

OLD STRATHCONA BUSINESS ASSOCIATION

Financial Statements

Year Ended December 31, 2019

OLD STRATHCONA BUSINESS ASSOCIATION

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Year Ended December 31, 2019

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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, 2019, 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, 2019, 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.

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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.

Osward & Company LLP

Edmonton, Alberta
May 6, 2020


CHARTERED ACCOUNTANTS

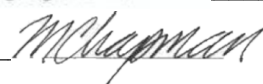
OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash (Note 3)	\$ 310,859	\$ 165,515
Accounts receivable	1,000	500
Goods and services tax recoverable	3,276	2,766
Prepaid expenses	7,854	-
	322,989	168,781
CAPITAL ASSETS (Note 4)	1,741	3,931
	\$ 324,730	\$ 172,712
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 22,249	\$ 33,433
Employee deductions payable	5,160	3,938
Deferred income	143,750	-
	171,159	37,371
NET ASSETS		
General fund	151,830	131,410
Restricted fund	1,741	3,931
	153,571	135,341
	\$ 324,730	\$ 172,712

CONTINGENT LIABILITY (Note 7)

APPROVED ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Revenues and Expenditures
Year Ended December 31, 2019

	Budget 2019	Total 2019	Total 2018
REVENUES			
Special business levy	\$ 550,000	\$ 550,000	\$ 550,000
Programs, Projects and Product Development <i>(Schedule 1)</i>	-	15,000	-
Grant revenue	7,500	7,686	4,745
Interest income	-	1,447	1,327
Sponsorships	-	1,000	1,000
Rent recovery	-	-	4,460
	<u>557,500</u>	<u>575,133</u>	<u>561,532</u>
EXPENSES			
Programs, Projects and Product Development <i>(Schedule 1)</i>	250,900	227,274	230,949
Employee salaries and support contracts	218,100	214,625	211,748
Rental	39,500	46,530	52,038
Professional fees	20,000	31,238	24,514
Office	17,060	20,654	20,902
Telephone	6,500	5,352	5,485
Professional development	3,500	3,653	1,463
Insurance	1,000	2,525	421
Amortization	-	1,044	1,622
Meetings	300	746	334
Interest and bank charges	300	343	653
Bad debts	-	-	14
	<u>557,160</u>	<u>553,984</u>	<u>550,143</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	340	21,149	11,389
OTHER INCOME			
Loss on disposal of capital assets	-	(2,919)	(26)
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 340</u>	<u>\$ 18,230</u>	<u>\$ 11,363</u>

See notes to financial statements

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Changes in Net Assets
Year Ended December 31, 2019

	General Fund	Restricted Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 131,410	\$ 3,931	\$ 135,341	\$ 123,978
Excess of revenues over expenses	22,193	(3,963)	18,230	11,363
Interfund transfers	(1,773)	1,773	-	-
NET ASSETS - END OF YEAR	\$ 151,830	\$ 1,741	\$ 153,571	\$ 135,341

OLD STRATHCONA BUSINESS ASSOCIATION
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 18,230	\$ 11,363
Items not affecting cash:		
Amortization of capital assets	1,044	1,622
Loss on disposal of capital assets	2,919	26
	<u>22,193</u>	<u>13,011</u>
Changes in non-cash working capital:		
Accounts receivable	(500)	(500)
Goods and services tax recoverable	(510)	2,524
Prepaid expenses	(7,854)	11,255
Security deposits	-	3,284
Accounts payable	(11,184)	(42,939)
Employee deductions payable	1,222	-
Deferred income	143,750	-
	<u>124,924</u>	<u>(26,376)</u>
Cash flow from operating activities	<u>147,117</u>	<u>(13,365)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(1,773)</u>	<u>(1,396)</u>
Cash flow used by investing activity	<u>(1,773)</u>	<u>(1,396)</u>
INCREASE (DECREASE) IN CASH FLOW	145,344	(14,761)
Cash - beginning of year	<u>165,515</u>	<u>180,276</u>
CASH - END OF YEAR (Note 3)	<u>\$ 310,859</u>	<u>\$ 165,515</u>

OLD STRATHCONA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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 board in September 2018. 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.

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OLD STRATHCONA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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%
Equipment	20%

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, 2019

3. CASH

	2019	2018
Operating account	\$ 221,244	\$ 52,346
High interest savings account	89,615	113,169
	<u>\$ 310,859</u>	<u>\$ 165,515</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	\$ 3,169	\$ 1,428	\$ 1,741	\$ 1,535
Equipment	-	-	-	2,396
	<u>\$ 3,169</u>	<u>\$ 1,428</u>	<u>\$ 1,741</u>	<u>\$ 3,931</u>

5. ECONOMIC DEPENDENCE

The association receives approximately 96% (2018 - 98%) 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.

6. 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, 2019.

(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 and accounts payable.

(continues)

OLD STRATHCONA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

6. FINANCIAL INSTRUMENTS *(continued)*

(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.

7. CONTINGENCIES AND COMMITMENTS

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 has a lease for office equipment that ends March 2021. Annual lease payments are \$2,214.

Contractual obligation repayment schedule:

2020	\$	30,162
2021		<u>30,960</u>
	\$	<u>61,122</u>

8. SUBSEQUENT EVENTS

Subsequent to year end, the association's operations has been impacted by the current COVID-19 pandemic of which the effects are not determinable at this time.

9. COMPARATIVE FIGURES

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

OLD STRATHCONA BUSINESS ASSOCIATION

Programs, Projects and Product Development

(Schedule 1)

Year Ended December 31, 2019

	Budget 2019	Total 2019	Total 2018
REVENUES			
Mural funds	\$ -	\$ 15,000	\$ -
EXPENSES			
Beautification	46,200	63,762	43,335
Marketing and branding	67,500	57,896	25,231
Street cleaning	51,500	47,674	45,203
Community programs	45,000	35,475	41,299
Advertising	34,600	14,252	69,096
iRedeem	3,600	3,600	3,900
Member communications	500	2,670	654
General meetings & events	2,000	1,945	2,231
	<u>250,900</u>	<u>227,274</u>	<u>230,949</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ (250,900)</u>	<u>\$ (212,274)</u>	<u>\$ (230,949)</u>