cash and cash equivalents with a Canadian chartered bank.

(b) 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 and holding all of its cash and cash equivalents in a bank account with no term restrictions.

(c) Foreign exchange risk

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

(d) Interest rate risk

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

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2017

7. COMMITMENTS

The Association has a long-term lease agreement for office space that expires September 15, 2019. Future minimum lease payments under this operating lease

Contractual obligation repayment schedule:

| | | |
|------|----|---------------|
| 2018 | \$ | 24,538 |
| 2019 | | 16,359 |
| | | <hr/> |
| | \$ | <u>40,897</u> |

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year presentation.