

Downtown Vernon Association
Financial Statements
December 31, 2023

Downtown Vernon Association Contents

For the year ended December 31, 2023

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Management's Responsibility

To the Members of Downtown Vernon Association:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 3, 2024

e-Signed by Keelan Murtagh
2024-05-03 13:49:44 PDT

Executive Director

To the Members of Downtown Vernon Association:

Opinion

We have audited the financial statements of Downtown Vernon Association (the "Association"), 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 Association 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 Auditor's 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.

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 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 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.

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.

Vernon, British Columbia

May 3, 2024

MNP LLP

Chartered Professional Accountants

Downtown Vernon Association

Statement of Financial Position

As at December 31, 2023

	2023	2022
Assets		
Current		
Cash	567,022	555,569
Accounts receivable	71,960	63,436
Prepaid expenses and deposits	4,799	4,737
Government remittances receivable	5,325	11,968
	649,106	635,710
Capital assets (Note 3)	18,089	19,294
	667,195	655,004
Liabilities		
Current		
Accounts payable and accrued liabilities	83,702	63,760
Current portion of long-term debt	-	30,000
	83,702	93,760
Commitments (Note 4)		
Net Assets		
Invested in capital assets	18,089	19,294
Unrestricted	565,404	541,950
	583,493	561,244
	667,195	655,004

Approved on behalf of the Board

e-Signed by Jason Shortt
2024-05-03 14:29:05:05 PDT

Director

e-Signed by Jordan Kennedy
2024-05-03 14:44:07:07 PDT

Director

The accompanying notes are an integral part of these financial statements

Downtown Vernon Association Statement of Operations

For the year ended December 31, 2023

	2023	2022
Revenue		
Business Improvement Area	453,622	432,437
Local government	82,236	63,436
Vendor and event revenue	24,987	7,818
Interest revenue	3,068	1,333
	563,913	505,024
Program Costs		
Events (Note 6)	102,799	51,801
Public space management and operations (Note 7)	105,129	90,224
Business Improvement Area (Note 5)	65,385	35,228
	273,313	177,253
	290,600	327,771
Expenses		
Salaries and benefits	173,596	162,868
Rent	25,143	23,403
Office supplies	23,631	11,861
Professional fees	17,053	16,011
Repairs and maintenance	6,944	2,378
Insurance	4,679	7,510
Equipment rentals	3,280	3,845
Membership fees	2,555	2,784
Telephone	1,687	1,682
Utilities	1,641	4,786
Parking	1,405	1,344
Bank charges and interest	897	1,532
Security	767	428
Amortization	5,073	5,564
	268,351	245,996
Excess of revenue over expenses	22,249	81,775

The accompanying notes are an integral part of these financial statements

Downtown Vernon Association Statement of Changes in Net Assets

For the year ended December 31, 2023

	<i>Invested in capital assets</i>	<i>Unrestricted</i>	2023	2022
Net assets, beginning of year	19,294	541,950	561,244	479,469
Excess of revenue over expenses	-	22,249	22,249	81,775
Purchases of capital assets	3,868	(3,868)	-	-
Amortization of capital assets	(5,073)	5,073	-	-
Net assets, end of year	18,089	565,404	583,493	561,244

The accompanying notes are an integral part of these financial statements

Downtown Vernon Association

Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating		
Cash received from government funding	527,334	432,437
Cash received from other sources	24,984	7,818
Cash paid for program and event costs	(267,761)	(177,252)
Cash paid to suppliers	(67,622)	(79,785)
Cash paid for salaries and benefits	(173,785)	(164,165)
Cash paid for interest	(897)	(1,532)
Cash received for interest	3,068	1,333
	45,321	18,854
Financing		
Repayment of long-term debt	(30,000)	-
Investing		
Purchase of capital assets	(3,868)	(734)
Increase in cash resources	11,453	18,120
Cash resources, beginning of year	555,569	537,449
Cash resources, end of year	567,022	555,569

The accompanying notes are an integral part of these financial statements

Downtown Vernon Association

Notes to the Financial Statements

For the year ended December 31, 2023

1. Incorporation and nature of the association

The Downtown Vernon Association (the "Association") was incorporated under the Society Act of British Columbia (the "Act"), on March 22, 1993. It is a not-for-profit organization, and thus, is exempt from income taxes under paragraph 149(1)(l) of the Income Tax Act.

