

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Financial Statements

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Newton Business Improvement Association

Opinion

We have audited the financial statements of Newton Business Improvement Association (the Association), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flow 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 December 31, 2018, 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.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 relating 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

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

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.
- 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.

Bouchard & Company

Surrey, British Columbia
February 20, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Statement of Financial Position

December 31, 2018

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 323,346	\$ 372,828
Accounts receivable	3,000	-
GST receivable	12,308	9,529
Prepaid expenses	1,815	1,787
	<u>340,469</u>	<u>384,144</u>
Security deposit	2,189	2,189
	<u>\$ 342,658</u>	<u>\$ 386,333</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 35,356	\$ 24,487
Deferred revenue	100,000	100,000
	<u>135,356</u>	<u>124,487</u>
NET ASSETS		
General fund	<u>207,302</u>	<u>261,846</u>
	<u>\$ 342,658</u>	<u>\$ 386,333</u>

Approved by the Directors:

Director

Director

See notes to financial statements

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Operations
Year Ended December 31, 2018

	2018	2017
Revenue		
Property tax levy	\$ 400,000	\$ 400,000
Event sponsorships	19,875	12,043
Student intern grant	11,978	13,671
Interest income	276	230
	<u>432,129</u>	<u>425,944</u>
Operating expenses		
Advertising and promotion	688	5,470
Area enhancement	66,721	69,868
Business taxes, licenses and memberships	426	1,576
Events	59,143	42,291
Government relations	13,770	12,422
Insurance	3,084	1,455
Interest and bank charges	-	83
Meetings and conventions	6,205	2,565
Office	5,143	7,102
Professional fees	8,501	7,576
Rental	24,480	24,837
Safety patrol, projects and initiatives	164,957	165,634
Salaries and wages	133,555	138,205
	<u>486,673</u>	<u>479,084</u>
Deficiency of revenue over operating expenses	<u>\$ (54,544)</u>	<u>\$ (53,140)</u>

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Changes in Net Assets
Year Ended December 31, 2018

	General Fund		Capital Asset Fund		2018	2017
NET ASSETS - BEGINNING OF YEAR	\$	261,846	\$	-	\$ 261,846	\$ 314,986
Excess of revenue over expenses		(54,544)		-	(54,544)	(53,140)
NET ASSETS - END OF YEAR	\$	207,302	\$	-	\$ 207,302	\$ 261,846

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Cash Flow
Year Ended December 31, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over operating expenses	\$ (54,544)	\$ (53,140)
Changes in non-cash working capital:		
Accounts receivable	(3,000)	-
Accounts payable and accrued liabilities	10,869	(4,708)
Prepaid expenses	(28)	(1,787)
GST receivable	(2,779)	175
	<u>5,062</u>	<u>(6,320)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(49,482)	(59,460)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	372,828	432,288
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 323,346	\$ 372,828

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

1. PURPOSE OF THE ASSOCIATION

Newton Business Improvement Association (the "Association") was incorporated under the Society Act of British Columbia on March 5, 2013. As a non-profit organization, the Association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act. 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. In December 2019, Surrey City Council approved a five-year renewal of the Newton BIA through 2023. The BIA's annual levy will increase to \$500,000 starting in 2019 and will rise by three percent per year until 2023.

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 (ASNPO).

3. SIGNIFICANT ACCOUNTING POLICIES

(continues)

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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, a laptop and other computer related items were purchased for \$2,254 including GST.

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, 2018

4. RELATED PARTY TRANSACTIONS

During the year, the Association purchased an insurance policies for \$3,112 (2017 - \$3,063) from Co-operators through JSB Insurance Agency, a company controlled by one of the board members. The Association's rent of \$24,480 (2017 - \$24,837) was paid to A.L. Scott Financial Inc. of Value Property Group, a company for which one of the board members is a property manager. Printing services in the amount of \$5,413 (2017 - \$4,804) were purchased from The UPS Store which is controlled by a board member. 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, \$2,354 (2017 - \$2,153) 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, 2018.

(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 Canada's largest community credit union.

(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.

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NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

6. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

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

7. COMMITMENTS

The Association has a long-term lease agreement for office space that has been extended to September 14, 2021 with a renewal option for a term of five years. Future minimum lease payments under this operating lease are shown below.

Contractual obligation repayment schedule:

2019	\$	25,817
2020		26,403
2021		18,966
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	\$	71,186

8. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

Division 2, Section 36 of the Societies Act of British Columbia requires the Association to disclose any remuneration paid to members of the Board of Directors and remuneration to employees and contractors of \$75,000 or more. No remuneration was paid to any members of the Board of Directors. The Association had one employee meeting this threshold and total remuneration for fiscal 2018 was \$75,469.

9. COMPARATIVE FIGURES

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