

Downtown Vancouver
Business Improvement Association
Financial Statements
For the year ended March 31, 2019

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Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report

To the Members of
Downtown Vancouver Business Improvement Association

We have audited the accompanying financial statements of the Downtown Vancouver Business Improvement Association (the "Association") which comprise the Statement of Financial Position as at March 31, 2019, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2019, and its results of operations, changes in net assets and 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 Company 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis 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 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 the 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 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.

Auditor's Responsibility 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.

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2019

Downtown Vancouver Business Improvement Association
Statement of Financial Position

March 31	2019	2018
Assets		
Current		
Cash	\$ 1,682,423	\$ 9,325
Term deposits and GICs (Note 5)	831,767	1,250,000
Accounts and interest receivable	24,827	13,615
GST receivable	46,874	41,054
Prepaid expenses and deposits	69,823	46,530
	2,655,714	1,360,524
Tangible capital assets (Note 6)	144,705	146,803
	\$ 2,800,419	\$ 1,507,327
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 60,981	\$ 72,677
Accrued vacation and payroll liabilities	13,909	23,595
Deferred assessment levy	1,600,754	-
	1,675,644	96,272
Net assets		
Invested in tangible capital assets	144,705	146,803
Hastings West voluntary improvement levy (Note 2)	142,030	137,478
Alberni voluntary improvement levy (Note 3)	217,524	174,042
Granville Street improvement (Note 4)	3,430	98,483
Legal defence reserve (Note 8)	38,118	66,132
Unrestricted	578,968	788,117
	1,124,775	1,411,055
	\$ 2,800,419	\$ 1,507,327

Approved on behalf of the Board:

_____ Director

_____ Director

Downtown Vancouver Business Improvement Association
Statement of Changes in Net Assets

For the years ended March 31, 2019 and 2018

	Invested in Capital Assets	Hastings West Improvement Voluntary Levy (Note 2)	Alberni Improvement Voluntary Levy (Note 3)	Granville Street Improvement (Note 4)	Legal Defence Reserve (Note 8)	Unrestricted	Total
Balance, April 1, 2017	\$ 98,593	\$ 148,998	\$ 126,526	\$ 29,867	\$ 54,440	\$ 589,136	\$ 1,047,560
Excess (deficiency) of revenues over expenses	(38,155)	(11,520)	47,516	68,616	11,692	285,346	363,495
Interfund transfers	86,365	-	-	-	-	(86,365)	-
Balance, March 31, 2018	146,803	137,478	174,042	98,483	66,132	788,117	1,411,055
Excess (deficiency) of revenues over expenses	(61,682)	4,552	43,482	(95,053)	(28,014)	(149,565)	(286,280)
Interfund transfers	59,584	-	-	-	-	(59,584)	-
Balance, March 31, 2019	\$ 144,705	\$ 142,030	\$ 217,524	\$ 3,430	\$ 38,118	\$ 578,968	\$ 1,124,775

The accompany notes are an integral part of these financial statements.

Downtown Vancouver Business Improvement Association
Statement of Operations

For the year ended March 31	2019	2018
Revenue		
Assessment levy	\$ 3,002,538	\$ 2,832,582
Assessment levy and contributions - legal defence reserve (Note 8)	15,088	14,234
Hastings West improvement voluntary levy (Note 2)	119,143	135,424
Alberni improvement voluntary levy (Note 3)	76,646	76,646
Granville Street improvement (Note 4)	116,930	226,004
Other contributions	27,441	61,436
Membership events	31,235	19,000
Interest	24,440	13,612
Public Space	-	36,500
	<u>3,413,461</u>	<u>3,415,438</u>
Expenses		
Sustainability and livability (Schedule)	44,579	37,349
Vibrant economy (Schedule)	186,857	73,257
Administration (Schedule)	782,173	715,635
Hastings West improvement voluntary levy (Note 2)	114,591	146,944
Alberni improvement voluntary levy (Note 3)	33,164	29,130
Granville Street improvement (Note 4)	211,983	157,388
Membership and governance (Schedule)	292,086	252,679
Placemaking and marketing (Schedule)	912,131	706,218
Safety and security (Schedule)	1,122,177	933,343
	<u>3,699,741</u>	<u>3,051,943</u>
Excess (deficiency) of revenue over expenses	<u>\$ (286,280)</u>	<u>\$ 363,495</u>

