

NO: R236

COUNCIL DATE: November 18, 2024

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## REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **November 13, 2024**

FROM: **City Manager**

FILE: **2480-01**

SUBJECT: **Surrey City Development Corporation – 2024 Annual General Meeting**

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## RECOMMENDATION

The City Manager recommends that Council:

1. Receive this report for information;
2. Receive the Notice of the 2024 Annual General Meeting (“AGM”) and Agenda for Surrey City Development Corporation (“SCDC”);
3. Appoint the City Solicitor to represent the City of Surrey (the “Shareholder”) at the 2024 AGM for the Corporation;
4. As sole shareholder of SCDC, endorse the recommendations that are listed below and as set out in the Notice of Annual General Meeting and Agenda:
  - a. Approve of the Agenda;
  - b. Approve the Minutes of the November 23, 2023, Annual General Meeting;
  - c. Approve the Financial Statements and Report of the Auditor for the Year Ended December 31, 2023;
  - d. Approve the Appointment of BDO Canada LLP (“BDO”) as SCDC’s Auditor for the Year Ending December 31, 2024; and
  - e. Receive the Report from the Board of Directors to the Shareholder.

## INTENT

The purpose of this report is to have Council, on behalf of the City of Surrey as the sole shareholder of SCDC, address matters related to the 2024 AGM for SCDC, which is scheduled for December 5, 2024, at 4:00 pm and to approve these items in accordance with the *Business Corporations Act*.

## BACKGROUND

SCDC's sole shareholder is the City of Surrey and SCDC is accountable to the City for its activities. In turn, the City of Surrey is accountable to the residents of Surrey.

Having the AGM for SCDC and a public information meeting enables the company to report to the City and its residents on progress made during the prior year and provide the opportunity for the shareholder or the public to raise questions and concerns. The AGM represents one of the key mechanisms for SCDC to demonstrate its commitment to transparency, accountability and good corporate governance.

The *Business Corporations Act* provides that for each Corporation an AGM is to be held in every calendar year and not more than 15 months after the annual reference date for the preceding calendar year. The last AGM for SCDC was held on November 23, 2023.

## **DISCUSSION**

The Notice of Annual General Meeting and Agenda for 2024 includes those items that should be addressed at the 2024 AGM of SCDC, which include:

- a. Approval of the Agenda, a copy of which is attached as Appendix “I”;
- b. Approval of the Minutes of the November 23, 2023, Annual General Meeting, a copy of which is attached as Appendix “II”;
- c. Approval of the Financial Statements and Report of the Auditor for the Year Ended December 31, 2023, a copy of which is attached as Appendix “III”;
- d. Approval of the Appointment of BDO Canada LLP (“BDO”) as SCDC’s Auditor for the Year Ending December 31, 2024; and
- e. Receiving the Report from the Board of Directors to the Shareholder.

## **Legal Services Review**

This report has been reviewed by Legal Services.

## **CONCLUSION**

SCDC operates as a wholly owned development corporation with an independent board comprised of six independent directors and three city directors, one of whom is the City Manager. The hosting of the AGM for SCDC and a public information meeting on December 5, 2024, enables the company to report to the City and its residents on progress made during the prior year and provide the opportunity for the shareholder or the public to raise questions and concerns.

Rob Costanzo  
City Manager

JA/ki

Appendix “I” - SCDC Notice and Agenda of the 2024 Annual General Meeting  
Appendix “II” - Minutes of the November 23, 2023, Annual General Meeting  
Appendix “III” - Financial Statements for the year ending December 31, 2023

# NOTICE OF THE 2024 ANNUAL GENERAL MEETING

**Meeting Date:** December 5, 2024

**Meeting Time:** 4:00 p.m. – 5:00 p.m.

**Meeting Location:** The 2024 Annual General Meeting will be held virtually. Login details will be provided upon registration.

Please RSVP to [renykahlon@scdc.ca](mailto:renykahlon@scdc.ca) or contact 604-505-7771

## AGENDA

No.	Item	Action
1.	Approval of Agenda  <b>Board Chair</b>	<b>Approval</b>
2.	Approval of Minutes of the November 23, 2023 Annual General Meeting  <b>Board Chair</b>	<b>Approval</b>
3.	Approval of Financial Statements for the Year Ended December 31, 2023  <b>Controller, Surrey City Development Corporation</b>	<b>Approval</b>
4.	Appointment of BDO as the Company’s Auditor for 2024  <b>Controller, Surrey City Development Corporation</b>	<b>Approval</b>
5.	Report of Directors to Shareholder Board Chair  <b>Board Chair</b>	<b>Receive</b>
6.	Adjournment  <b>Board Chair</b>	



**MINUTES of the 2023 ANNUAL GENERAL MEETING  
of the SHAREHOLDER OF  
SURREY CITY DEVELOPMENT CORPORATION  
(the Company)**

