

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**

**Financial Statements**

**Year Ended December 31, 2018**



HWG, Chartered Professional Accountants

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Cloverdale Business Improvement Association

### *Opinion*

We have audited the financial statements of Cloverdale Business Improvement Association (the Association), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations 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, 2018, 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.

### *Other Matter*

As required by the Society Act of British Columbia, we report that, in our opinion, these accounting standards have been applied on a basis consistent with that of the preceding year.

### *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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A Partnership of Incorporated Professionals



*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.



Surrey, BC  
February 15, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Statement of Financial Position**  
**December 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 224,267	\$ 179,746
Accounts receivable	8,917	14,494
Goods and services tax recoverable	2,285	6,251
Prepaid expenses	462	690
	235,931	201,181
<b>CAPITAL ASSETS (Note 4)</b>	<b>1,008</b>	<b>2,110</b>
	<b>\$ 236,939</b>	<b>\$ 203,291</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 20,846	\$ 21,213
Employee deductions payable	614	729
	21,460	21,942
<b>NET ASSETS</b>		
<b>GENERAL FUND</b>	214,471	179,239
<b>CAPITAL ASSET FUND</b>	1,008	2,110
	215,479	181,349
	<b>\$ 236,939</b>	<b>\$ 203,291</b>
 <b>LEASE COMMITMENT (Note 9)</b>		

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2018**

	General Fund	Capital Asset Fund	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 179,239	\$ 2,110	<b>\$ 181,349</b>	\$ 160,961
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	35,232	(1,102)	<b>34,130</b>	20,388
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 214,471</b>	<b>\$ 1,008</b>	<b>\$ 215,479</b>	<b>\$ 181,349</b>

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Statement of Operations**  
**Year Ended December 31, 2018**

	2018	2017
<b>RECEIPTS</b>		
Grant - City of Surrey By-law 18326 <i>(Note 5)</i>	\$ 185,000	\$ 180,000
Grant - Government of Canada - Summer Job	3,258	4,356
Rental income	11,499	9,690
Filming income	4,500	2,509
Special events	29,544	43,171
	<b>233,801</b>	<b>239,726</b>
<b>DISBURSEMENTS</b>		
Amortization	1,102	1,102
Insurance	3,143	2,780
Office expenses	17,066	16,870
Professional fees	7,175	6,585
Rental	14,760	14,730
Repairs and maintenance	4,098	3,627
Special events and promotion <i>(Note 8)</i>	72,009	94,494
Telephone and utilities	4,947	5,611
Wages and benefits	78,498	76,106
Cost recoveries	(3,127)	(2,567)
	<b>199,671</b>	<b>219,338</b>
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	<b>\$ 34,130</b>	<b>\$ 20,388</b>

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of receipts over disbursements	\$ 34,130	\$ 20,388
Item not affecting cash:		
Amortization	1,102	1,102
	<u>35,232</u>	<u>21,490</u>
Changes in non-cash working capital:		
Accounts receivable	5,577	(5,971)
Goods and services tax recoverable	3,966	(2,808)
Prepaid expenses	228	5,387
Accounts payable	(367)	8,628
Employee deductions payable	(115)	(396)
Deferred contributions	-	(10,000)
	<u>9,289</u>	<u>(5,160)</u>
Cash flow from operating activities	<u>44,521</u>	<u>16,330</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	-	(1,739)
<b>INCREASE IN CASH FLOW</b>	<b>44,521</b>	<b>14,591</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>179,746</u>	<u>165,155</u>
<b>CASH - END OF YEAR</b>	<u>\$ 224,267</u>	<u>\$ 179,746</u>

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**1. PURPOSE OF THE ASSOCIATION**

The Cloverdale Business Improvement Association is registered under the Society Act of British Columbia.

The purposes of the Association are:

To develop, encourage and promote trade and commerce in Cloverdale;

To sponsor and organize promotions and special events in order to attract people to Cloverdale;

To create a more viable business atmosphere in Cloverdale in order to attract new businesses;

To promote matters of common concern and interest to business and property owners in the Cloverdale Business Improvement Association area and to bring together business and property owners;

To conduct studies of and advance projects, plans or improvements designed to benefit the Cloverdale Business Improvement Association area;

To co-operate with and aid any person, body, group, or association in projects designed to benefit the Cloverdale Business Improvement Association; and

To raise revenue to carry out the purposes of the Association.

