

Downtown Surrey Business Improvement Association
Financial Statements
December 31, 2023

Downtown Surrey Business Improvement Association Contents

For the year ended December 31, 2023

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To the Members of Downtown Surrey Business Improvement Association:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Downtown Surrey Business Improvement Association (the "Association"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2023, 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

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

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 related 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

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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Surrey, British Columbia

February 9, 2024

MNP LLP

Chartered Professional Accountants

Downtown Surrey Business Improvement Association

Statement of Financial Position

As at December 31, 2023

	2023	2022
Assets		
Current		
Cash and cash equivalents	1,081,739	1,005,480
Short-term investment (Note 3)	28,000	-
Accounts receivable	-	6,456
Goods and services tax receivable	16,992	18,236
Prepaid expenses	5,161	7,619
	1,131,892	1,037,791
Security deposit	3,147	3,147
Equipment (Note 4)	9,611	12,399
	1,144,650	1,053,337
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	44,266	69,844
Deferred revenue (Note 5)	356,613	337,119
	400,879	406,963
Commitments (Note 7)		
Net Assets		
General Fund	734,160	633,975
Capital Assets Fund	9,611	12,399
	743,771	646,374
	1,144,650	1,053,337

Approved on behalf of the Board

e-Signed by Nissar Dalal

2024-02-09 10:41:39:39 PST

Director

e-Signed by Perminder Tung

2024-02-08 14:25:23:23 PST

Director

The accompanying notes are an integral part of these financial statements

Downtown Surrey Business Improvement Association Statement of Operations

For the year ended December 31, 2023

	2023	2022
Revenue		
Property tax levy	1,291,322	1,220,987
Student intern grant	10,000	93,815
Event sponsorships	36,411	38,143
Other income	40,637	13,652
	1,378,370	1,366,597
Expenses		
Amortization	2,788	3,649
Area enhancement	106,433	118,180
Bad debts	-	4,340
Board of directors expenses	27,805	24,768
Economic development	42,509	88,708
Events	90,451	94,237
Facilities and office <i>(Note 5)</i>	202,235	183,576
Finance and audit <i>(Note 5)</i>	27,474	16,099
Government relations	13,566	15,845
Marketing and communications	74,416	95,233
Member services	18,103	18,641
Safety	220,356	194,695
Salaries, wages and benefits	454,837	573,341
	1,280,973	1,431,312
Excess (deficiency) of revenue over expenses	97,397	(64,715)

The accompanying notes are an integral part of these financial statements

Downtown Surrey Business Improvement Association
Statement of Changes in Net Assets

For the year ended December 31, 2023

	<i>General Fund</i>	<i>Capital Asset Fund</i>	2023	<i>2022</i>
Net assets, beginning of year	633,975	12,399	646,374	711,089
Excess (deficiency) of revenue over expenses	100,185	(2,788)	97,397	(64,715)
Net assets, end of year	734,160	9,611	743,771	646,374

The accompanying notes are an integral part of these financial statements

Downtown Surrey Business Improvement Association

Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	97,397	(64,715)
Amortization	2,788	3,649
	100,185	(61,066)
Changes in working capital accounts		
Accounts receivable	6,456	140,369
Goods and services tax receivable	1,244	(3,674)
Prepaid expenses	2,458	(4,856)
Accounts payable and accrued liabilities	(25,578)	54,360
Deferred revenue	19,494	11,854
	104,259	136,987
Investing		
Purchase of short-term investments	(28,000)	-
Decrease in short-term investments	-	27,862
	(28,000)	27,862
Increase in cash resources	76,259	164,849
Cash resources, beginning of year	1,005,480	840,631
Cash resources, end of year	1,081,739	1,005,480

The accompanying notes are an integral part of these financial statements

Downtown Surrey Business Improvement Association

Notes to the Financial Statements

For the year ended December 31, 2023

1. Incorporation and nature of the organization

Downtown Surrey Business Improvement Association (the "Association") was incorporated on January 9, 2002 under the Societies Act of British Columbia. On March 24, 2003, the City of Surrey passed bylaw #14923 to establish the Whalley Business Improvement area. This area is geographically located in the downtown core of Surrey, British Columbia.

The name of the Association was changed from the Whalley Business Association Society to Whalley Business Improvement Association on November 17, 2004. The Association's name was further changed to Downtown Surrey Business Improvement Association on October 5, 2007.

The Association's purpose of Organization and its intended community of service is:

- a) to develop, encourage and promote trade and commerce in Downtown Surrey;
- b) to sponsor and organize promotions and events in order to attract people to Downtown Surrey;
- c) to create a more viable business atmosphere in Downtown Surrey;
- d) to promote matters of common concern and interest to businesses and property owners in the Downtown Surrey area;
- e) to conduct studies of, and advance projects, plans or improvements designed to benefit the Association;
- f) to co-operate with and aid any persons, body, group, or association in projects designed to benefit the Association; and
- g) to raise revenue to carry out the purposes of the Association.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Association follows the deferral method of accounting for contributions and reports using fund accounting, and maintains two funds: the General Fund and the Capital Asset Fund.

