

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED
Financial Statements
Year Ended March 31, 2018

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

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Year Ended March 31, 2018

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LYLE TILLEY DAVIDSON
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Spring Garden Area Business Association Limited

We have audited the accompanying financial statements of Spring Garden Area Business Association Limited, which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenses, changes in net assets 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 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 qualified audit opinion.

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Independent Auditor's Report to the Members of Spring Garden Area Business Association Limited
(continued)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Spring Garden Area Business Association Limited derives revenue from fundraising activities 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 Spring Garden Area Business Association Limited. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2017 and March 31, 2018, current assets and net assets as at March 31, 2017 and March 31, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Spring Garden Area Business Association Limited as at March 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.

A handwritten signature in black ink that reads "Lyle Tilley Davidson". The signature is written in a cursive, flowing style.

Halifax, Nova Scotia
June 6, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

Statement of Financial Position

March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 152,494	\$ 241,658
Term deposits (Note 3)	15,439	15,173
Accounts receivable (Note 4)	9,207	2,188
Inventory	4,688	2,942
Prepaid expenses	999	2,578
	<u>182,827</u>	<u>264,539</u>
CAPITAL ASSETS (Note 5)	<u>13,632</u>	<u>11,101</u>
	<u>\$ 196,459</u>	<u>\$ 275,640</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 19,379	\$ 20,868
Deferred revenue (Note 6)	8,259	8,259
	<u>27,638</u>	<u>29,127</u>
NET ASSETS		
Unrestricted net assets	155,189	235,412
Invested in capital assets	13,632	11,101
	<u>168,821</u>	<u>246,513</u>
	<u>\$ 196,459</u>	<u>\$ 275,640</u>

LEASE COMMITMENTS (Note 8)

ON BEHALF OF THE BOARD

Director

Director

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

Statement of Revenues and Expenses

Year Ended March 31, 2018

	2018	2017
REVENUES		
Tax levy	\$ 377,451	\$ 389,083
HRM discretionary funding	25,832	39,070
Grants	5,236	3,846
Other	1,642	3,725
Sponsorships	-	1,250
Interest income	266	107
	<u>410,427</u>	<u>437,081</u>
EXPENSES		
Administration		
Administrative salaries	170,375	158,746
Amortization	2,881	2,892
Audit, legal and accounting	7,562	7,152
Consulting fees	1,686	-
Equipment repairs	5,607	461
Insurance	3,365	3,259
Interest and bank charges	1,893	1,658
Stationary, printing and postage	12,024	7,552
Rent and occupancy	35,365	24,365
Telephone	3,404	4,436
Website development	464	451
	<u>244,626</u>	<u>210,972</u>
Street promotion		
Advertising and promotion	77,396	60,620
Navigator program	13,600	12,876
Security	11,067	62,920
Street enhancement	141,430	12,189
	<u>243,493</u>	<u>148,605</u>
	<u>488,119</u>	<u>359,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (77,692)	\$ 77,504

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

Statement of Changes in Net Assets

Year Ended March 31, 2018

	Unrestricted Net Assets	Invested in Capital Assets	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 235,412	\$ 11,101	\$ 246,513	\$ 169,009
Excess (deficiency) of revenues over expenses	(74,811)	(2,881)	(77,692)	77,504
Purchase of capital assets	(5,412)	5,412	-	-
NET ASSETS - END OF YEAR	\$ 155,189	\$ 13,632	\$ 168,821	\$ 246,513

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED**Statement of Cash Flows
Year Ended March 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (77,692)	\$ 77,504
Item not affecting cash:		
Amortization	<u>2,881</u>	<u>2,892</u>
	<u>(74,811)</u>	<u>80,396</u>
Changes in non-cash working capital:		
Accounts receivable	(7,019)	1,996
Inventory	(1,746)	2,162
Accounts payable and accrued liabilities	(1,489)	(32,232)
Deferred revenue	-	(13,200)
Prepaid expenses	<u>1,579</u>	<u>(166)</u>
	<u>(8,675)</u>	<u>(41,440)</u>
Cash flow from (used by) operating activities	<u>(83,486)</u>	<u>38,956</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(5,412)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH FLOW	(88,898)	38,956
Cash - beginning of year	<u>256,831</u>	<u>217,875</u>
CASH - END OF YEAR	\$ 167,933	\$ 256,831
CASH CONSISTS OF:		
Cash	\$ 152,494	\$ 241,658
Term deposits (Note 3)	<u>15,439</u>	<u>15,173</u>
	<u>\$ 167,933</u>	<u>\$ 256,831</u>

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended March 31, 2018

PURPOSE OF THE ASSOCIATION

Spring Garden Area Business Association Limited (the "Association") commenced operations in 1963 and was formally incorporated under the Companies Act of Nova Scotia on February 7, 1984. The objectives of the Association are to beautify, improve and maintain property in its district, and to promote the district as a place for retail and commercial activity.

1. 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).

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued, except for transactions with related parties which are recorded at the exchange amount. 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.

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year \$0 in goods were donated (2017 - \$0).

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. The most significant estimates in these financial statements include the estimated useful life of capital assets, and accrued liabilities.

Cash

Cash includes cash on hand and cash held in Canadian financial institutions.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended March 31, 2018

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

Capital assets

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

Computer equipment	30%
Information kiosk	20%
Furniture and fixtures	20%
Christmas lighting	20%
Pedestrian counter	20%

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Impairment of long lived assets

The Association tests 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 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 the carrying value exceeds its fair value.

Revenue recognition

Spring Garden Area Business Association Limited follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year 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. Endowment contributions are recognized as direct increases in net assets.

Government grants are recorded when there is a reasonable assurance that the Association had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Unrestricted investment income is recognized as revenue when earned.

2. 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 Association's financial instruments consist of cash, term deposits, accounts receivable and accounts payable and accrued liabilities. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2018.

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SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended March 31, 2018

2. FINANCIAL INSTRUMENTS *(continued)*

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 funders and members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Credit risk is reduced to a minimum due to the nature of the revenue.

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 funders and members, other related sources, and accounts payable.

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 market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk.

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 term deposits.

3. TERM DEPOSITS

	<u>2018</u>	<u>2017</u>
Term deposit with an interest rate of 1.75% and maturity date of October 1, 2019.	\$ 10,175	\$ 10,000
Term deposit with an interest rate of 1.75% and maturity date of August 26, 2019.	<u>5,264</u>	<u>5,173</u>
	<u>\$ 15,439</u>	<u>\$ 15,173</u>

4. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Harmonized sales tax receivable	\$ 2,546	\$ 2,188
Other receivables	<u>6,661</u>	<u>-</u>
	<u>\$ 9,207</u>	<u>\$ 2,188</u>

SPRING GARDEN AREA BUSINESS ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended March 31, 2018

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 9,848	\$ 8,474	\$ 1,374	\$ 658
Information kiosk	1,724	1,317	407	509
Furniture and fixtures	9,009	4,173	4,836	1,166
Christmas lighting	14,573	10,209	4,364	5,455
Pedestrian counter	7,190	4,539	2,651	3,313
	<u>\$ 42,344</u>	<u>\$ 28,712</u>	<u>\$ 13,632</u>	<u>\$ 11,101</u>

6. DEFERRED REVENUE

	2018	2017
Halifax Regional Municipality	\$ 6,250	\$ 6,250
Other	2,009	2,009
	<u>\$ 8,259</u>	<u>\$ 8,259</u>

7. BANK INDEBTEDNESS

The Association has access to a line of credit with a maximum of \$5,000 and an interest rate of prime plus 1.5% per year. No balance was outstanding on this credit facility as at March 31, 2018 (2017 - \$0).

8. LEASE COMMITMENTS

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

2019	\$ 34,462
2020	33,258
2021	33,258
2022	33,258
2023	5,543
	<u>\$ 139,779</u>