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**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).

Fund accounting

Cloverdale Business Improvement Association follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Association's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to Cloverdale Business Improvement Association's capital assets.

Financial Instruments

The financial instruments of the Association consist of cash, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

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**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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

Capital assets

Capital assets are recorded at cost. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	straight-line method
Equipment	20%	straight-line method
Leasehold improvements	20%	straight-line method

Revenue recognition

The Association follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the general fund when received.

Restricted contributions are recognized as revenue when received in the specific fund they related to.

Restricted contributions for which there is no specific fund are recognized in the general fund using the deferral method.

Rental income is recognized in the month that it relates to.

Filming income is recognized as received.

Donated services have not been reflected since no objective basis is available to measure the value of such services. Donated services may include time and the use of equipment.

Income taxes

The Association is a not-for-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from federal and provincial income taxes.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 receipts and disbursements during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

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**3. 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, 2018.

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**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

**3. FINANCIAL INSTRUMENTS (continued)**

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from tenants, donors and customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association's primary source of funding is from government grants which minimizes the concentration of credit risk. There is no allowance for doubtful accounts at December 31, 2018 (2017 - \$Nil).

**(b) 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 current banking arrangements. All of the Association's banking is concentrated with a single financial institution.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

**4. CAPITAL ASSETS**

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 3,780	\$ 3,272	\$ 508	\$ 1,215
Equipment	2,016	2,016	-	228
Leasehold improvements	834	334	500	667
	<u>\$ 6,630</u>	<u>\$ 5,622</u>	<u>\$ 1,008</u>	<u>\$ 2,110</u>

**5. FUNDING**

Monies granted to the Association by the City of Surrey under By-law, 2014, No. 18326 for the five year term are as follows;

2015	<b>\$ 170,000</b>
2016	<b>175,000</b>
2017	<b>180,000</b>
2018	<b>185,000</b>
2019	<b>190,000</b>
	<u><b>\$ 900,000</b></u>

All of the money granted to the Association pursuant to this By-law shall be recovered within the Cloverdale Business Improvement Association area from owners of the land within that area.

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

**6. ECONOMIC DEPENDENCE**

The Association received funds from the City of Surrey in the amount of \$185,000 (2017 - \$180,000). The ability of the Association to continue viable operations is dependent upon the receipt of these funds.

**7. RELATED PARTY TRANSACTIONS**

The following is a summary of the Association's related party transactions:

	2018	2017
Graphic Zone (Owned by a director of the board) Advertising and design	\$ <b>4,619</b>	\$ <b>7,842</b>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**8. SPECIAL EVENTS AND PROMOTIONS**

	2018	2017
<u>Committee distributions:</u>		
Special events		
Christmas Parade Promotion	\$ <b>26,086</b>	\$ 29,129
Cloverdale Country Festival	-	15,165
Ladies Night	<b>2,700</b>	2,500
Market Days	<b>5,000</b>	3,750
Miscellaneous	<b>2,565</b>	2,580
Rodeo Days	<b>13,467</b>	11,499
	<b>49,818</b>	64,623
Beautification		
Gateway sign	-	12,950
Hanging baskets	<b>12,430</b>	11,783
	<b>12,430</b>	24,733
Communications		
Economic development	<b>6,125</b>	3,440
Safety, security and crime prevention	<b>2,821</b>	1,181
	<b>815</b>	517
	<b>\$ 72,009</b>	\$ 94,494

**CLOVERDALE BUSINESS IMPROVEMENT ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**9. LEASE COMMITMENT**

The Association has a long term lease with respect to equipment. Future minimum lease payments as at December 31, 2018, are as follows:

2019	\$	2,624
2020		2,624
2021		2,624
2022		<u>2,404</u>
	\$	<u>10,276</u>

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**10. COMPARATIVE FIGURES**

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

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