**November 23, 2023**  
Online via Microsoft  
Teams

Time: 4:00pm to 5:00pm

**Board Members Present:**

Howard Nemtin, Chair  
Bruce Joyce  
Scott Dutchak  
Christine Lundvall  
Jeff Arsason  
Rob Constanzo

**Corporate Officers Present:**

Michael Heeney, President & CEO  
Christopher Bettencourt, Corporate  
Secretary

**Others Present:**

Philip Huynh, City of Surrey  
Vipin Sachdeva, City of Surrey  
Doug Hoskin, SCDC  
Bridget Macgowan, SCDC  
Reny Kahlon, SCDC

Philip Huynh, City Solicitor of the City of Surrey presented a proxy form confirming his designation to vote on behalf of the City of Surrey as Shareholder at the SCDC Annual General Meeting on November 23, 2023. The proxy form being accepted by the Chair, the meeting was convened at 4:00pm.

**1. APPROVAL OF THE AGENDA**

The agenda as presented to the shareholder was approved.

**2. APPROVAL OF THE MINUTES**

The minutes of the Annual General Meeting of December 14, 2022 were approved.

**3. FINANCE**

The audited consolidated 2022 financial statements were presented to the shareholder by Vipin Sachdeva from the City of Surrey. The audited 2022 financial statements as presented were approved.

**4. APPOINTMENT OF COMPANY AUDITORS FOR 2023**

The appointment of BDO Canada LLP as the Auditors for the year ending 2023 was approved.

**5. REPORT OF DIRECTORS TO SHAREHOLDER**

The report by the Directors to the shareholder was received.

**6. ADJOURNMENT**

There being no further business, the meeting was adjourned at 4:15 pm

Approved on December 5, 2024 at the 2024 Annual General Meeting

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Howard Nemtin, Chair

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Christopher Bettencourt, Corporate  
Secretary

Consolidated Financial Statements of

**SURREY CITY DEVELOPMENT CORPORATION**

Year ended December 31, 2023

## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The accompanying financial statements of Surrey City Development Corporation (the “Corporation”) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation’s management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP; independent external auditors appointed by the Corporation. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation’s financial statements.

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Howard Nemtin  
Board Chair, SCDC

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Bruce Joyce  
Chair, Audit & Finance Committee, SCDC.

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Michael Heeney  
Chief Executive, SCDC

**April 11, 2024**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Surrey City Development Corporation

### Opinion

We have audited the consolidated financial statements of Surrey City Development Corporation and its controlled entities (the "Consolidated Entity") which comprise the Consolidated Statement of Financial Position as at December 31, 2023 and the Consolidated Statements of Operations, Consolidated Changes in Net Assets and Consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Entity as at December 31, 2023 and its consolidated results of operations, consolidated changes in net assets, and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### 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 Consolidated Financial Statements* section of our report. We are independent of the Consolidated Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, 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 consolidated financial statements, management is responsible for assessing the Consolidated Entity'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 Consolidated Entity, or to cease operations, or has no realistic alternative but to do so.

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



### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 Consolidated Entity'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 Consolidated Entity'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 consolidated 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 Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 11, 2024**

# SURREY CITY DEVELOPMENT CORPORATION

## Consolidated Statement of Financial Position

As at December 31, 2023, with comparative information for 2022

	2023	2022
<b>Financial assets:</b>		
Cash	\$ 9,765,677	\$ 9,616,664
Due from governments (note 4)	26,589,258	25,763,548
Investment in government business partnership (note 5)	422,615	533,200
Accounts receivable	48,199	436,342
Performance bonds and deposits	10,200	10,200
	<u>36,835,949</u>	<u>36,359,954</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	340,755	44,483
Deposits	-	16,110
Deferred gains (note 6)	361,261	372,228
	<u>702,016</u>	<u>432,821</u>
<b>Net financial assets</b>	36,133,933	35,927,133
<b>Non-financial assets:</b>		
Tangible capital assets (note 7)		
Income properties	261,289	269,264
Tangible capital assets in use	17,202	116
	<u>278,491</u>	<u>269,380</u>
Prepaid expenses	23,488	12,105
	<u>301,979</u>	<u>281,485</u>
<b>Accumulated surplus (note 8)</b>	<u>\$ 36,435,912</u>	<u>\$ 36,208,618</u>

Contractual obligations (note 9)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

\_\_\_\_\_ Board Chair, SCDC

\_\_\_\_\_ Chair, Audit & Finance Committee, SCDC

\_\_\_\_\_ Chief Executive Officer, SCDC

**SURREY CITY DEVELOPMENT CORPORATION**

## Consolidated Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Income from sales of properties:		
Proceeds of sales	\$ 233,011	\$ 68,829,181
Less: Cost of sales	-	68,507,074
Development property sales income, net	233,011	322,107
Income property lease revenue, gross	156,231	2,103,107
Less: Income property lease direct costs - operating	(171,339)	(270,793)
Less: Income property lease direct costs - interest	-	(216,656)
Property lease (loss)/income, net	(15,018)	1,615,659
Income from government business partnership (note 5)	21,408	341,102
Interest and other income	562,227	192,619
	801,628	2,471,487
Corporate operating expenses (note 10):	573,251	83,589
Partnership operating expenses	1,083	2,756
	574,334	86,345
<b>Annual surplus from operations</b>	227,294	2,385,142
Preferred shares redeemed	-	(10,380,000)
Annual surplus (deficit)	227,294	(7,994,858)
Accumulated surplus, beginning of year	36,208,618	44,203,476
<b>Accumulated surplus, end of year</b>	<b>\$ 36,435,912</b>	<b>\$ 36,208,618</b>

See accompanying notes to consolidated financial statements.

