

**4TH STREET SOUTH WEST
BUSINESS IMPROVEMENT AREA
Financial Statements
Year Ended December 31, 2023**

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
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Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of 4th Street South West Business Improvement Area

Opinion

We have audited the financial statements of 4th Street South West Business Improvement Area (the 'Organization'), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets 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 Organization 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 ('ASNPO').

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 Organization in accordance with 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.

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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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.

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Independent Auditor's Report to the Members of 4th Street South West Business Improvement Area
(continued)

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 Organization'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 Organization'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 Organization 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.

Calgary, Alberta
April 24, 2024

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4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Statement of Financial Position
December 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 193,683	\$ 303,591
Accounts receivable	145,096	469
Goods and services taxes recoverable	29,093	15,792
Prepaid expenses	3,008	2,958
	370,880	322,810
CAPITAL ASSETS (Note 3)	34,075	44,789
	\$ 404,955	\$ 367,599
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 37,769	\$ 26,424
DEFERRED CONTRIBUTIONS (Note 4)	23,782	29,068
	61,551	55,492
NET ASSETS		
UNRESTRICTED NET ASSETS	333,112	296,387
INVESTED IN CAPITAL ASSETS	10,292	15,720
	343,404	312,107
	\$ 404,955	\$ 367,599
 COMMITMENTS (Note 7)		

APPROVED ON BEHALF OF THE BOARD

Director

Director

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Statement of Operations
Year Ended December 31, 2023

	2023	2022
REVENUE		
Business tax levy	\$ 185,200	\$ 185,200
Grants	143,763	15,000
Recognition of deferred contributions (Note 4)	5,286	5,286
	<u>334,249</u>	<u>205,486</u>
EXPENSES		
Consulting fees (Note 5)	84,800	42,667
Marketing (Note 6)	83,681	77,716
Streetscape repairs and maintenance	82,699	19,499
Professional fees	18,267	17,048
Rent, parking, and utilities (Note 5)	14,400	14,400
Amortization of capital assets	10,714	11,918
Office and administration	4,137	4,763
Insurance	2,676	2,631
Annual and general meetings	1,578	237
	<u>302,952</u>	<u>190,879</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	31,297	14,607
LOSS ON DISPOSITION OF CAPITAL ASSETS	-	(1,072)
EXCESS OF REVENUE OVER EXPENSES	\$ 31,297	\$ 13,535

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Statement of Changes in Net Assets
Year Ended December 31, 2023

	Unrestricted	Invested in Capital Assets	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 296,387	\$ 15,720	\$ 312,107	\$ 298,572
Excess of revenue over expenses	36,725	(5,428)	31,297	13,535
NET ASSETS - END OF YEAR	\$ 333,112	\$ 10,292	\$ 343,404	\$ 312,107

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 31,297	\$ 13,535
Items not affecting cash:		
Amortization of capital assets	10,714	11,918
Recognition of deferred contributions (Note 6)	(5,286)	(5,286)
Loss on disposition of capital assets	-	1,072
	<u>36,725</u>	<u>21,239</u>
Changes in non-cash working capital:		
Accounts receivable	(144,627)	(469)
Goods and service taxes recoverable	(13,301)	(2,995)
Prepaid expenses	(50)	(1,620)
Accounts payable and accrued liabilities	11,345	(20,755)
	<u>(146,633)</u>	<u>(25,839)</u>
	<u>(109,908)</u>	<u>(4,600)</u>
INVESTING ACTIVITY		
Acquisition of capital assets	-	(1,106)
DECREASE IN CASH	(109,908)	(5,706)
CASH - Beginning of year	303,591	309,297
CASH - End of year	\$ 193,683	\$ 303,591

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Notes to Financial Statements
Year Ended December 31, 2023

1. PURPOSE OF THE ORGANIZATION

4th Street South West Business Improvement Area (the "Organization") is a non-profit organization established under the Muncipal Government Act of the Province of Alberta on November 2, 1990.

The purpose of the Organization is to beautify the 4th Street South West business area between Thirteenth Avenue and Elbow Drive. The majority of the funds are derived from the incremental business tax being levied by the City of Calgary on all businesses in the above mentioned area. Continued operation of the Organization is dependent on this ongoing financial support. The Organization is a tax exempt non-profit organization under section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the significant accounting policies summarized below.

Cash and cash equivalents

Cash includes cash on hand and bank deposits only. Highly liquid investments with maturities of one year or less at date of purchase are classified as cash equivalents.

