

BROADWAY BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017





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& PARTNERS LLP**
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Broadway Business Improvement District

We have audited the accompanying financial statements of Broadway Business Improvement District, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in fund balances and cash flows 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 organization'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 organization'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.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Broadway Business Improvement District as at December 31, 2017, 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.

SASKATOON, SASKATCHEWAN

March 28, 2018

Buchberger Buerg & Partners LLP

Chartered Professional Accountants

BROADWAY BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 15,847	\$ 86,617
Restricted cash	-	3,602
Investments	29,285	3,634
Accounts receivable	12,515	23,333
Prepaid expenses	2,364	-
GST receivable	9,737	7,826
	<u>69,748</u>	<u>125,012</u>
Investments	47,023	21,778
Capital assets (Note 3)	<u>13,439</u>	<u>20,070</u>
	<u>\$ 130,210</u>	<u>\$ 166,860</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,944	\$ 11,510
Deferred capital contributions (Note 4)	9,240	-
Deferred revenue	-	35,900
	<u>19,184</u>	<u>47,410</u>
<u>FUND BALANCES</u>		
General fund	111,026	115,848
Restricted fund	-	3,602
	<u>111,026</u>	<u>119,450</u>
	<u>\$ 130,210</u>	<u>\$ 166,860</u>

See accompanying notes

Approved by the Board

_____ Member

_____ Member

BROADWAY BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
General fund		
Revenues		
Business tax levy	\$ 183,625	\$ 192,963
Parking grant	35,900	35,900
Operating grants (Note 5)	9,289	5,610
Non-operating grants (Note 4)	9,240	-
Events	26,459	25,413
Street maintenance	6,380	3,888
Investment income	896	804
Other	56	9,858
	<u>271,845</u>	<u>274,436</u>
Expenditures		
Advertising and promotion	23,768	8,201
Amortization	7,192	3,974
Bad debts	500	-
Board meetings	-	1,341
Continuing education	9,841	4,464
Events	31,526	27,604
Graffiti initiatives	9,000	1,716
Insurance	319	1,644
Memberships and dues	1,117	1,177
Office	12,401	7,901
Professional fees	11,667	12,365
Rent	15,069	13,719
Repairs and maintenance	6,031	1,817
Wages and salaries	148,236	181,648
	<u>276,667</u>	<u>267,571</u>
(Deficiency) excess of revenues over expenditures before other items	(4,822)	6,865
Rebranding expenses	<u>-</u>	<u>41,222</u>
Deficiency of revenues over expenditures from general fund	<u>(4,822)</u>	<u>(34,357)</u>
Restricted fund		
Walk of Stars interest income	17	27
Walk of Stars expenses	(3,619)	-
	<u>(3,602)</u>	<u>27</u>
Deficiency of revenues over expenditures	<u>\$ (8,424)</u>	<u>\$ (34,330)</u>

See accompanying notes

BROADWAY BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>		
	<u>General fund</u>	<u>Restricted fund</u>	<u>Total</u>
Fund balance, beginning of year	\$ 115,848	\$ 3,602	\$ 119,450
Deficiency of revenues over expenditures	<u>(4,822)</u>	<u>(3,602)</u>	<u>(8,424)</u>
Fund balance, end of year	<u>\$ 111,026</u>	<u>\$ -</u>	<u>\$ 111,026</u>
	<u>2016</u>		
	<u>General fund</u>	<u>Restricted fund</u>	<u>Total</u>
Fund balance, beginning of year	\$ 150,205	\$ 3,575	\$ 153,780
Excess (deficiency) of revenues over expenditures	<u>(34,357)</u>	<u>27</u>	<u>(34,330)</u>
Fund balance, end of year	<u>\$ 115,848</u>	<u>\$ 3,602</u>	<u>\$ 119,450</u>

See accompanying notes

BROADWAY BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Cash flows (used in) from operating activities		
Deficiency of revenues over expenditures	\$ (8,424)	\$ (34,330)
Item not affecting cash		
Amortization	7,192	3,974
Net change in non-cash working capital items:		
Accounts receivable	10,818	3,143
Prepaid expenses	(2,364)	945
Inventory	-	6,105
GST receivable	(1,911)	(5,388)
Accounts payable and accrued liabilities	(1,565)	(353)
Deferred capital contributions	9,240	-
Deferred revenue	(35,900)	35,900
	<u>(22,914)</u>	<u>9,996</u>
 Cash flows used in (from) investing activities		
Purchase of investments	(50,896)	-
Purchase of capital assets	(562)	(19,791)
Proceeds on disposal of investments	-	52,272
	<u>(51,458)</u>	<u>32,481</u>
 Net (decrease) increase in cash during the year	(74,372)	42,477
 Cash, beginning of year	<u>90,219</u>	<u>47,742</u>
 Cash, end of year	<u>\$ 15,847</u>	<u>\$ 90,219</u>
 Cash consists of:		
Cash	\$ 15,847	\$ 86,617
Restricted cash	<u>-</u>	<u>3,602</u>
	<u>\$ 15,847</u>	<u>\$ 90,219</u>

See accompanying notes

BROADWAY BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Nature of operations

Broadway Business Improvement District (the "organization") was established in 1986 for the purpose of supporting and advancing the interests of all businesses situated within the boundaries of the Broadway district in Saskatoon, Saskatchewan. The organization is exempt from income taxes under Section 149 of the Income Tax Act.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The organization follows the principles of fund accounting.

