

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Financial Statements

Year Ended December 31, 2019

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

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Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Newton Business Improvement Association

Report on the Financial Statements

Opinion

I have audited the financial statements of Newton Business Improvement Association (the Association), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, 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.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Association in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The financial statements for the year ended December 31, 2018 were audited by another auditor.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, I report that, in my opinion, the Society's financial statements have been prepared consistent with Canadian accounting standards for not-for-profit organizations.

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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:


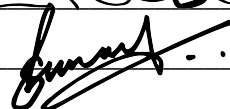
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 326,494	\$ 323,347
Accounts receivable	3,000	3,000
Goods and services tax recoverable	9,381	12,308
Prepaid expenses	1,869	1,815
Security deposits	2,189	2,189
	\$ 342,933	\$ 342,659
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 24,110	\$ 28,828
Employee deductions payable	3,608	6,530
Deferred income	100,000	100,000
	127,718	135,358
NET ASSETS		
General fund	215,215	207,301
	\$ 342,933	\$ 342,659

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

The accompanying notes form an integral
 part of these financial statements

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Revenues and Expenditures
Year Ended December 31, 2019

	2019	2018
REVENUES		
Property tax levy	\$ 500,000	\$ 400,000
Event sponsorships	36,500	19,875
Student intern grant	6,661	11,978
	543,161	431,853
EXPENSES		
Advertising and promotion	2,323	688
Insurance	3,142	3,084
Meetings and conventions	3,057	6,205
Office	4,432	5,142
Business taxes, licenses and memberships	2,490	426
Government relations	14,915	13,770
Events	82,908	59,143
Area enhancement	78,544	66,721
Safety patrol, projects and initiatives	172,245	164,957
Professional fees	7,803	8,501
Rental	24,799	24,480
Salaries and wages	138,876	133,555
	535,534	486,672
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	7,627	(54,819)
INTEREST INCOME	287	276
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 7,914	\$ (54,543)

The accompanying notes form an integral
part of these financial statements

NEWTON BUSINESS IMPROVEMENT ASSOCIATION
Statement of Changes in Net Assets
Year Ended December 31, 2019

	General Fund	Capital Asset Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 207,301	\$ -	\$ 207,301	\$ 261,844
EXCESS OF REVENUES OVER EXPENSES	7,914	-	7,914	(54,543)
NET ASSETS - END OF YEAR	\$ 215,215	\$ -	\$ 215,215	\$ 207,301

The accompanying notes form an integral
part of these financial statements

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 7,914	\$ (54,543)
Changes in non-cash working capital:		
Accounts receivable	-	(3,000)
Accounts payable	(4,718)	6,492
Prepaid expenses	(54)	(28)
Goods and services tax payable	2,927	(2,779)
Employee deductions payable	(2,922)	4,377
	(4,767)	5,062
INCREASE (DECREASE) IN CASH FLOW	3,147	(49,481)
Cash - beginning of year	323,347	372,828
CASH - END OF YEAR	\$ 326,494	\$ 323,347

The accompanying notes form an integral part of these financial statements

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

1. DESCRIPTION OF BUSINESS

The Newton Business Improvement Association (the "Association" or "NBIA") 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 in each direction.

In December 2019 Surrey City Council approved a five-year renewal of the NBIA. Bylaw #18105 provides for an annual grant of \$500,000, as of December 2019. Previously the grant amount was \$400,000 per year. The NBIA's annual levy of \$500,000 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;

(b) to improve, beautify or maintain streets and sidewalks in the Area;

(c) to conserve heritage property in the Newton Business Improvement 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 (ASNFPPO).

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

Newton Business Improvement Association follows the deferral method of accounting for contributions.

General Fund

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

Capital Asset Fund

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 size of the Association, it currently follows a policy whereby tangible capital is expensed when acquired. During the year no tangible capital assets were acquired.

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

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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 financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

4. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises from the potential that contributors will fail to fund the annual tax levy, sponsorships and grants. There is a concentration of credit in cash and cash equivalents balances held with a financial institution. The association attempts to mitigate this risk by holding assets with a large credit union. The annual levy is approved in the City of Surrey bylaws until 2023 which also reduces the risk.

Fair Value

The Association's carrying value of cash, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

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.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Association is exposed to interest rate risk on its cash and cash equivalents.

5. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

Part 4, 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 member of the Board of Directors. The Association had one employee meeting this threshold and total remuneration for fiscal 2019 was \$80,078 (2018 - \$75,469).

6. RELATED PARTY TRANSACTIONS

During the year, the Association purchased insurance policies for \$3,196 (2018 - \$3,112) from Co-operators through JSB Insurance Agency, a company formerly controlled by one of the board members.

The Association's rent of \$24,799 (2018 - \$24,480) 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 \$3,444 (2018 - \$5,413) 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.

NEWTON BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

7. CONTRACTUAL OBLIGATIONS

The Association has a long-term 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 as follows

Contractual obligation repayment schedule:

2020	\$	26,403
2021		<u>18,966</u>
	\$	<u>45,369</u>

8. ECONOMIC DEPENDENCE

The Association receives 92% (2018 - 92%) of its funding from the City of Surrey. Should the City not approve future funding or substantially change its dealings with the Association, management is of the opinion that continued viable operations would be doubtful. At present, the City of Surrey is committed to funding the Association up to 2023.

9. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform to the presentation adapted for the current year.
