

FRENCH QUARTER BUSINESS IMPROVEMENT AREA

Financial Statements

Year Ended December 31, 2020

FRENCH QUARTER BUSINESS IMPROVEMENT AREA
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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of French Quarter Business Improvement Area

Opinion

We have audited the financial statements of French Quarter Business Improvement Area (the Association), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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 those 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 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

(continues)

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.

King + Company

Edmonton, AB
April 22, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

FRENCH QUARTER BUSINESS IMPROVEMENT AREA
Statement of Financial Position
December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash (Note 3)	\$ 40,603	\$ 100,161
Accounts receivable (Note 4)	82,383	2,871
Prepaid expenses	2,086	1,214
	<u>125,072</u>	<u>104,246</u>
EQUIPMENT AND WEBSITE (Note 5)	<u>94,180</u>	<u>25,308</u>
	<u>\$ 219,252</u>	<u>\$ 129,554</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 7,673	\$ 6,568
Deferred revenue (Note 7)	33,000	41,250
	<u>40,673</u>	<u>47,818</u>
DEFERRED CONTRIBUTIONS RELATED TO EQUIPMENT AND WEBSITE (Note 8)	<u>83,866</u>	<u>-</u>
	<u>124,539</u>	<u>47,818</u>
COMMITMENTS (Note 9)		
NET ASSETS		
Invested in equipment and website	26,314	25,307
Unrestricted	68,399	56,429
	<u>94,713</u>	<u>81,736</u>
	<u>\$ 219,252</u>	<u>\$ 129,554</u>

ON BEHALF OF THE BOARD

 _____ Director
 _____ Director

FRENCH QUARTER BUSINESS IMPROVEMENT AREA

Statement of Operations

Year Ended December 31, 2020

	Budget 2020	Total 2020	Total 2019
REVENUES			
Levies	\$ 165,000	\$ 165,124	\$ 165,000
Amortization of deferred contribution related to equipment and website (<i>Note 8</i>)	-	1,134	-
Other	1,500	-	4,197
	<u>166,500</u>	<u>166,258</u>	<u>169,197</u>
EXPENSES			
Salaries and benefits	90,000	86,210	68,159
Advertising and promotion	11,250	15,348	13,978
Rent	8,400	14,534	9,057
Amortization of equipment and website	-	12,735	11,016
Office	18,550	10,714	2,941
Professional fees	5,000	8,199	4,368
Board	5,000	3,049	7,378
Insurance	1,200	1,069	1,018
Telephone	1,500	1,063	1,037
Street beautification	20,000	215	21,984
Travel	3,000	145	1,638
	<u>163,900</u>	<u>153,281</u>	<u>142,574</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ 2,600</u>	<u>\$ 12,977</u>	<u>\$ 26,623</u>

FRENCH QUARTER BUSINESS IMPROVEMENT AREA**Statement of Changes in Net Assets****Year Ended December 31, 2020**

	Invested in Equipment and Website	Unrestricted	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 25,307	\$ 56,429	\$ 81,736	\$ 55,113
Excess (deficiency) of revenue over expenses	(12,735)	25,712	12,977	26,623
Purchase of equipment and website, net	13,742	(13,742)	-	-
NET ASSETS - END OF YEAR	<u>\$ 26,314</u>	<u>\$ 68,399</u>	<u>\$ 94,713</u>	<u>\$ 81,736</u>

FRENCH QUARTER BUSINESS IMPROVEMENT AREA**Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from levies	\$ 240,740	\$ 206,250
Amortization of deferred contribution related to equipment and website	1,134	-
Cash receipts from expense recoveries and other	-	4,197
Cash paid to suppliers and employees	<u>(219,824)</u>	<u>(127,643)</u>
Cash flow from operating activities	<u>22,050</u>	82,804
INVESTING ACTIVITY		
Purchase of equipment and website	<u>(81,608)</u>	-
Cash flow from (used by) investing activity	<u>(81,608)</u>	-
INCREASE (DECREASE) IN CASH FLOW	(59,558)	82,804
CASH - BEGINNING OF YEAR	<u>100,161</u>	<u>17,357</u>
CASH - END OF YEAR	<u>\$ 40,603</u>	<u>\$ 100,161</u>

FRENCH QUARTER BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year Ended December 31, 2020

NATURE OF OPERATIONS

In October 2012, Edmonton City Council passed bylaw 16219 establishing the French Quarter Business Revitalization Zone and incorporating the French Quarter Business Improvement Area.

The goal is to create a walkable, trendy district whereby the association can further promote local businesses and services while continuing to cultivate the area as a preferred destination to live, shop, work and play.

The association is exempt from income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Revenue Recognition

The association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and other income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other 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.

Cash

Cash is comprised of cash held in Canadian financial institutions.

Equipment and Website

The equipment and website are stated at cost less accumulated amortization and are being amortized on a straight-line basis over their estimated useful lives of five years.

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.

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FRENCH QUARTER BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

2. COVID-19

In March 2020, the global pandemic caused by COVID-19 required the implementation of quarantine measures by the Government of Alberta and Government of Canada for individuals, businesses and not-for-profit organizations. The date at which these measures will be lifted has not been determined yet. The financial impact caused by COVID-19 to the future operations of the association cannot be determined at this time.

3. CASH

	<u>2020</u>	<u>2019</u>
Unrestricted cash	\$ 24,603	\$ 100,161
Restricted cash for equipment and website	16,000	-
	<u>\$ 40,603</u>	<u>\$ 100,161</u>

4. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Grants	\$ 80,000	\$ -
Goods and services tax	2,383	2,871
	<u>\$ 82,383</u>	<u>\$ 2,871</u>

5. EQUIPMENT AND WEBSITE

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 3,261	\$ 547	\$ 2,714	\$ -
Leasehold improvements	9,347	1,332	8,015	-
Equipment	48,615	33,030	15,585	25,308
Website	75,463	7,597	67,866	-
	<u>\$ 136,686</u>	<u>\$ 42,506</u>	<u>\$ 94,180</u>	<u>\$ 25,308</u>

FRENCH QUARTER BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year Ended December 31, 2020

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Operating	\$ 4,501	\$ 5,207
Government remittances	3,172	1,361
	<u>\$ 7,673</u>	<u>\$ 6,568</u>

7. DEFERRED REVENUE

Deferred revenue represents levies received related to a subsequent period and will be recognized as revenue in the subsequent period to which the levies apply.

8. DEFERRED CONTRIBUTIONS RELATED TO EQUIPMENT AND WEBSITE

Deferred contributions related to equipment and website represent restricted funding for the purchase of equipment and website. The following is a summary of the changes for the year:

	2020	2019
Balance, beginning of year	\$ -	\$ -
Contributions received	85,000	-
Recognized as revenue	(1,134)	-
Balance, end of year	<u>\$ 83,866</u>	<u>\$ -</u>

9. COMMITMENTS

Contract Commitment

The association is committed to a final payment of \$46,000 for the completion of the Franco Market e-commerce website.

Lease Commitment

The association is committed under an operating lease for premises to the following base rents plus estimated operating costs as defined in the lease:

2021	\$ 14,712
2022	14,712
2023	14,712
2024	14,712
2025	3,678
	<u>\$ 62,526</u>

10. FINANCIAL INSTRUMENTS

The association, as part of its operations, carries financial instruments. It is management's opinion that the association is not exposed to any significant risks arising from these financial instruments.

FRENCH QUARTER BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year Ended December 31, 2020

11. COMPARATIVE FIGURES

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