The general fund accounts for the general operations and events of the organization. Unrestricted contributions and restricted contributions to be used for operations are reported in this fund.

The restricted fund consists of donations to be used for the Walk of Stars program. This program is designed to recognize individuals who have made significant contributions to the district by having a commemorative star created and placed in areas of the district designated for this purpose. Only expenses relating to the creation, installation and maintenance of the ceremonial star and to the ceremony to unveil the star can be paid from the restricted fund.

Investments

Investments consist of guaranteed investment certificates with varying interest rates and maturities.

Capital assets

Capital assets are recorded at cost, less accumulated amortization. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Computer equipment	25% Declining balance
Event equipment	20% Declining balance
Office equipment	20% Declining balance
Signs	3 years Straight-line

Impairment of long-lived assets

Long-lived assets, which comprise capital assets subject to amortization, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

BROADWAY BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant accounting policies (continued)

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions for depreciable capital assets are deferred and amortized on the same basis as the underlying asset.

Business tax levy, parking meter, and maintenance revenues are recognized in the period to which the funds relate. All other sources of revenues are recognized when the product is delivered or the services rendered.

Financial instruments

The organization initially records a financial instrument at its fair value, except for a related party transaction, which is recorded at the carrying or exchange amount depending on the circumstances.

Transaction costs are recognized in deficiency of revenues over expenditures in the period incurred. However, transaction costs associated with financial instruments carried at cost or amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the expected life of the instrument.

Financial assets and financial liabilities subsequently measured at amortized cost include cash, investments, accounts receivable, and accounts payable and accrued liabilities.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected, the proceeds that could be realized from the sale of the financial asset, or the amount that could be realized by exercising the right to any collateral held to secure repayment of the asset. Such impairments can be subsequently reversed to the extent that the improvement can be related to an event occurring after the impairment was recognized.

Donated material and services

The organization is dependent on the voluntary services of many individuals to the activities of the organization. Since these services are not normally purchased and because of the difficulty in determining their fair value, no amounts have been reflected in these financial statements for volunteer services.

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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the useful lives of capital assets and related amortization.

BROADWAY BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

3. Capital assets

	<u>2017</u>			<u>2016</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Computer equipment	\$ 3,488	\$ 2,474	\$ 1,014	\$ 697
Event equipment	5,378	3,816	1,562	1,953
Office equipment	3,282	1,668	1,614	2,017
Signs	<u>18,480</u>	<u>9,231</u>	<u>9,249</u>	<u>15,403</u>
	<u>\$ 30,628</u>	<u>\$ 17,189</u>	<u>\$ 13,439</u>	<u>\$ 20,070</u>

4. Deferred capital contributions

	<u>2017</u>
Contributions received towards banners	\$ 18,480
Recognition of capital contributions as revenues	<u>(9,240)</u>
Balance, end of year	<u>\$ 9,240</u>

5. Operating grants

During the year, the organization received grants from the Government of Canada in the amount of \$3,189 (2016 - \$4,065) for Canada Summer Jobs and \$4,100 (2016 - \$nil) for the Young Canada Works in Heritage Organizations. The organization also received a Graffiti Removal Grant from the City of Saskatoon in the amount of \$2,000 (2016 - \$1,545).

6. Line of credit

The organization has established a line of credit with the Affinity Credit Union with an authorized limit of \$10,000. At year end, no amount had been drawn on this line of credit.

7. Commitments

The organization is committed to a lease agreement related to its office premises which expires on August 31, 2018. No lease renewal will be signed, and the organization is seeking a new space to lease. The remaining commitment under the current lease agreement is \$9,480.

BROADWAY BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. Economic dependence

The organization relies on a significant amount of its funding from the City of Saskatoon in order to finance its operations. Without this funding, there would be doubt regarding the organization's ability to sustain its current level of operating activities.

9. Financial instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to its accounts receivable, however, this risk is mitigated by the fact that all or nearly all of the amounts in this account are receivable from a government agency.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and operating lease commitments. The organization has significant cash resources and receivables, which ensure it will be able to pay obligations as they come due.

10. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the new presentation required by the City of Saskatoon. The changes do not affect prior year net assets.