Capital assets

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives using the following rates and methods:

Computer equipment	30%	declining balance
Furniture and equipment	20%	declining balance
Street benches	10 years	straight-line
Street flags	5 years	straight-line
Street lights	2 years	straight-line

The Organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

4th Street South West Business Improvement Area 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.

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4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Notes to Financial Statements
Year Ended December 31, 2023

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

Financial instruments

Measurement

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions which are measured at the carrying value or exchange amount. The Organization subsequently measures all financial assets and liabilities at amortized cost, except for equity instruments quoted in an active market, which are reported at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets subsequently measured at amortized cost include cash and accounts receivable.

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

Impairment

Financial assets subsequently measured at amortized cost are tested for impairment when there are indications that an impairment exists. The amount of write-down is recognized as an impairment loss in excess of revenue over expenses. A previously recognized impairment loss may be reversed to the extent of an improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Transaction costs

The Organization recognizes transaction costs in the statement of operations in the period incurred for financial instruments subsequently measured at fair value. Financial instruments subsequently measured at amortized cost are adjusted for financing fees and transaction costs which are directly attributable to that origination and acquisition of the financial instrument.

Contributed services

The operations of the Organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair values of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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. Estimates and assumptions include the recoverability of accounts receivable, the estimated useful life of capital assets for amortization purposes and net recoverable amount of capital assets. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Notes to Financial Statements
Year Ended December 31, 2023

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	\$ 1,107	\$ 448	\$ 659	\$ 941
Furniture and equipment	1,030	906	124	156
Street benches	52,855	29,070	23,785	29,070
Street flags	19,014	9,507	9,507	13,310
Street lights	40,853	40,853	-	1,312
	\$ 114,859	\$ 80,784	\$ 34,075	\$ 44,789

4. DEFERRED CONTRIBUTIONS

	2023	2022
Beginning balance	\$ 29,068	\$ 34,354
Recognition of grant	(5,286)	(5,286)
	\$ 23,782	\$ 29,068

During the year ended December 31, 2018, the City of Calgary provided a grant in the amount of \$52,855 for the purchase of street benches by the Organization. The grant is being amortized on the same basis as the street benches. Revenue recognized for the period ended December 31, 2023 from the grant was \$5,286 (2022 - \$5,286).

5. RELATED PARTY TRANSACTIONS

Transactions with the following related parties are considered to be 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. The amounts below have been approved by the board of directors.

Rent and occupancy costs of \$14,400 (2022 - \$14,400) were paid to a company managed by a director of the Organization.

Consulting and administration fees of \$84,800 (2022 - \$42,667) were paid to a company managed by the executive director of the Organization. Included in accounts payable and accrued liabilities as at December 31, 2023 is \$7,420 (2022 - \$4,375) in relation to these fees.

Expense reimbursements totalling \$34,540 (2022 - \$Nil), relating to planning and execution of the Lilac Festival are to be reimbursed by a society related by virtue of common directors. This amount is included in accounts receivable and grants revenue at December 31, 2023.

Accounts payable and accrued liabilities also include reimbursement of expenses of \$1,794 (2022 - \$2,848) payable to the executive director of the Organization.

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Notes to Financial Statements
Year Ended December 31, 2023

6. **MARKETING EXPENSES**

	2023	2022
Christmas production	\$ 2,685	\$ 5,029
Graphic design	3,825	6,391
Social media	11,940	11,170
Public relations	42,000	35,500
Pancake showdown	9,180	-
Other	14,051	19,626
	\$ 83,681	\$ 77,716

7. **COMMITMENTS**

The Organization has a long-term lease with respect to its premises which expires on December 31, 2027. The future lease obligations for occupied premises, exclusive of taxes and other occupancy charges are as follows:

2024		\$ 14,400
2025		14,400
2026		14,400
2027		14,400
		\$ 57,600

4TH STREET SOUTH WEST BUSINESS IMPROVEMENT AREA
Notes to Financial Statements
Year Ended December 31, 2023

8. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2023.

Credit risk

Credit risk arises from the potential that third parties may default on their financial obligations. The Organization is exposed to credit risk on cash and accounts receivable.

The Organization's credit risk exposure on cash is minimized substantially by ensuring that cash is held with credible financial institutions.

The Organization's credit risk exposure on accounts receivable is minimized substantially as amounts are owing from two customers and they have no previous issues with the customers defaulting on their obligations.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's approach to managing liquidity risk is to prepare and follow annual budgets, as well as ensuring there are sufficient revenues to cover expenses. The Organization's liquidity risk is considered to be low as the Organization aims to retain sufficient cash positions to manage liquidity risk.

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 Organization is not currently exposed to these types of risks.

9. COMPARATIVE FIGURES

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