

**Surrey Tourism & Convention Association (DBA) Discover Surrey  
Financial Statements**

*For the year ended December 31, 2022*

Draft - For Management Only

# Surrey Tourism & Convention Association (DBA) Discover Surrey Contents

For the year ended December 31, 2022

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# Independent Auditor's Report

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To the Members of Surrey Tourism & Convention Association (DBA) Discover Surrey:

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Surrey Tourism & Convention Association (DBA) Discover Surrey (the "Association"), which comprise the statement of financial position as at December 31, 2022, 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, 2022, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Other Matter**

As required by the Societies Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the previous year.

Surrey, British Columbia

Chartered Professional Accountants

# Surrey Tourism & Convention Association (DBA) Discover Surrey

## Statement of Financial Position

*As at December 31, 2022*

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current</b>		
Cash	1,573,401	706,414
Guaranteed Investment Certificates (Note 3)	441,181	431,786
Contributions receivable	449,469	318,346
Prepaid expenses	2,806	1,579
	<b>2,466,857</b>	1,458,125
<b>Capital assets (Note 4)</b>	-	966
	<b>2,466,857</b>	1,459,091
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (Note 5)	400,285	196,539
Deferred contributions (Note 6)	99,476	69,213
	<b>499,761</b>	265,752
<b>Canada Emergency Business Account (Note 7)</b>	<b>40,000</b>	40,000
	<b>539,761</b>	305,752
<b>Credit facility (Note 8)</b>		
<b>Commitments (Note 9)</b>		
<b>Net Assets</b>		
Unrestricted	1,927,096	1,152,373
Invested in capital assets	-	966
	<b>1,927,096</b>	1,153,339
	<b>2,466,857</b>	1,459,091

Approved on behalf of the Board

\_\_\_\_\_  
Director

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Director

*The accompanying notes are an integral part of these financial statements*

# Surrey Tourism & Convention Association (DBA) Discover Surrey Statement of Operations

*For the year ended December 31, 2022*

	<b>2022</b>	<i>2021 Unaudited</i>
<b>Revenue</b>		
Hotel room tax	1,525,240	799,106
Tourism White Rock	60,566	70,338
Grants	17,500	106,000
Other revenue	16,673	52,259
Interest on guaranteed investment certificates	9,394	5,461
Co-op Advertising	-	3,573
	<b>1,629,373</b>	1,036,737
<b>Expenses</b>		
Marketing and promotion	506,901	301,813
Wages and benefits	167,156	100,619
Tourism White Rock	60,596	70,338
Office and miscellaneous	40,182	15,141
Professional fees	38,868	30,439
Facility operations	18,569	22,869
Meetings	12,542	4,545
Automotive	4,923	-
Insurance	4,914	3,441
Amortization	966	1,656
	<b>855,617</b>	550,861
<b>Excess of revenue over expenses</b>	<b>773,756</b>	485,876

*The accompanying notes are an integral part of these financial statements*

**Surrey Tourism & Convention Association (DBA) Discover Surrey**  
**Statement of Changes in Net Assets**

*For the year ended December 31, 2022*

	<i>Unrestricted</i>	<i>Invested in capital assets</i>	<b>2022</b>	<i>2021</i>
<b>Net assets, beginning of year</b>	<b>1,152,373</b>	<b>966</b>	<b>1,153,339</b>	667,463
<b>Excess of revenue over expenses</b>	<b>774,723</b>	<b>(966)</b>	<b>773,756</b>	485,876
<b>Net assets, end of year</b>	<b>1,927,096</b>	<b>-</b>	<b>1,927,095</b>	1,153,339

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*The accompanying notes are an integral part of these financial statements*

# Surrey Tourism & Convention Association (DBA) Discover Surrey Statement of Cash Flows

*For the year ended December 31, 2022*

	<b>2022</b>	<i>2021 Unaudited</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	773,756	485,876
Amortization	966	1,656
Forgivable portion of CEBA loan	-	(10,000)
	<b>774,722</b>	477,532
Changes in working capital accounts		
Contributions receivable	(131,123)	(163,585)
Prepaid expenses	(1,227)	11,351
Accounts payable and accruals	203,746	67,804
Deferred contributions	30,263	2,080
	<b>876,381</b>	395,182
<b>Financing</b>		
Advances of CEBA loan	-	20,000
<b>Investing</b>		
Proceeds on maturity of guaranteed investment certificates	329,210	329,872
Purchases of guaranteed investment certificates	(338,604)	(335,333)
	<b>(9,394)</b>	(5,461)
<b>Increase in cash resources</b>	<b>866,987</b>	409,721
<b>Cash resources, beginning of year</b>	<b>706,414</b>	296,693
<b>Cash resources, end of year</b>	<b>1,573,401</b>	706,414

