

Downtown Business Association of Edmonton

Financial statements
December 31, 2020



Independent auditor's report

To the Board of Directors of
Downtown Business Association of Edmonton

Opinion

We have audited the financial statements of **Downtown Business Association of Edmonton** [the "Association"], which comprise the statement of financial position as at December 31, 2020, and the statement of changes in net assets, statement of revenue and expenses and statement of 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, 2020, and its results of 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.

Ernst + Young LLP

Edmonton, Canada
March 18, 2021

Chartered Professional Accountants



Downtown Business Association of Edmonton

Statement of financial position

As at December 31

	2020	2019
	\$	\$
Assets		
Current		
Cash and cash equivalents	666,767	830,951
Short-term investments	205,087	205,346
Accounts receivable	9,873	14,404
Prepaid expenses and deposits	29,107	3,854
Total current assets	910,834	1,054,555
Capital assets, net <i>[note 3]</i>	21,529	37,245
	932,363	1,091,800
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	66,558	189,596
Deferred Business Improvement Area levy	260,225	306,147
Deferred grant revenue	43,180	—
Current portion of deferred lease inducement	4,574	4,575
Total current liabilities	374,537	500,318
Deferred lease inducement	—	4,574
Total liabilities	374,537	504,892
Commitments <i>[note 4]</i>		
Net assets		
Internally funded capital assets	21,529	37,245
Internally restricted for specific initiatives <i>[note 5]</i>	536,297	549,663
Total net assets	557,826	586,908
	932,363	1,091,800

See accompanying notes

On behalf of the Board:

Chair

Executive Director

Downtown Business Association of Edmonton

Statement of changes in net assets

Year ended December 31

	2020			
	Internally restricted			
	Internally funded capital assets	Specific initiatives	Unrestricted	Total
	\$	\$	\$	\$
Balance, beginning of the year	37,245	549,663	—	586,908
Deficiency of revenue over expenses	—	—	(29,082)	(29,082)
Purchases of capital assets	5,546	—	(5,546)	—
Disposal of capital assets	(1,448)	—	1,448	—
Amortization of capital assets	(19,814)	—	19,814	—
Transfers from specific initiatives <i>[note 5]</i>	—	(94,075)	94,075	—
Transfers to specific initiatives <i>[note 5]</i>	—	80,709	(80,709)	—
Balance, end of the year	21,529	536,297	—	557,826
	2019			
	Internally restricted			
	Internally funded capital assets	Specific initiatives	Unrestricted	Total
	\$	\$	\$	\$
Balance, beginning of the year	52,987	436,363	—	489,350
Excess of revenue over expenses	—	—	97,558	97,558
Purchases of capital assets	4,250	—	(4,250)	—
Amortization of capital assets	(19,992)	—	19,992	—
Transfers from specific initiatives <i>[note 5]</i>	—	(32,729)	32,729	—
Transfers to specific initiatives <i>[note 5]</i>	—	146,029	(146,029)	—
Balance, end of the year	37,245	549,663	—	586,908

See accompanying notes

Downtown Business Association of Edmonton

Statement of revenue and expenses

Year ended December 31

	2020	2019
	\$	\$
Revenue		
Business Improvement Area levy	1,224,586	1,224,586
Sponsorships <i>[note 6]</i>	46,489	293,990
Grant revenue	24,901	—
Advertising and events	—	28,430
Interest	3,084	4,067
	<u>1,299,060</u>	<u>1,551,073</u>
Expenses		
Special events and programs <i>[note 6]</i>	375,935	499,666
Public relations and marketing communications	244,980	270,358
Winter Lights program	84,445	120,846
Administration		
Salaries and employee benefits	409,762	355,726
Rent and occupancy costs	102,485	105,134
Office	31,075	28,118
Amortization of capital assets	19,814	19,992
Travel, training and recruitment	18,984	3,722
Professional fees	18,778	22,012
Insurance	8,461	3,350
Telephone and internet	4,254	4,414
Postage and courier	3,693	4,603
Bank charges	2,790	3,183
Conferences and meetings	2,686	12,391
	<u>1,328,142</u>	<u>1,453,515</u>
Excess (deficiency) of revenue over expenses	<u>(29,082)</u>	<u>97,558</u>

See accompanying notes

Downtown Business Association of Edmonton

Statement of cash flows

Year ended December 31

	2020	2019
	\$	\$
Operating activities		
Received from Business Improvement Area levy	1,178,664	1,530,733
Received from sales, programs, grants and special events	94,351	64,647
Amounts paid to vendors and employees	(1,436,444)	(1,203,885)
Interest received	3,343	4,508
Cash provided by (used in) operating activities	(160,086)	396,003
Investing activities		
Purchases of capital assets	(5,546)	(4,250)
Proceeds on sale of capital assets	1,448	—
Cash used in investing activities	(4,098)	(4,250)
Net change in cash and cash equivalents during the year	(164,184)	391,753
Cash and cash equivalents, beginning of the year	830,951	439,198
Cash and cash equivalents, end of the year	666,767	830,951

See accompanying notes

Downtown Business Association of Edmonton

Notes to financial statements

December 31, 2020

1. Nature of the organization

On November 26, 1985, the City of Edmonton Municipal Council passed a bylaw establishing the Downtown Edmonton Business Revitalization Zone [renamed Business Improvement Area effective January 1, 2017] and incorporating the Downtown Business Association of Edmonton [the "Association"] under the *Municipal Government Act*.

