

OLD STRATHCONA BUSINESS ASSOCIATION

Financial Statements

Year Ended December 31, 2021

OLD STRATHCONA BUSINESS ASSOCIATION
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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of Old Strathcona Business Association

Opinion

We have audited the financial statements of Old Strathcona Business Association (the association), which comprise the statement of financial position as at December 31, 2021, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the association as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 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 ASNPO, 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.

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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.

Yates Whitaker LLP

Edmonton, Alberta
April 13, 2022



YATES WHITAKER LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Financial Position
December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash (Note 3)	\$ 391,834	\$ 424,227
Accounts receivable (Note 4)	7,876	630
Goods and services tax recoverable	4,711	3,202
Prepaid expenses	126	-
	404,547	428,059
CAPITAL ASSETS (Note 5)	887	1,971
	\$ 405,434	\$ 430,030
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 36,241	\$ 22,225
Wages payable	11,984	10,534
Deferred income (Note 6)	131,250	131,250
	179,475	164,009
 NET ASSETS		
General Fund	225,072	264,050
Net assets invested in capital assets	887	1,971
	225,959	266,021
	\$ 405,434	\$ 430,030

CONTINGENT LIABILITY (Note 9)

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Revenues and Expenditures
Year Ended December 31, 2021

	Budget 2021	Total 2021	Total 2020
REVENUES			
Special business levy	\$ 525,000	\$ 525,000	\$ 575,000
Grant revenue	6,750	117,389	3,647
Sponsorships	-	6,351	3,000
Office recovery	-	2,612	-
Interest income	-	215	158
Other income	35,000	-	-
	566,750	651,567	581,805
EXPENDITURES			
Programs, Projects and Product Development <i>(Schedule 1)</i>	217,500	299,870	167,699
Employee salaries and support contracts	238,500	294,198	193,108
Rental	46,800	43,324	43,771
Professional fees	25,000	28,991	43,372
Office	21,800	14,852	12,540
Telephone	5,500	4,724	5,069
Insurance	1,325	1,525	1,326
Bad debts	-	1,500	-
Amortization	-	1,084	1,408
Professional development	3,500	665	530
Meetings	500	573	223
Interest and bank charges	300	323	309
Contingency expense	5,000	-	-
Travel	1,000	-	-
	566,725	691,629	469,355
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 25	\$ (40,062)	\$ 112,450

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Changes in Net Assets
Year Ended December 31, 2021

	General Fund	Net assets invested in capital assets	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 264,050	\$ 1,971	\$ 266,021	\$ 153,571
Deficiency of revenues over expenditures	(38,978)	(1,084)	(40,062)	112,450
NET ASSETS - END OF YEAR	<u>\$ 225,072</u>	<u>\$ 887</u>	<u>\$ 225,959</u>	<u>\$ 266,021</u>

OLD STRATHCONA BUSINESS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (40,062)	\$ 112,450
Item not affecting cash:		
Amortization of capital assets	1,084	1,408
	<u>(38,978)</u>	<u>113,858</u>
Changes in non-cash working capital:		
Accounts receivable	(7,246)	370
Goods and services tax recoverable	(1,509)	74
Prepaid expenses	(126)	7,854
Accounts payable	14,016	(24)
Wages payable	1,450	5,374
Deferred income	-	(12,500)
	<u>6,585</u>	<u>1,148</u>
Cash flow from (used by) operating activities	<u>(32,393)</u>	<u>115,006</u>
INVESTING ACTIVITY		
Purchase of capital assets	-	(1,638)
Cash flow from (used by) investing activity	<u>-</u>	<u>(1,638)</u>
INCREASE (DECREASE) IN CASH FLOW	(32,393)	113,368
Cash - beginning of year	<u>424,227</u>	<u>310,859</u>
CASH - END OF YEAR <i>(Note 3)</i>	<u>\$ 391,834</u>	<u>\$ 424,227</u>

OLD STRATHCONA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2021

1. NATURE OF OPERATIONS

Old Strathcona Business Association (the "association") is a Business Improvement Area formed to represent businesses in the Old Strathcona area.

The association was established as a not-for-profit organization by the City of Edmonton Council in a bylaw passed on September 14, 1993. This bylaw was replaced by a new bylaw updated on December 13, 2016. The boundaries of the association are set out in the bylaw.

As a committee of city council, the association is exempt from income taxes. The association is eligible for a rebate of 100% of Goods and Services Taxes (GST) paid in the ordinary course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Budget amounts

The budget amounts presented on the statements of revenues and expenditures and schedule of programs, projects and product development are taken from the association's annual budget approved by the City of Edmonton in December 2020. Certain budget amounts have been reclassified to conform to the current year's financial statement preparation.

Fund accounting

Old Strathcona Business Association follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Assets Fund reports the assets, liabilities, revenues, and expenses related to Old Strathcona Business Association's capital assets and building improvements campaign.

Cash and cash equivalents

Cash includes cash and cash equivalents, which is made of balances held with banks and petty cash on hand.

Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts, if applicable.

(continues)

OLD STRATHCONA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates:

Computer equipment	55%
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The association regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

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 of the appropriate fund when received if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

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

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.

OLD STRATHCONA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2021

3. CASH

	<u>2021</u>	<u>2020</u>
Operating account	\$ 276,188	\$ 334,453
High interest savings account	115,646	89,774
	<u>\$ 391,834</u>	<u>\$ 424,227</u>

4. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 9,376	\$ 630
Allowance for doubtful accounts	(1,500)	-
	<u>\$ 7,876</u>	<u>\$ 630</u>

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2021 Net book value</u>	<u>2020 Net book value</u>
Computer equipment	\$ 4,807	\$ 3,920	\$ 887	\$ 1,971

6. DEFERRED INCOME

Deferred income consists of 2022 Business Improvement Area (BIA) levy quarterly payment received in advance from the City of Edmonton.

7. ECONOMIC DEPENDENCE

The association receives approximately 81% (2020 - 99%) of its funding from the City of Edmonton through the business levy. Should this funding not be available, management is of the opinion that continued viable operations would be doubtful.

OLD STRATHCONA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2021

8. FINANCIAL INSTRUMENTS

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of December 31, 2021.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

(b) 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. In seeking to minimize the risks from interest rate fluctuations, the association manages exposure through its normal operating and financing activities. The association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the association is not exposed to significant other price risks arising from these financial instruments

9. CONTINGENCIES AND COMMITMENTS

The association has entered into a long term lease with respect to the office premises that expired on December 31, 2021. Annual gross lease payments varied from year to year, with the monthly lease cost ranging from \$2,136 to \$2,396 per month increasing throughout the lease contract. At the end of the lease term on December 31, 2021, the association moved to a month to month lease of the same space.

10. IMPACT OF COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the association's operations as at the date of these financial statements.

OLD STRATHCONA BUSINESS ASSOCIATION

Programs, Projects and Product Development

(Schedule 1)

Year Ended December 31, 2021

	Budget 2021	Total 2021	Total 2020
Marketing and branding	\$ 58,500	\$ 121,566	\$ 26,060
Beautification & placemaking	105,000	102,691	64,330
Community programs	24,000	24,816	28,300
Street cleaning	20,000	22,233	35,736
Advertising	3,000	19,008	9,564
Member communications	3,000	5,991	1,580
General meetings & events	4,000	3,565	2,129
	<u>\$ 217,500</u>	<u>\$ 299,870</u>	<u>\$ 167,699</u>