

CHINATOWN AND AREA BUSINESS ASSOCIATION

FOR THE YEAR ENDED DECEMBER 31, 2019

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CHINATOWN AND AREA BUSINESS ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Directors of

CHINATOWN AND AREA BUSINESS ASSOCIATION

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, 2019 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, 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 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, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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.

INDEPENDENT AUDITORS' REPORT (continued)

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 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 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 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 **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
May 22, 2020

SVS Group LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

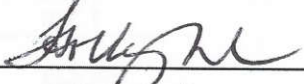


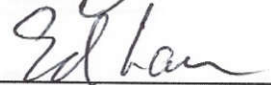
CHINATOWN AND AREA BUSINESS ASSOCIATION

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	2019	2018 (restated)
ASSETS		
CURRENT		
Cash (Note 3), (Note 11)	\$ 68,782	\$ 85,221
Short-term investments (Note 4)	27,044	-
Accounts receivable	5,379	5,101
Prepaid expenses	339	339
	\$ 101,544	\$ 90,661
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,252	\$ 2,253
Deferred revenue (Note 6), (Note 11)	30,000	4,161
	33,252	6,414
NET ASSETS		
UNRESTRICTED NET ASSETS	68,292	84,247
	\$ 101,544	\$ 90,661

APPROVED ON BEHALF OF THE BOARD:


 _____ Director


 _____ Director

← SIGN HERE



CHINATOWN AND AREA BUSINESS ASSOCIATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
REVENUE		
Donations and other income	\$ 9,468	\$ 6,500
Grant	21,000	15,000
Special levy	120,000	120,000
	150,468	141,500
EXPENSES		
Advertising, promotion and donations	2,840	1,657
Bank charges and interest	150	123
Board meeting	3,655	2,880
Consultant fees	68,873	76,108
Insurance	1,018	1,018
Office supplies	1,690	5,821
Professional development	-	402
Professional fees - accounting	3,500	3,300
Professional fees - Alberta government relations	15,249	-
Professional fees - legal	21,216	-
Program expenditures - Lantern hanging, mural and other	8,273	1,012
Program expenditures - Moonlight Carnival	7,387	11,346
Program expenditures - New Year's Celebrations	22,333	20,605
Program expenditures - Street Cleaning	2,500	9,120
Rent	6,600	6,800
Telephone	1,139	753
	166,423	140,945
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(15,955)	555
NET ASSETS, beginning of year	84,247	83,692
NET ASSETS, end of year	\$ 68,292	\$ 84,247



CHINATOWN AND AREA BUSINESS ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from special levy and other income	\$ 180,190	\$ 139,052
Cash paid to suppliers and contractors	<u>(169,585)</u>	<u>(135,263)</u>
	10,605	3,789
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of short-term investments	<u>(27,044)</u>	-
INCREASE (DECREASE) IN CASH DURING THE YEAR	(16,439)	3,789
CASH, beginning of year	<u>85,221</u>	<u>81,432</u>
CASH, end of year, (Note 11)	\$ 68,782	\$ 85,221



CHINATOWN AND AREA BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.



CHINATOWN AND AREA BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

3. CASH

The bank balances include \$Nil (2018 - \$4,161) of paid expenditures restricted to accrued expenditures described in Note 6.



CHINATOWN AND AREA BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

4. SHORT-TERM INVESTMENTS

	2019	2018
2.22 % Guaranteed Investment Certificate, maturing April 2020	\$ 27,044	\$ -

5. CAPITAL ASSETS

In the previous year, capital assets were acquired at an aggregate cost of \$9,814 including a surveillance camera and imported decorative lanterns.

6. DEFERRED REVENUE

Deferred revenue in 2018 includes fundraising to cover legal costs related to a judicial review against the safe injection sites planned to be installed in the area of Chinatown and Area Business Association.

	2019	2018
Deferred fundraising revenue, opening balance	\$ 4,161	\$ 3,360
Fundraising received in the year	-	801
2020 Levy	30,000	-
Fundraising expended in the year	(4,161)	-
Deferred fundraising revenue, closing balance	\$ 30,000	\$ 4,161

7. COMMITMENTS

Commencing July 2018, the Association entered into an operating lease for its premises at \$550 per month on a three year term.

The minimum annual lease payments for the next two years are as follows:

2020	\$	6,600
2021	\$	3,300

8. ECONOMIC DEPENDENCE

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



CHINATOWN AND AREA BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

9. 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.

10. SUBSEQUENT EVENT

Subsequent to the year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, Provincial and Municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

11. PRIOR PERIOD ADJUSTMENT

During the course of the audit engagement, it was discovered that deferred revenue had not been expended in 2018 and that the balance remained in a bank account.

The adjustments to previously stated balances are as follows:

	Previously Reported 2018	Adjustment	Restated 2018
Deferred revenue	\$ -	\$ 4,161	\$ 4,161
Bank balance	\$ 81,060	\$ 4,161	\$ 85,221