The mandate of the Association is to "support, enrich and connect Edmonton's Downtown Community." Its goals are to promote Downtown Edmonton's image and identity through events, attractions and marketing; to encourage planning and environmental standards for new developments; to promote beautification, safety and mobility; to provide leadership; and to communicate matters of concern to members, government officials and the public.

The Association is a not-for-profit organization within the meaning of the *Income Tax Act* (Canada) and is exempt from income taxes.

2. Summary of significant accounting policies

Basis of presentation

These financial statements were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting, "Accounting Standards for Not-for-Profit Organizations"*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and term deposits with initial maturity dates of less than 90 days.

Short-term investments

Short-term investments consist of term deposits with initial maturity dates of between 90 and 365 days.

Capital assets

Purchased tangible and intangible capital assets are recorded at acquisition cost. Contributed tangible and intangible capital assets are recorded at fair value at the date of contribution. Amortization is determined using the straight-line method over the estimated useful lives of the assets as follows:

Tangible

Office equipment and furniture	5 years
Computer equipment	3 years
Tenant improvements	Over the lease term

Intangible

Website	3 years
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Downtown Business Association of Edmonton

Notes to financial statements

December 31, 2020

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include grants and donations. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Grants are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts.

Contributions for the acquisition of capital assets are presented as “deferred contributions – capital” and are amortized to revenue on the same basis as the acquired capital assets are amortized.

Sponsorships and advertising are recognized when the services have been provided.

Contributed materials, services and facilities

The Association records contributed materials, services and facilities in those cases where:

- [a] The Association controls the way they are used;
- [b] There is a measurable basis for determining fair value; and
- [c] The services are essential services, which would normally be purchased and paid for if not contributed.

Otherwise, contributed materials and services are not recorded in the financial statements.

Financial instruments

Short-term investments are recorded at fair value. Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at amortized cost.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

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Notes to financial statements

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3. Capital assets

	2020		2019	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Tangible				
Office equipment and furniture	92,596	86,102	92,596	80,399
Computer equipment	14,132	10,615	11,179	8,049
Tenant improvements	92,899	83,430	91,754	77,918
	199,627	180,147	195,529	166,366
Intangible				
Website	18,100	16,051	18,100	10,018
	217,727	196,198	213,629	176,384
	21,529		37,245	

4. Commitments

The Association is committed to future minimum annual lease payments required under operating leases for office equipment and premises as follows:

	\$
2021	235,006
2022	125,968
2023	125,968
2024	125,968
2025	125,000
	737,910

The annual commitments include estimated operating costs and property taxes based on current year amounts.

The Downtown Business Association lease expires December 31, 2021. Future lease and operating costs are unknown at this time.

In 2009, the Association entered into an agreement with the City of Edmonton to fund the replacement of old Christmas lights with a new Winter Lights program, designed to enhance the look of Downtown Edmonton throughout the winter months. The Association is committed to paying the City of Edmonton approximately \$125,000 per year for installation, take-down and utilities, for an indeterminate period. In 2020, the City of Edmonton advised that the annual costs are under review. The future costs are unknown at this time.

Downtown Business Association of Edmonton

Notes to financial statements

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5. Internally restricted net assets

The Board of Directors has formally imposed restrictions on certain of the Association's net assets. Internally restricted net assets to be used to fund specific spending initiatives in support of the Association's mandate are approved by the Board of Directors from time-to-time.

For the year ended December 31, 2020, \$94,075 [2019 – \$32,729] was approved by the Board of Directors to be used for specific initiatives. For the year ended December 31, 2020, \$80,709 [2019 – \$146,029] was transferred to internally restricted net assets to fund future initiatives.

6. Contributed materials, services and facilities

Sponsorships revenue includes contributed materials, services and facilities of \$31,000 [2019 – \$250,586], which are equally offset by amounts recorded in Special events and programs expenses.

7. Financial instruments and risk management

The Association is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Association is exposed to credit risk in connection with its short-term investments and accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Association monitors outstanding accounts receivable balances regularly and allows for uncollectible amounts when determined. Short-term investments are invested with a large financial institution. There has been no change to credit risk from prior years.

Interest rate risk

The Association is exposed to interest rate risk with respect to its fixed rate investments because the fair value will fluctuate due to changes in market interest rates. There has been no change to interest rate risk from the prior year.

Liquidity risk

The Association is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to liquidity risk from the prior year.

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Other risk

In March 2020, the outbreak of the novel coronavirus (COVID-19) was declared a global pandemic by the World Health Organization and the Province of Alberta declared a state of public health emergency under the Public Health Act. The Association has undertaken a number of measures in response to the restrictions imposed by governments to fight the spread of the virus, including limiting in-person meetings and gatherings, remote working protocols, and canceling or redesigning certain events and programs. The Association continues to closely evaluate the impact that the pandemic may have on revenues and expenses. Specifically, revenues generated from the Business Improvement Area levy or through other sponsorships may be adversely affected. The Association is minimizing discretionary spending and appropriately drawing on accumulated reserves in the short-term while adapting its value proposition and strategy in the medium-term.

8. Related parties

Certain entities who employ members of the Board of Directors provide services to the Association. These services are provided in the regular course of business and are recorded at their exchange amounts, being the amounts agreed to by both parties. During the year, the Association incurred no expenses [2019 – nil] with these entities.

9. Subsequent events

Subsequent to year-end, the Association signed an agreement with the City of Edmonton for part of the Western Diversification Program from the Canadian federal government to deliver a series of experiences and exhibits throughout Spring 2021.