

**CHINATOWN AND AREA BUSINESS ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

# CHINATOWN AND AREA BUSINESS ASSOCIATION

FOR THE YEAR ENDED DECEMBER 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Directors of

### CHINATOWN AND AREA BUSINESS ASSOCIATION

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To the directors of **Chinatown and Area Business Association**

#### Qualified Opinion

We have audited the accompanying financial statements of **Chinatown and Area Business Association**, which comprise the statement of financial position as at December 31, 2021 and the statements of operations and changes in net assets 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, except for the effects of the matter described in *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of **Chinatown and Area Business Association** as at December 31, 2021, 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 Qualified Opinion

In common with many charitable organizations, **Chinatown and Area Business Association** derives revenue from donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of **Chinatown and Area Business Association**. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations or fundraising, excess of revenue over expenses, cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of **Chinatown and Area Business 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 **Chinatown and Area Business 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 **Chinatown and Area Business Association** or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing **Chinatown and Area Business Association's** financial reporting process.

**Auditors' 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 auditors' 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 audit 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 judgement and maintain a 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 resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls 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 **Chinatown and Area Business 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 cause significant doubt on **Chinatown and Area Business 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 auditors' 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 auditors' report. However, future events or conditions may cause **Chinatown and Area Business 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, Alberta  
March 28, 2022

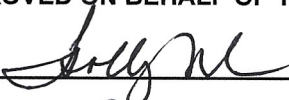
*SVS Group LLP*  
CHARTERED PROFESSIONAL ACCOUNTANTS


# CHINATOWN AND AREA BUSINESS ASSOCIATION

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

	2021	2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 138,292	\$ 92,777
Short-term investments (Note 3)	-	27,414
Accounts receivable	6,314	4,674
Prepaid expenses	512	356
	\$ 145,118	\$ 125,221
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 3,753	\$ 3,252
Deferred revenue (Note 5)	52,657	30,000
	56,410	33,252
<b>NET ASSETS</b>		
<b>UNRESTRICTED NET ASSETS</b>	<b>88,708</b>	<b>91,969</b>
	\$ 145,118	\$ 125,221

APPROVED ON BEHALF OF THE BOARD:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

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# CHINATOWN AND AREA BUSINESS ASSOCIATION

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>REVENUE</b>		
Donations and other income	\$ 9,857	\$ 5,232
Grants	48,467	10,000
Special levy	120,585	120,000
	178,909	135,232
<b>EXPENSES</b>		
Advertising, promotion and donations	3,235	1,594
AGM and board meetings	2,377	1,179
Bank charges and interest	148	129
Consultant fees	64,320	64,119
Insurance	1,073	1,052
Office supplies	1,468	4,659
Professional fees - accounting	4,750	3,500
Program expenditures - New Year's Celebrations	11,254	17,202
Program expenditures - Mayoral Dinner	9,906	-
Program expenditures - Mid-Autumn Festival	7,630	-
Program expenditures - Street Cleaning	39,057	2,700
Program expenditures - Student Program	3,298	-
Rent	6,600	6,600
Security	26,000	7,588
Telephone	1,054	1,234
	182,170	111,556
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR</b>	(3,261)	23,676
<b>NET ASSETS, beginning of year</b>	91,969	68,293
<b>NET ASSETS, end of year</b>	\$ 88,708	\$ 91,969

# CHINATOWN AND AREA BUSINESS ASSOCIATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from special levy and other income	\$ 199,926	\$ 135,937
Cash paid to suppliers and contractors	(181,941)	(111,572)
Interest income	116	-
	<u>18,101</u>	<u>24,365</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of short-term investments	-	(370)
Proceeds on disposition of short-term investments	27,414	-
	<u>27,414</u>	<u>(370)</u>
<b>INCREASE IN CASH DURING THE YEAR</b>	<b>45,515</b>	<b>23,995</b>
<b>CASH, beginning of year</b>	<u><b>92,777</b></u>	<u><b>68,782</b></u>
<b>CASH, end of year</b>	<u><b>\$ 138,292</b></u>	<u><b>\$ 92,777</b></u>

# CHINATOWN AND AREA BUSINESS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

### 1. NATURE OF OPERATIONS

The Association was established with the purpose to improve, beautify and maintain the area, to promote the zone as a business and shopping district and to act as a voice for the Community.

The Chinatown and Area Business Association is a not-for-profit organization and accordingly, no provision for corporate taxes has been provided for in the financial statements, pursuant to paragraph 149(1)(l) of the Income Tax Act, Canada.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### (a) Use of Estimates

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Estimated life of property and equipment and inventory valuation, if applicable, are the most significant items that involve the use of estimates.

#### (b) Financial Instruments

##### *Measurement of financial instruments*

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Association subsequently measures all of its financial assets and financial liabilities at amortized cost, except in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association's financial assets, if any, measured at fair value may include investments that are quoted shares.

##### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.



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# CHINATOWN AND AREA BUSINESS ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

(b) Financial Instruments (continued)

*Transaction costs*

The Association recognizes its transaction costs, if any, in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) Unrestricted Net Assets

Unrestricted net assets represent the cumulative excess of special levies and interest income over expenditures.

(d) Investments

Investments are recorded at fair market value.

(e) Capital Assets

The Association records capital assets as a current expense on the Statement of Operations and Changes in Net Assets. Any contributed assets in the year are recorded at a nominal value.

(f) Revenue Recognition

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

(g) Contributed Services

Volunteers contribute time each year to aid the Association in carrying out its activities. Due to the difficulty in determining the fair value of these services, the financial value of contributed services is not recognized in these financial statements.

(h) Cash and Cash Equivalents

The Association's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts and lines of credit with balances that fluctuate frequently from being positive to overdrawn.

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# CHINATOWN AND AREA BUSINESS ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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### 3. SHORT-TERM INVESTMENTS

	<u>2021</u>	<u>2020</u>
1.30 % Guaranteed Investment Certificate, matured January 2021	\$ -	\$ 27,414

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### 4. CAPITAL ASSETS

During the year, no capital assets were acquired.

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### 5. DEFERRED REVENUE

	<u>2021</u>	<u>2020</u>
Deferred revenue, opening balance	\$ 30,000	\$ 30,000
2021 Levy expended in the year	(30,000)	(30,000)
Levy received for the following year	32,258	30,000
Deferred grant revenue - Mid-Autumn Festival	9,600	-
Deferred grant revenue - Economic Recovery Grant	2,799	-
Deferred grant revenue - Security Infrastructure program	8,000	-
Deferred revenue, closing balance	<u>\$ 52,657</u>	<u>\$ 30,000</u>

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### 6. COMMITMENTS

The Association entered into an operating lease for its premises at \$550 on a month to month basis.

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### 7. ECONOMIC DEPENDENCE

The Association is economically dependent on the City of Edmonton as it provides 94% of its revenue.

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# CHINATOWN AND AREA BUSINESS ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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### 8. FINANCIAL INSTRUMENTS

#### *Risks and concentrations*

The Association is exposed to various risks through its financial instruments, without being exposed to concentrations of risk.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial statement liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

#### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prices including interest risk, price and demand risk. The Association is mainly exposed to price risk.

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