Downtown Vancouver Business Improvement Association
Statement of Cash Flows

For the year ended March 31	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ (286,280)	\$ 363,495
Item not involving cash		
Amortization	61,682	38,155
	(224,598)	401,650
Changes in working capital items		
Accounts and interest receivable	(11,212)	(13,615)
GST receivable	(5,820)	3,857
Prepaid expenses and deposits	(23,293)	(17,911)
Accounts payable and accrued liabilities	(11,696)	34,859
Accrued vacation and payroll liabilities	(9,686)	16,607
Deferred revenue	1,600,754	-
Net cash generated from operating activities	1,314,449	425,447
Cash flow from investing activities		
Decrease (increase) in term deposits and GICs, net	418,233	(299,800)
Purchase of capital assets	(59,584)	(86,365)
Net cash generated from investing activities	358,649	(386,165)
Net increase in cash	1,673,098	39,282
Cash (cheques issued in excess of cash), beginning of year	9,325	(29,957)
Cash, end of year	\$ 1,682,423	\$ 9,325

Downtown Vancouver Business Improvement Association

Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies

(a) Purpose

The Downtown Vancouver Business Improvement Association (the "Association") was created in 1990 by Vancouver City Council at the request of the Vancouver downtown business community as a business improvement area ("BIA") under the Vancouver Charter. In 2010, the Association was issued a new 10 year mandate by City Council which expires March 31, 2020, unless renewed. The Association's mandate is to develop, encourage and promote business in the downtown Vancouver business improvement area. The Association was incorporated under the laws of British Columbia as a society in 1990 and is a non-profit organization under the Income Tax Act. The Association transitioned to the new Societies Act British Columbia in 2017.

Membership in the Association is only available to businesses and all businesses located within the 90-block downtown Vancouver area are automatically members. The Association is funded by a special municipal levy based on the businesses' assessed property value which is collected by the City of Vancouver.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

(c) Use of Estimates

The preparation of financial statements in accordance with ASNPO 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. Actual results could differ materially from these estimates.

(d) Financial Instruments

Financial Instruments are recorded at fair value when acquired or issued. Term deposits have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets carried at cost or amortized cost are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to these instruments carried at cost or amortized cost.

Downtown Vancouver Business Improvement Association
Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies - Continued

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments with maturity dates of three months or less at the date of acquisition.

(f) Tangible Capital Assets

Tangible capital assets are carried at cost less accumulated amortization. When a capital asset no longer has any long-term service potential to the Association it is written down to its residual value, if any. Amortization is provided over the asset's estimated useful life as follows:

Furniture and equipment	-	20% declining-balance basis
Computer equipment	-	30% declining-balance basis
Computer software	-	straight-line basis over 3 years
Leasehold improvements	-	straight-line basis over the term of the lease
Uniforms	-	straight-line basis over 3 years

(g) Revenue Recognition

Assessment levy revenue is granted to the Association annually by the City of Vancouver based on a budget submitted by the Association for the fiscal year ended March 31. This revenue is recognized by the Association upon approval of its annual budget by the City of Vancouver. Assessment levy and other amounts received in advance are recorded as deferred revenue.

Hastings West improvement voluntary levy revenue is a voluntary levy paid by commercial building owners in the Hastings West area. As the levy is voluntary, revenues are recognized when the amounts have been received.

Alberni improvement voluntary levy revenue is a voluntary levy paid by commercial building owners in the Alberni area. As the levy is voluntary, revenues are recognized when the amounts have been received.

Granville Street improvement voluntary levy revenue is a voluntary levy paid by commercial building owners in the Granville Street area. As the levy is voluntary, revenues are recognized when the amounts have been received. Other contributions made to the Granville Street improvement fund are recognized when the amounts can be reasonably estimated and ultimate collection is reasonably assured or when received.

Legal defence fund revenues are internally restricted revenues and based on 0.5% (2018 - 0.5%) of the assessment levy. This revenue is recognized by the Association upon approval of its annual budget by the City of Vancouver.

Public space and other contributions are recognized at the earlier of when the amounts can be reasonably estimated and ultimate collection is reasonably assured or when received.

Downtown Vancouver Business Improvement Association
Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies - Continued

(g) Revenue Recognition - Continued

Membership events revenue is recognized when the events occur and collection is reasonably assured.

Interest revenue is recognized in the year earned.

(h) Expense Allocation

The Association incurs certain wage and benefit costs related to the administration of the Association, membership activities and placemaking and marketing activities. The Association allocates these wage and benefit costs to these functions proportionately, on the basis of time spent by each employee on these functions.

2. Hastings West Improvement Voluntary Levy

During the fiscal 2013 year, the Association approached various commercial building owners in the Hastings West area of Vancouver to attempt to bring improvement to the area. This resulted in a voluntary levy on the buildings in those areas of \$0.05 per square foot of building space for improvements to be made in the area. During the year ending March 31, 2019, the Association invoiced building owners in the amount of \$138,888 (2018 - \$134,854). As at March 31, 2019, the Association has received \$119,143 (2018 - \$135,424) and incurred expenses of \$114,591 (2018 - \$146,944) in relation to this project. Under this levy, expenses are determined and decided by an advisory group which is comprised of the various commercial building owners.

