

OLD STRATHCONA BUSINESS ASSOCIATION
Financial Statements
Year Ended December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Old Strathcona Business Association

We have audited the accompanying financial statements of Old Strathcona Business Association, which comprise the statement of financial position as at December 31, 2016 and the statements of revenues and expenditures and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Members of Old Strathcona Business Association *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Old Strathcona Business Association as at December 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta
April 15, 2017

Howard & Company LLP

CHARTERED ACCOUNTANTS

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 129,192	\$ 206,865
Accounts receivable	12,188	24,192
Goods and services tax recoverable	5,413	5,302
Prepaid expenses	11,987	9,314
Security deposits	8,768	6,925
	<u>167,548</u>	<u>252,598</u>
CAPITAL ASSETS (Note 3)	6,386	10,551
INTANGIBLE ASSET (Note 4)	4,800	9,600
	<u>\$ 178,734</u>	<u>\$ 272,749</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 60,368	\$ 45,407
NET ASSETS		
General fund	111,980	216,791
Invested in capital assets fund	6,386	10,551
	<u>118,366</u>	<u>227,342</u>
	<u>\$ 178,734</u>	<u>\$ 272,749</u>

ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

See notes to financial statements

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Revenues and Expenditures
For the Year Ended December 31, 2016

	2016	2015
REVENUE		
General Operating <i>(Schedule 1)</i>	\$ 587,724	\$ 594,746
Partnerships, Programs and Projects <i>(Schedule 2)</i>	32,353	13,257
	<u>620,077</u>	<u>608,003</u>
EXPENSES		
General Operating <i>(Schedule 1)</i>	318,305	324,799
Partnerships, Programs and Projects <i>(Schedule 2)</i>	410,748	379,710
	<u>729,053</u>	<u>704,509</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (108,976)</u>	<u>\$ (96,506)</u>

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Changes in Net Assets
Year Ended December 31, 2016

	General Fund	Invested in Capital Assets Fund	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 216,791	\$ 10,551	\$ 227,342	\$ 323,848
Deficiency of revenue over expenses	(104,811)	(4,165)	(108,976)	(96,506)
NET ASSETS - END OF YEAR	<u>\$ 111,980</u>	<u>\$ 6,386</u>	<u>\$ 118,366</u>	<u>\$ 227,342</u>

See notes to financial statements

OLD STRATHCONA BUSINESS ASSOCIATION
Schedule to Financial Statements
Year Ended December 31, 2016

1. NATURE OF OPERATIONS

Old Strathcona Business Association (the "association") is a business redevelopment zone formed to represent businesses in the Old Strathcona area.

The association was established as a committee of the City of Edmonton Council passed in January 1994. This Bylaw was replaced by a new bylaw dated April 19, 2005. 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.

The association operates the South Scona Parking Lot, leased from the City of Edmonton. The parking lot operation is registered for Goods and Services Tax.

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 (ASNPO).

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.

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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OLD STRATHCONA BUSINESS ASSOCIATION
Schedule to Financial Statements
Year Ended December 31, 2016

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

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 unrealised 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 and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts.

Capital assets

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

Equipment	20%	declining balance method
Computer equipment	55%	declining balance method

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.

Intangible assets

The website development costs are being amortized on a straight-line basis over their estimated useful lives of five years.

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.

OLD STRATHCONA BUSINESS ASSOCIATION

Schedule to Financial Statements

Year Ended December 31, 2016

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Equipment	\$ 6,500	\$ 2,756	\$ 3,744	\$ 4,680
Computer equipment	22,836	20,194	2,642	5,871
	<u>\$ 29,336</u>	<u>\$ 22,950</u>	<u>\$ 6,386</u>	<u>\$ 10,551</u>

4. INTANGIBLE ASSET

	2016	2015
Website development	\$ 24,000	\$ 24,000
Accumulated amortization	(19,200)	(14,400)
	<u>\$ 4,800</u>	<u>\$ 9,600</u>

5. CONTINGENCIES AND COMMITMENTS

The association entered into a three year contract with Murray Davison to provide management and public relations services which commenced on May 15, 2015 and expires on April 14, 2018.

The association has entered into a long term lease with respect to the office premises that expires on December 31, 2021. Annual gross lease payments vary from year to year, with the monthly lease cost ranging from \$2,136 to \$2,396 per month increasing through the lease contract.

The association entered into a warehouse lease that expired on December 31, 2016. The lease has been renewed on a month to month basis with payments of \$1,400 per month that can be increased by the landlord with 30 days notice.

Contractual obligation repayment schedule:

2017	\$ 124,987
2018	63,613
2019	27,149
2020	27,948
2021	28,746
	<u>\$ 272,443</u>

OLD STRATHCONA BUSINESS ASSOCIATION
Schedule to Financial Statements
Year Ended December 31, 2016

6. ECONOMIC DEPENDENCE

The association receives approximately 87% of its funding from the City of Edmonton through the business levy. Should this funding not be available, management it is of the opinion that continued viable operations would be doubtful.

OLD STRATHCONA BUSINESS ASSOCIATION

General Operating

(Schedule 1)

Year Ended December 31, 2016

	Budget	2016	2015
REVENUE			
Special business levy	\$ 550,000	\$ 550,000	\$ 550,000
Rent recovery	15,600	21,945	23,802
Parking lot management	16,800	12,600	18,784
Interest income	2,000	1,059	1,485
Expense recovery	25,800	2,120	675
	<u>610,200</u>	<u>587,724</u>	<u>594,746</u>
EXPENSES			
Management fees	101,550	101,530	100,397
Employee salaries	126,700	95,852	106,639
Rental	69,500	69,489	62,696
Office	24,500	21,707	19,416
Amortization	-	8,965	12,962
Accounting fees	9,000	8,900	8,150
Moving expenses	-	3,463	-
Telephone	3,800	3,121	3,534
Bad debts	1,000	1,394	-
Insurance	1,500	1,204	1,356
Meetings	3,500	1,068	3,815
WCB	800	779	317
Interest and bank charges	500	759	448
Professional development	4,000	74	5,069
	<u>346,350</u>	<u>318,305</u>	<u>324,799</u>
INCOME FROM OPERATIONS	<u>\$ 263,850</u>	<u>\$ 269,419</u>	<u>\$ 269,947</u>

OLD STRATHCONA BUSINESS ASSOCIATION**Partnerships, Programs and Projects***(Schedule 2)***Year Ended December 31, 2016**

	Budget	2016	2015
REVENUE			
Advertising sales	\$ 16,700	\$ 14,833	\$ 4,757
Mural funds	2,000	12,520	5,000
Partnerships	2,500	5,000	3,500
Office recovery	1,000	-	-
	<u>22,200</u>	<u>32,353</u>	<u>13,257</u>
EXPENSES			
Advertising	141,000	145,391	123,608
Marketing and branding	155,500	114,565	118,438
Street cleaning	69,500	70,195	63,093
Beautification	45,500	27,490	17,040
Old Strathcona guide	-	21,495	28,454
Mural	-	18,000	9,256
iRedeem	3,600	3,600	3,600
Street counters	5,000	3,189	7,910
SEBA partnership	3,000	3,000	3,000
Website	5,000	2,329	3,817
Training and awards	1,000	1,494	1,494
	<u>429,100</u>	<u>410,748</u>	<u>379,710</u>
LOSS FROM OPERATIONS	<u>\$ (406,900)</u>	<u>\$ (378,395)</u>	<u>\$ (366,453)</u>