

**RED DEER DOWNTOWN
BUSINESS ASSOCIATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2023

RED DEER DOWNTOWN BUSINESS ASSOCIATION**TABLE OF CONTENTS
DECEMBER 31, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Red Deer Downtown Business Association

Opinion

We have audited the accompanying financial statements of Red Deer Downtown Business Association ("the Association") which comprise the statement of financial position as at December 31, 2023 and the statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2023, 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 *Auditors' 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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 auditors' 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 auditors' 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 auditors' 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.

Other Matter

The financial statements of the Society for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on April 27, 2023.

Red Deer County, Alberta
April 4, 2024

Pivotal LLP
Chartered Professional Accountants

RED DEER DOWNTOWN BUSINESS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 274,468	\$ 194,550
Internally restricted cash (Note 3)	253,969	238,969
Accounts receivable	990	6,235
Government remittances receivable	2,359	3,110
Prepaid expenses and deposits	<u>5,931</u>	<u>5,931</u>
	537,717	448,795
CAPITAL ASSETS (Note 4)	<u>17,417</u>	<u>19,935</u>
	<u>\$ 555,134</u>	<u>\$ 468,730</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 127,264	\$ 27,637
Government remittances payable	8,122	7,535
Deferred revenue (Note 5)	<u>23,975</u>	<u>65,709</u>
	159,361	100,881
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	<u>5,875</u>	<u>10,125</u>
	<u>165,236</u>	<u>111,006</u>
NET ASSETS		
NET INVESTMENT IN CAPITAL ASSETS	11,542	9,810
UNRESTRICTED NET ASSETS	124,387	108,945
INTERNALLY RESTRICTED RESERVE (Note 3)	<u>253,969</u>	<u>238,969</u>
	<u>\$ 555,134</u>	<u>\$ 468,730</u>
COMMITMENTS (Note 7)		

On Behalf of the Board of Directors:

_____ Director

_____ Director

RED DEER DOWNTOWN BUSINESS ASSOCIATION

**STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023**

	Investment in Capital Assets	Unrestricted	Internally Restricted Reserve	Total 2023	Total 2022
Balance, beginning of year	\$ 9,810	\$ 108,945	\$ 238,969	\$ 357,724	\$ 354,815
Excess of revenues over expenses	-	32,174	-	32,174	2,909
Amortization of capital assets	(7,276)	7,276	-	-	-
Amortization of capital contributions	4,250	(4,250)	-	-	-
Purchase of capital assets	4,758	(4,758)	-	-	-
Transfer to internally restricted reserve	-	(15,000)	15,000	-	-
Balance, end of year	<u>\$ 11,542</u>	<u>\$ 124,387</u>	<u>\$ 253,969</u>	<u>\$ 389,898</u>	<u>\$ 357,724</u>

See accompanying notes to financial statements

RED DEER DOWNTOWN BUSINESS ASSOCIATION

**STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023**

	2023	2022
REVENUE		
Business Improvement Area (BIA) levy	\$ 264,500	\$ 251,999
Cannery Row grant funding	125,100	120,655
Amortization of capital contributions (Note 6)	4,250	4,250
Environmental contract	187,835	187,835
Expense reimbursements	-	22,421
Interest income	6,786	2,820
Misc grant funding	48,888	28,730
Needle debris grant funding	80,000	80,752
Office rental	10,476	10,476
Other	17,408	20,559
	<u>745,243</u>	<u>730,497</u>
EXPENSES		
Advertising and promotion	66,527	77,444
Amortization of capital assets	7,276	8,586
BIA assessment	13,433	13,275
Environmental contract support	20,455	13,811
Environmental design improvements	6,000	4,500
Facade and shopfront improvements	4,879	3,700
Health benefits	17,517	11,715
Insurance	3,864	6,835
Interest and bank charges	360	247
Meetings and conventions	869	5,864
Office	31,459	27,738
Professional fees	26,800	16,300
Rent	48,108	48,108
Special events	34,295	56,434
Telephone	3,383	3,303
Vehicle operating	6,919	6,878
Wages and benefits - Clean Team	116,265	130,094
Wages and benefits - DBA	142,538	140,378
Wages and benefits - grant projects	150,278	142,629
Wages and benefits - summer student	11,844	9,749
	<u>713,069</u>	<u>727,588</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 32,174	\$ 2,909