3. Alberni Improvement Voluntary Levy

During the fiscal 2014 year, the Association approached various commercial building owners in the Alberni area of Vancouver to attempt to bring improvement to the area. This resulted in a voluntary levy on the buildings in those areas of \$0.05 per square foot of building space for improvements to be made in the area. During the year ending March 31, 2019, the Association invoiced building owners in the amount of \$80,479 (2018 - \$76,646). As at March 31, 2019, the Association has received \$76,646 (2018 - \$76,646) and incurred expenses of \$33,164 (2018 - \$29,130) in relation to this project. Under this levy, expenses are determined and decided by an advisory group which is comprised of the various commercial building owners.

Downtown Vancouver Business Improvement Association
Notes to Financial Statements

March 31, 2019

4. Granville Street Improvement

During the fiscal 2017 year, the Association approached various commercial building owners in the Granville Street area of Vancouver to attempt to bring improvement to the area. This resulted in a voluntary levy on the buildings in those areas of \$25 per linear foot of building frontage for improvements to be made in the area. During the year ending March 31, 2019, the Association invoiced building owners in the amount of \$107,198 (2018 - \$109,600). As at March 31, 2019, the Association has received \$116,930 (2018 - \$104,777) and incurred expenses of \$211,983 (2018 - \$36,161) in relation to this project. Under this levy, expenses are determined and decided by an advisory group which is comprised of the various commercial building owners.

Additionally, in the fiscal 2019 year, no amounts (2018 - \$59,227) were received from crowd-funding activities. The Association received \$16,149 (2018 - \$62,000) from the City of Vancouver to improve Granville Street public spaces. These amounts received in the prior year were included in the Granville Street Improvement fund and were fully spent during the prior year on improvements to Granville Street public spaces.

5. Term Deposits and GICs

The guaranteed investment certificates ("GICs") bear interest between 2.2% - 2.3% (2018 - 1.65%) per annum and mature between October 2019 and March 2020.

6. Tangible Capital Assets

			2019	2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 181,336	\$ 127,327	\$ 54,009	\$ 61,539
Computer equipment	117,343	70,594	46,749	58,300
Computer software	17,716	17,716	-	-
Leasehold improvements	38,573	23,693	14,880	19,166
Uniforms	89,212	60,145	29,067	7,798
	<u>\$ 444,180</u>	<u>\$ 299,475</u>	<u>\$ 144,705</u>	<u>\$ 146,803</u>

Downtown Vancouver Business Improvement Association
Notes to Financial Statements

March 31, 2019

7. Wages and Benefits

Total wages and benefits have been charged to administration and various functions as follows:

	2019	2018
Administration	\$ 334,936	\$ 316,505
Membership and governance	194,925	183,925
Placemaking and marketing	327,429	149,158
Vibrant economy	150,134	42,698
Safety and security	110,487	-
Granville Street improvement voluntary levy	23,062	16,581
Hastings West improvement voluntary levy	23,062	16,581
Alberni improvement voluntary levy	23,062	16,581
	\$ 1,187,097	\$ 742,029

8. Legal Defense Reserve

During the fiscal 2013 year, the Association internally restricted net assets to a legal defense reserve which represented unexpended budgeted amounts for professional fees. This reserve will be used for legal and related costs the Association may incur in relation to past and future legal proceedings. At the 2013 Annual General Meeting, the membership approved that in future years 1.0% of the assessment levy will be allocated to this fund and the board will review the legal defense reserve on a periodic basis. At the 2016 Annual General Meeting, the membership approved a reduction in the allocation of the assessment levy to 0.5% effective for the 2017 fiscal year. The levy remained unchanged for the 2018 and 2019 fiscal years.

During the year ending March 31, 2019, the Association allocated \$15,088 (2018 - \$14,234) to the fund and no contributions to its legal defense reserve were received from other business improvement associations. During the year ended March 31, 2019, the Association incurred expenditures of \$43,102 (2018 - \$2,542) related to legal defense.

Downtown Vancouver Business Improvement Association
Notes to Financial Statements

March 31, 2019

9. Commitments

- (a) The Association entered into a new incremental operating lease for its premises on April 1, 2011 for a nine year term with minimum annual lease payments plus its proportionate share of the operating costs and property taxes which are approximately \$4,159 per month. A new contract was signed on December 10, 2018 to renew the least of the premises for a five year term, taking effect in late 2019. The lease is contingent on the renewal of the Association's mandate in 2020. The Association is also committed under operating leases for a photocopier for one more year.