*The accompanying notes are an integral part of these financial statements*



# Surrey Tourism & Convention Association (DBA) Discover Surrey Notes to the Financial Statements

For the year ended December 31, 2022

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## 1. Incorporation and nature of the organization

Surrey Tourism & Convention Association (DBA) Discover Surrey (the "Association") was incorporated on January 11, 2001 under the Society Act of British Columbia and is registered as a not-for-profit organization and thus is exempt from income taxes under Section 149 of the Income Tax Act ("the Act"). In order to maintain its status as a registered not-for-profit organization under the Act, the Association must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Association's purpose is to assist with travel planning and tourism reservations and supporting the convention and visitors industry in the City of Surrey.

## 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

### **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.

Unrestricted investment income is recognized as revenue when earned.

Revenue from other sources are recorded when services are provided.

### **Government assistance**

The portion of loans from the government that are forgivable are recognized as income in the year in which the criteria for forgiveness is determined to likely be met.

### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian ASNPO 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.

Contributions 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 deficiency over expenses in the periods in which they become known.

### **Financial instruments**

The Association recognizes financial instruments when the Association becomes party to the contractual provisions of the financial instrument.

#### **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.

The Association subsequently measures its financial assets and liabilities at amortized cost.

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 revenue 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.

# Surrey Tourism & Convention Association (DBA) Discover Surrey

## Notes to the Financial Statements

*For the year ended December 31, 2022*

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

**Financial asset impairment**

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal 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.

Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

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 excess of revenue over expenses in the year the reversal occurs.

**Capital assets**

Purchased capital assets are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Years
Computer equipment	2 years

**3. Guaranteed investment certificates**

The Association's Guaranteed Investment Certificates bear interest of 4.50% with maturity dates in October 2025.

**4. Capital assets**

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment	11,623	11,623	-	966

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# Surrey Tourism & Convention Association (DBA) Discover Surrey

## Notes to the Financial Statements

*For the year ended December 31, 2022*

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**5. Accounts payable and accruals**

Included in accounts payable and accruals at December 31, 2022 is \$7,828 (2021 - \$1,727) of remittances payable to government agencies.

**6. Deferred contributions**

Deferred contributions consist of unspent contributions externally restricted for specified expenses. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	<b>2022</b>	2021
Balance, beginning of year	<b>69,213</b>	67,133
Amount received during the year	<b>90,828</b>	116,501
Less: Amount recognized as revenue during the year	<b>(60,565)</b>	(114,421)
Balance, end of year	<b>99,476</b>	69,213

**7. Government assistance**

Canada Emergency Business Account (CEBA)

The Association received \$60,000 in Canada Emergency Business Account financing that became available due to COVID-19. The loan is non-interest bearing until December 31, 2023, with interest of 5% per annum thereafter. Principal repayments are not required during the term of the loan. The loan must be repaid by December 31, 2025. If the loan is repaid by December 31, 2023, \$20,000 of the loan will be forgiven.

**8. Credit facility**

The Association has an available operating line of credit in the amount of \$50,000 (2021 - \$50,000), due on demand and bearing interest at 7.70% per annum (2021 - 3.45%). As at December 31, 2022, the operating facility was not drawn upon (2021 - \$Nil).

**9. Commitments**

The Association has entered into a premises lease of \$28,656 annually through November 2024, subject to renewal every two years. The lease commitment through expiry is:

2023	28,656
2024	26,268
	54,924

# Surrey Tourism & Convention Association (DBA) Discover Surrey

## Notes to the Financial Statements

*For the year ended December 31, 2022*

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### 10. 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 except as otherwise disclosed.

#### ***Liquidity risk***

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association enters into transactions to purchase goods and services on credit for which repayment is required at various maturity dates.

#### ***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 trade and other receivables, the majority of which are receivable from various government organizations. The Association manages credit risk by providing allowances for potentially uncollectible accounts receivable.

#### ***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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Association is exposed to interest rate risk on its Guaranteed Investment Certificates, available credit facility and Canada Emergency Business Account loan.

The Association is exposed to interest rate risk on its term deposits.

During the year, the Association's exposure to interest rate risk increased because the prime rate was increased by 4% in response to inflationary pressures in the economy. As a result, interest income increased in the year.

#### ***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association enters into transactions denominated in USD currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations.