

Downtown Business Association of Edmonton

**Financial statements
December 31, 2021**

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, 2021, 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, 2021, and its results of operation 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.

Edmonton, Canada
March 21, 2022

Ernst & Young LLP

Chartered Professional Accountants



Downtown Business Association of Edmonton

STATEMENT OF FINANCIAL POSITION

As at December 31

	2021	2020
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	625,397	666,767
Short-term investments	204,943	205,087
Accounts receivable	116,209	9,873
Prepaid expenses and deposits	68,798	29,107
	<u>1,015,347</u>	<u>910,834</u>
Capital assets <i>[note 3]</i>	29,036	21,529
	<u>1,044,383</u>	<u>932,362</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	123,006	66,558
Deferred Business Improvement Levy	331,069	260,225
Deferred Grant Revenue	10,194	43,180
Current portion of deferred lease inducement	3,344	4,574
	<u>467,613</u>	<u>374,536</u>
Deferred lease inducement	10,032	-
	<u>477,645</u>	<u>374,536</u>
Commitments <i>[note 4]</i>		
Net assets		
Invested in capital assets	29,036	21,529
Internally restricted <i>[note 5]</i>	537,701	536,297
	<u>566,738</u>	<u>557,826</u>
	<u>1,044,383</u>	<u>932,362</u>

See accompanying notes to the financial statements

On behalf of the Board:


Chair


Executive Director

Downtown Business Association of Edmonton

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2021			
	Internally restricted			Total \$
	Internally funded capital assets \$	Specific initiatives \$	Unrestricted Reserves \$	
Balance, beginning of the year	21,529	536,297	-	557,826
Excess of revenue over expenses	-	-	8,912	8,912
Purchase of capital assets	26,577	-	(26,577)	-
Disposal of capital assets	(4,353)	-	4,353	-
Amortization of capital assets	(14,717)	-	14,717	-
Transfers from specific initiatives <i>[note 5]</i>	-	(55,856)	55,856	-
Transfers to specific initiatives <i>[note 5]</i>	-	57,261	(57,261)	-
Balance, end of year	29,036	537,701	-	566,738
	2020			
	Internally restricted			
	Internally funded capital assets \$	Specific initiatives \$	Unrestricted Reserves \$	Total \$
Balance, beginning of the year	37,245	549,663	-	586,908
Deficiency of revenue over expenses	-	-	(29,082)	29,082
Purchase 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

See accompanying notes to the financial statements

Downtown Business Association of Edmonton

STATEMENT OF REVENUE AND EXPENSES

Year ended December 31

	2021	2020
	\$	\$
REVENUE		
Business Improvement Area levy	1,040,899	1,224,586
Sponsorships <i>[note 6]</i>	181,297	46,489
Grants <i>[note 9]</i>	418,876	24,901
Gain on disposal of capital assets	4,796	-
Interest	1,407	3,084
	<u>1,647,274</u>	<u>1,299,060</u>
EXPENSES <i>[note 6]</i>		
Special events and programs <i>[note 9]</i>	652,293	375,935
Public relations and marketing communications <i>[note 9]</i>	300,304	244,980
Winter Lights program	49,892	84,445
Administration		
Salaries and employee benefits	403,115	409,762
Rent and occupancy costs	116,048	102,485
Office	55,602	31,075
Professional fees	19,710	18,778
Amortization of capital assets	14,717	19,814
Conferences and meetings	4,480	2,686
Loss on disposal of capital assets	4,353	-
Telephone, internet and cable	4,184	4,254
Insurance	3,869	8,461
Postage and courier	3,577	3,693
Travel, training and recruitment	3,567	18,984
Bank charges	2,653	2,790
	<u>1,638,363</u>	<u>1,328,143</u>
Excess (deficiency) of revenue over expenses	<u>8,912</u>	<u>(29,082)</u>

See accompanying notes to the financial statements

Downtown Business Association of Edmonton

STATEMENT OF CASH FLOWS

Year ended December 31

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Received from Business Improvement Area levy	1,111,742	1,178,664
Received from programs, grants and special events	353,333	94,351
Amounts paid to vendors and employees	(1,486,214)	(1,436,444)
Interest received	1,549	3,344
Cash used in operating activities	<u>(19,590)</u>	<u>(160,085)</u>
CASH USED IN INVESTING ACTIVITIES		
Purchases of capital assets	(26,577)	(5,546)
Proceeds on sale of capital assets	4,796	1,448
Cash used in investing activities	<u>(21,781)</u>	<u>(4,098)</u>
Decrease in cash and cash equivalents	(41,370)	(164,184)
Cash and cash equivalents, beginning of the year	<u>666,767</u>	<u>830,951</u>
Cash and cash equivalents, end of the year	<u>625,397</u>	<u>666,767</u>

See accompanying notes to the financial statements

Downtown Business Association of Edmonton

Notes to financial statements

December 31, 2021

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, 2021

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.

Downtown Business Association of Edmonton

Notes to financial statements

December 31, 2021

6. Contributed materials, services and facilities

Sponsorship revenue for the year ended December 31, 2021, includes contributed materials, services and facilities of \$107,520 [2020 – \$31,000], which are equally offset by amounts recorded in special events and programs.

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.

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 \$0 [2020 – nil] with these entities.

9. COVID related events

During the year ended December 31, 2021, the COVID-19 pandemic continued to affect Canada, including the Association of Edmonton. The Association continued to operate during the year with certain employees working remotely and programming shifting to virtual platforms was considered necessary based on the recommendations of local, provincial, and national health authorities. During the year ended December 31, 2021, the Association was able to obtain certain grant funding available to support businesses and aid in pandemic recovery and community engagement efforts.

Downtown Business Association of Edmonton

Notes to financial statements

December 31, 2021

Grant Funding

Government of Canada (PrairiesCan)	* Public Space Activation	\$206,016
	* Staffing subsidies	
City of Edmonton (Downtown Vibrancy Strategy, Edmonton Economic Recovery)	* Holiday Light Up	\$173,980
	* Rebranding	
EPCOR	* Downtown Live	<u>\$38,880</u>
	Total	\$418,876

In addition, the Association received grants whereby the nature of the funding was a direct reimbursement of costs incurred. During the year ended December 31, 2021, \$587,000 of costs were incurred and recorded in special events and programs, public relations, and marketing. Included in accounts receivable is \$38,493 for costs incurred but not yet reimbursed under the grant program. Grant revenue related to these costs include the following:

Government of Canada (PrairiesCan)	* Downtown Spark	\$487,000
Government of Canada (PrairiesCan)	* Bricks & Mortar (Vignettes)	<u>\$100,000</u>
	Total	\$587,000