See accompanying notes to financial statements

RED DEER DOWNTOWN BUSINESS ASSOCIATION

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

	2023	2022
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess of revenues over expenses	\$ 32,174	\$ 2,909
Add (deduct) non-cash items:		
Amortization of capital assets	7,276	8,586
Amortization of capital contributions	<u>(4,250)</u>	<u>(4,250)</u>
	35,200	7,245
Net changes in non-cash working capital:		
Accounts receivable	5,245	5,283
Government remittances receivable	752	(845)
Prepaid expenses and deposits	-	(1,058)
Accounts payable and accrued liabilities	99,627	6,635
Government remittances payable	586	(681)
Deferred revenue	<u>(41,734)</u>	<u>63,708</u>
Cash from operating activities	<u>99,676</u>	<u>80,287</u>
INVESTMENTS		
Purchase of capital assets	<u>(4,758)</u>	-
Cash used for investment activities	<u>(4,758)</u>	-
INCREASE IN CASH	94,918	80,287
CASH, BEGINNING OF YEAR	<u>433,519</u>	<u>353,232</u>
CASH, END OF YEAR	\$ <u>528,437</u>	\$ <u>433,519</u>
CASH COMPRISED OF:		
Cash	\$ 274,468	\$ 194,550
Internally restricted cash	<u>253,969</u>	<u>238,969</u>
	\$ <u>528,437</u>	\$ <u>433,519</u>

See accompanying notes to financial statements

RED DEER DOWNTOWN BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. STATUS AND PURPOSE OF THE ORGANIZATION

Red Deer Downtown Business Association is a not for profit organization established by municipal bylaws of the City of Red Deer ("the City") to enhance and support the business opportunities in the downtown area. The Association's net assets are not available for distribution to the members. In the event of distribution, the Board shall cease to exist and its undertaking, assets and liabilities shall be assumed by the City.

The Association, being a not for profit organization, is exempt from income tax in accordance with section 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

Cash

Cash consists of petty cash, and cash in bank accounts.

Capital Assets

Capital assets are accounted for at cost. Amortization is based on the estimated useful life of each asset as follows:

Computer equipment	55% declining balance method
Furniture and fixtures	20% declining balance method
Leasehold improvements	straight line over remaining term of lease
Vehicles	30% declining balance method

One half amortization is calculated in the year of acquisition. No amortization is calculated in the year of disposition.

Fundraising Wages

No staff are specifically designated to provide fundraising activities, as such, no amounts paid to employees have been specifically designated as fundraising wages.

Contributed Services

The Association would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of determining the fair value of this time, contributed services are not recognized in the financial statements.

Donation In Kind

Donations in kind are recorded in the financial statements at fair market value when fair market value can be reasonably estimated and when the Association would otherwise have purchased these items.

RED DEER DOWNTOWN BUSINESS ASSOCIATION**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Estimates***

The preparation of the 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the current year. Significant items subject to such estimates and assumptions include: the estimated useful lives of capital assets, accrued liabilities and the amortization of deferred capital contributions. Actual results could differ from those estimates.

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 its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, internally restricted cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association does not currently hold any financial assets measured at fair value.

Revenue Recognition

The Association 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.

Capital contributions received for the purchase of capital assets are recorded as deferred capital contributions and are amortized to revenue on the same basis as the amortization of the related capital assets.

The BIA tax is recognized based on the budgeted levy for the year. The environmental contract is recognized as funds are received based on the contracted amount.

Rental, interest, and other revenue is recognized when the service is incurred or product is provided, and when the amount to be received can be reasonably estimated and collection is reasonably assured.