The mandate of the Association is to provide programs and services important to the economic viability and vitality of downtown Vernon, British Columbia, and to promote downtown Vernon as a unique and dynamic destination for entertainment, goods and services.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances held with financial institutions and petty cash. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	55 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	10 years
Signs	declining balance	20 %

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions, if any, 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 can be reasonably estimated and collection is reasonably assured. Other revenues are recognized as revenue is earned.

Contributed services

Contributed services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Association's operations and would otherwise have been purchased.

The work of the Association is dependent on the voluntary services of many members. Because of the difficulty of compiling these hours and the fact that these services are not otherwise purchased, the fair value of contributed services can not be reliably determined and are not recognized in the financial statements.

Measurement uncertainty (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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Downtown Vernon Association
Notes to the Financial Statements
For the year ended December 31, 2023

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Association may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Association has not made such an election during the year.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Association assesses impairment of all of its financial assets measured at cost or amortized cost. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year statement of operations.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

Income taxes

The Association is registered under the Income Tax Act subsection 149(1)(l) and as such is exempt from income taxes. In order to maintain its status as registered under the Act, the Association must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

3. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2023 Net book value</i>	<i>2022 Net book value</i>
Computer equipment	9,918	9,114	804	907
Furniture and fixtures	23,700	17,673	6,027	7,534
Leasehold improvements	14,368	7,696	6,672	5,121
Signs	12,440	7,854	4,586	5,732
	60,426	42,337	18,089	19,294

Downtown Vernon Association
Notes to the Financial Statements
For the year ended December 31, 2023

4. Commitments

The Association has a lease for a photocopier with monthly payments of \$151 until September 2025.

The Association has committed \$5,000 annually towards the maintenance of the murals in downtown Vernon. This commitment is in perpetuity until either the Downtown Vernon Association or the Business Improvement Area levy cease to exist.

The Association has a tenancy lease with monthly payments of \$2,095 until December 2025, with annual rent increases of 3%.

The Association has signed an agreement for landscaping and street maintenance in the downtown Vernon area at \$34,400 for the 8 month contract commencing April 2024 until November 2024.

5. Business Improvement Area

	2023	2022
Advertising	48,713	25,852
Conferences	3,616	-
Meals and entertainment	1,346	1,391
Networking	4,466	1,500
New projects and programs	3,969	6,351
Recognition and rewards	1,500	134
Sponsorships	1,775	-
	65,385	35,228

6. Events

	2023	2022
Car Show	-	1,150
Chili Cookoff	1,056	2,902
Christmas Promotion	25,920	14,525
Downtown Days	7,290	9,206
End of Summer Party	4,601	-
Other Event Support	-	95
Scavenger Hunt	3,762	3,707
Shop Local	9,113	7,144
Sunshine Festival	27,195	10,418
Taste of Downtown Vernon	22,224	-
Treat Trail	38	2,126
Winter Carnival	1,600	528
	102,799	51,801

Downtown Vernon Association
Notes to the Financial Statements
For the year ended December 31, 2023

7. Public space management and operations

	2023	2022
Advertising	18,318	511
Lighting and decoration	528	-
Maintenance and landscaping	32,263	33,437
Mural program	5,000	6,338
Street and safety programs	10,639	11,980
2900 Plaza	38,381	37,958
	105,129	90,224

8. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments.

9. Economic dependence

The Association's primary source of revenue is the Business Improvement Area revenue from the City of Vernon. The bylaw funding has been established until 2027. The Association's ability to continue viable operations is dependant upon maintaining this funding.

10. Remuneration

In accordance with the disclosure requirements of the Act, for the fiscal year ending December 31, 2023, there were no employees paid total remuneration in excess of \$75,000 (2022 - no employees).

There was no remuneration paid to any members of the Board of Directors.