The combined minimum annual lease payments until expiry are as follows:

Year	Amount
2020	\$ 54,647
2021	81,600
2022	81,600
2023	81,962
2024	<u>88,128</u>
	<u>\$ 387,937</u>

- (b) In 2017, the Association entered into a three year agreement with Securiguard to manage the following services: Downtown Ambassadors and the Downtown Clean Team. The maximum amount of billing in 2019 must not exceed \$655,027 and \$130,546 (2018 - \$635,949 and \$126,744) for Downtown Ambassadors and the Downtown Clean Team, respectively, and can be increased up to 3% in 2020, the final year of the agreement.

10. Contingencies

In a prior year, the Association had been named as a defendant of a BC Human Rights Tribunal (the "Tribunal") complaint and the Tribunal ruled in favour of the Association. However, the Tribunal's decision was appealed and the case was elevated to the Supreme Court of B.C. On April 10, 2015, the Supreme Court of B.C. ruled to revert the case back to the Tribunal. On May 7, 2015, the Association filed a Notice of Appeal which was heard in October 2016 in the Court of Appeal. On April 11, 2018, the Court of Appeal overturned the decision of the Supreme Court of B.C. and the prior decision by the Tribunal was restored and has been upheld. On June 8, 2018, a Leave to Appeal was sought by the defendant to the Supreme Court of Canada. On January 31, 2019, the Supreme Court of Canada dismissed the plaintiff's Application for Leave, thereby concluding the matter.

Downtown Vancouver Business Improvement Association
Notes to Financial Statements

March 31, 2019

11. Financial Instruments Risks

The Association through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2019. There have been no changes to these risks from the prior year.

(a) Credit Risk

Credit risk is the risk that the Association will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Association to significant concentrations of credit risk consist primarily of cash, term deposits and accounts and interest receivable. The Association limits its exposure to credit risk by placing its cash and GICs with high credit quality financial institutions, in accordance with investment policies adopted by the Board of Directors.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of cash, term deposits and GICs are as disclosed in Note 5.

(c) Liquidity Risk

Liquidity risk is the risk that the Association will not be able to meet its obligations as they fall due. The Association maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

Downtown Vancouver Business Improvement Association
Schedule - Expenses

For the year ended March 31	2019	2018
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Sustainability and Livability		
Projects (Livability)	\$ 15,000	\$ 20,009
Projects (Sustainability)	29,579	17,340
	<hr/>	<hr/>
	\$ 44,579	\$ 37,349
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Vibrant Economy		
Policy development	\$ 28,217	\$ 22,296
Economic development and data	8,506	8,263
Wages and benefits	150,134	42,698
	<hr/>	<hr/>
	\$ 186,857	\$ 73,257
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Administration		
Amortization	\$ 61,682	\$ 38,155
Bank charges and interest	1,360	809
Conferences and education	67,208	49,217
Couriers, freight and postage	858	3,026
Equipment replacement and repairs	-	1,980
Equipment lease	10,390	6,731
Insurance	8,408	8,653
Memberships and dues	5,328	5,920
Miscellaneous	144	2,001
Office supplies and computer equipment	25,754	77,607
Office rent	111,845	102,600
Professional fees (Note 8)	79,762	72,161
Telephone and internet	74,498	30,270
Wages and benefits	334,936	316,505
	<hr/>	<hr/>
	\$ 782,173	\$ 715,635
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Downtown Vancouver Business Improvement Association
Schedule - Expenses - Continued

For the year ended March 31	2019	2018
Membership and Governance		
Annual general meeting	\$ 27,762	\$ 11,509
Executive and board	7,752	4,486
Member recruitment	1,364	9,192
Member relations	13,291	13,718
Membership events and roundtables	46,992	23,166
Recognition events and awards	-	6,683
Wages and benefits	194,925	183,925
	<u>\$ 292,086</u>	<u>\$ 252,679</u>
Placemaking and Marketing		
Awareness campaign	\$ 80,605	\$ 88,987
Christmas guide	-	46,622
Mosaic art tile project	2,045	2,832
Communications	57,809	60,201
Sponsorships	237,382	231,633
Public spaces	137,674	126,785
Wages and benefits	396,616	149,158
	<u>\$ 912,131</u>	<u>\$ 706,218</u>
Safety and Security		
Downtown Ambassadors (Note 9(b))	\$ 588,159	\$ 543,981
Downtown Ambassadors operating costs	116,914	184,067
Downtown Clean Team (Note 9(b))	306,617	205,295
Wages and benefits	110,487	-
	<u>\$ 1,122,177</u>	<u>\$ 933,343</u>