RED DEER DOWNTOWN BUSINESS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

3. INTERNALLY RESTRICTED CASH

	2023	2022
Automotive reserve	\$ 29,700	\$ 24,700
Operating reserve	194,269	194,269
Strategic brand reserve	<u>30,000</u>	<u>20,000</u>
	<u>\$ 253,969</u>	<u>\$ 238,969</u>

The Association has established reserves that are to be used for the future replacement of computer equipment and automotive equipment, a strategic branding of downtown, as well as an operating reserve. The operating reserve is to cover four months of operating and payroll expenses. The operating reserve is not to fall below \$120,000. These funds consist of a savings account and term deposits. The term deposits are generating interest between 2.50% and 5.10% and mature September 2024.

4. CAPITAL ASSETS

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 36,203	\$ 32,754	\$ 3,449	\$ -
Furniture and equipment	12,870	11,326	1,544	1,930
Leasehold improvements	27,617	20,159	7,458	10,910
Vehicles	<u>19,943</u>	<u>14,977</u>	<u>4,966</u>	<u>7,095</u>
	<u>\$ 96,633</u>	<u>\$ 79,216</u>	<u>\$ 17,417</u>	<u>\$ 19,935</u>

5. DEFERRED REVENUE

	Balance, beginning of year	Received	Recognized	Grants Repayable	Balance, end of year
Grants					
Environmental - Needle Debris	\$ 19,248	\$ 80,000	\$ 80,000	\$ -	\$ 19,248
Railyard Vandalism	46,461	50,000	8,271	88,190	-
FCSS Emergent Issues	<u>-</u>	<u>10,000</u>	<u>5,273</u>	<u>-</u>	<u>4,727</u>
	<u>\$ 65,709</u>	<u>\$ 140,000</u>	<u>\$ 93,544</u>	<u>\$ 88,190</u>	<u>\$ 23,975</u>

RED DEER DOWNTOWN BUSINESS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions relate to restricted contributions used to acquire capital assets. The balances are amortized using the same basis as the asset acquired. The change in the deferred contributions are as follows:

	2023	2022
Balance, beginning of year	\$ 10,125	\$ 14,375
Less amount amortized to revenue	<u>(4,250)</u>	<u>(4,250)</u>
Balance, end of year	<u>\$ 5,875</u>	<u>\$ 10,125</u>

7. COMMITMENTS

The Association has entered into operating leases for office equipment and premises expiring between May 2025 and August 2028. The minimum payments are as follows:

2024	\$ 50,784
2025	22,724
2026	2,684
2027	2,684
2028	<u>1,790</u>
	<u>\$ 80,666</u>

8. ECONOMIC DEPENDENCE

The Association is economically dependent on the City for its continuing operations. In the current year, 95% (2022 - 95%) of the Association's revenues came from business improvement area levies collected on behalf of the Association by the City from contracted services with the City through the environmental contract and other support.

RED DEER DOWNTOWN BUSINESS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

9. RELATED PARTY TRANSACTIONS

During the year, the Association entered into transactions with related parties. Related parties consist of individuals on the Board of Directors, key employees and their immediate families and their businesses. The Association is also related to the City as the City can significantly influence the Association. During the year, the Association had the following transactions with the City:

Transactions:

Amounts received:

Business improvement area (BIA) levy	\$ 264,499	\$ 251,999
Environmental contract	267,835	363,140
Needle debris grant funding	80,000	100,000
Ross Street patio	26,100	22,050
Cannery Row Clean Team	12,000	12,000
Washroom Attendant	33,100	-
Railyard Vandalism	50,000	-
FCSS Emergent Issues	10,000	-
	<u>\$ 743,534</u>	<u>\$ 749,189</u>

Expenses:

BIA assessment	\$ 13,433	\$ 13,275
Fees for murals	-	15,000
Other	5,798	6,188
	<u>\$ 19,231</u>	<u>\$ 34,463</u>

Revenue - other related parties

	2023	2022
Taco Loft - kiosk sales	\$ <u>583</u>	\$ <u>-</u>

At December 31, 2023, there was \$88,190 payable to the City (Note 5).

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.

RED DEER DOWNTOWN BUSINESS ASSOCIATION**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023****10. FINANCIAL INSTRUMENTS**

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at December 31, 2023.

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 Association's main credit risk relates to its accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial 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 of 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 entity is mainly exposed to interest rate risk.

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 Association is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year method of presentation.