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

The Capital Fund reports the Association's assets, liabilities, revenue and expenses related to the Association's capital asset activities.

Revenue recognition

The Association uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Sponsorship revenue is recognized as revenue when there is persuasive evidence that an arrangement exists, the related expense has occurred, the price is fixed or determinable and collection is reasonably assured.

Property tax levy is recorded over the term of the contribution.

Student intern grant and other revenue is recorded as the services are performed and collectability is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Downtown Surrey Business Improvement Association

Notes to the Financial Statements

For the year ended December 31, 2023

2. Significant accounting policies *(Continued from previous page)*

Short-term investments

Short-term investments consist of term deposits or guaranteed investment certificates maturing within one year. The investments are designated as held-to-maturity and recorded at amortized cost. Interest income is recognized over the life of the instruments using the effective interest method. The carrying amount of the investments at year-end approximate their fair value.

Equipment

Purchased equipment is recorded at cost. Contributed equipment is recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the methods below at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	declining balance	30 %
Equipment	declining balance	20 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	5 years

Financial instruments

The Association recognizes financial instruments when the Association becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Association may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Association has not made such an election during the year.

Investments in equity instruments not quoted in an active market.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Association initially measures financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at cost on initial recognition.

When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

The Association has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

The Association subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess (deficiency) of revenue over expenses.

Downtown Surrey Business Improvement Association

Notes to the Financial Statements

For the year ended December 31, 2023

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when there are numerous assets affected by the same factors. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Association reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Association reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the statement of financial position date.

Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess (deficiency) of revenue over expenses in the year the reversal occurs.

3. Short-term investment

The short-term investment consists of a term deposit with an interest rate of 5.12% and a maturity date of June 13, 2024.

4. Equipment

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	16,689	14,545	2,144	3,063
Computer software	2,546	2,546	-	-
Equipment	11,299	10,091	1,208	1,511
Furniture and fixtures	67,689	62,523	5,166	6,459
Leasehold improvements	3,707	2,614	1,093	1,366
	101,930	92,319	9,611	12,399

Downtown Surrey Business Improvement Association

Notes to the Financial Statements

For the year ended December 31, 2023

5. Related party transactions

During the year, the following related party transactions occurred:

- a) The Association incurred payroll and bookkeeping services of \$1,230 (2022 - \$1,508), which are included in facilities and office expense, to David Pel & Company, a company controlled by a director of the Association.
- b) The Association incurred information technology costs of \$Nil (2022 - \$403), which are included in facilities and office expense, to Sprite Multimedia Systems Ltd., a company controlled by a director of the Association.
- c) Included in deferred revenue is a contribution from the Surrey International Marathon Society (the Society) of \$28,909 (2022 - \$28,909). The Chief Executive Officer and Manager of the Association were directors of the Society.
- d) The Association incurred accounting services of \$6,765 (2022 - \$6,765), which are included in facilities and office expense, to Affinity Accountants LLP, a company associated with one of the directors of the Association. Included in accounts payable and accrued liabilities is the amount of \$578 (2022 - \$578), owing to Affinity Accountants LLP.

These transactions occurred in the normal course of business and were measured at the exchange amounts.

In accordance with the bylaws of the Association, no remuneration has been paid to Directors.

6. Line of credit

The Association has an available demand credit facility with Toronto-Dominion Bank. The facility entitles the Association to borrow a maximum of \$150,000 (2022 - \$150,000) with interest at prime plus 1.50% (2022 - 1.50%) and is secured by all assets of the Association. The facility was not drawn upon as at December 31, 2023 (2022 - \$Nil).

7. Commitments

The Association as a lease agreement for office space which is terminating on March 31, 2028. The Association must also pay its proportionate share of property taxes and operating costs.

The Association's estimated minimum annual payments are as follows:

2024	53,533
2025	56,950
2026	58,089
2027	58,089
2028	14,522
	<hr/>
	241,183

Downtown Surrey Business Improvement Association

Notes to the Financial Statements

For the year ended December 31, 2023

8. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Association is exposed to interest rate cash flow risk with respect to cash and cash equivalents, and short-term investments.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association's exposure to liquidity risk is dependent on raising funds to meet commitments and sustain operations. The Association is required to fund itself annually from the period from December 31 to when funds are collected and received from the Association's business owners and property owners, which is normally August 31. Management minimizes its exposure to liquidity risk by creating a surplus in the general fund, and has obtained a line of credit (Note 5), as well as monitoring cash flows.

9. Economic dependence

The Association's primary source of revenue is the property tax levy from the City of Surrey. The Association's agreement with the City of Surrey to operate as a Business Improvement Association has a five year term that matures on March 31, 2028.