**SURREY CITY DEVELOPMENT CORPORATION**

## Consolidated Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Annual surplus:		
Annual surplus	\$ 227,294	\$ 2,385,142
Preferred shares redeemed (note 8)	-	(10,380,000)
	<u>227,294</u>	<u>(7,994,858)</u>
Acquisition of tangible capital assets:		
Properties under development	-	(218,687)
Administration	(19,615)	-
Disposal of tangible capital asset (note 7)	-	68,507,074
Income properties	-	(340)
	<u>(19,615)</u>	<u>68,288,047</u>
Amortization of tangible capital assets:		
Administration	2,529	4,712
Income properties	7,975	8,315
	<u>10,504</u>	<u>13,027</u>
Change in prepaid expenses	<u>(11,383)</u>	<u>(2,414)</u>
Increase in net asset	206,800	60,303,802
Net financial assets/(debt), beginning of year	35,927,133	(24,376,669)
Net financial assets, end of year	<u>\$ 36,133,933</u>	<u>\$ 35,927,133</u>

See accompanying notes to consolidated financial statements.

**SURREY CITY DEVELOPMENT CORPORATION**

## Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 227,294	\$ 2,385,142
Items not involving cash:		
Amortization	10,504	13,027
Amortization of deferred gains	(10,967)	(10,967)
Gain on sale of properties under development	-	(322,107)
Equity earnings of government business partnership	(18,415)	(338,450)
Changes in non-cash working capital:		
Decrease/(Increase) in accounts receivable	388,143	(377,157)
(Increase)/Decrease in due from governments	(825,711)	423,151
Increase/(Decrease) in accounts payable and accrued liabilities	296,273	(184,407)
(Decrease) in deposits held	(16,110)	-
(Decrease) in unearned revenue	-	(1,888,294)
(Increase) in prepaid expenses	(11,383)	(2,414)
	39,628	(302,476)
Capital:		
Purchase of tangible capital assets	(19,615)	(219,027)
	(19,615)	(219,027)
Investments:		
Distribution of cash from Beedie LP	129,000	543,500
Proceeds on disposal of portfolio investments	-	955,000
Net proceeds from disposal of properties held-for-sale and properties under development	-	322,107
	129,000	1,820,607
Financing:		
(Decrease) in due to City of Surrey	-	(354,539)
Net increase in cash	149,013	944,565
Cash, beginning of year	9,616,664	8,672,099
Cash, end of year	\$ 9,765,677	\$ 9,616,664

## Non-cash transactions:

During 2022, the Corporation transferred properties with a net book value of \$68.51 million in exchange for assumption of \$23.47 million unearned revenue, redemption of \$10.38 million preferred shares and a decrease in related party advance of \$34.66 million.

# SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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## 1. Nature of operations:

Surrey City Development Corporation (the "Corporation") is a corporation established on April 24, 2007. The Corporation is a wholly owned subsidiary of the City of Surrey (the "City"), and its Board is appointed by the Council of the City. The Corporation's activities serve to advance the commercial, industrial and residential development of the City. The Corporation is exempt from income tax under section 141(a) of the Income Tax Act (Canada).

The City has supported the Corporation through property transfers, loans and equity investments.

## 2. Significant accounting policies:

### (a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") established by the Canadian Public Sector Accounting Board for Other Government Organizations.

### (b) Basis of consolidation:

The consolidated financial statements reflect the proportionate share of the assets, liabilities, revenues, and expenses of the controlled or jointly controlled organizations listed below. The proportionate share of all inter-departmental and inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

All controlled entities are consolidated at the Corporation's ownership percentage, with controlled government business enterprises being accounted for using the modified equity method.

All government partnerships are proportionately consolidated. All government business partnerships are accounted for using the modified equity method.

The Corporation has ownership in the following entities:

#### (i) Surrey City Investment Corporation ("SCIC"):

SCIC is an investment holding entity set up for mixed-use real estate development projects in the City. The Corporation owns 100% of SCIC.

#### (ii) Grove Limited Partnership:

The Corporation has 50% ownership in the Grove Limited Partnership ("Grove LP") (note 3). Grove LP is a government partnership and is proportionately consolidated into the Corporation's consolidated financial statements.

#### (iii) Grove (G.P.) Inc.:

Grove (G.P.) Inc. ("Grove GP") is the General Partner of Grove LP (note 3). The Corporation has 50% ownership in Grove GP. Grove GP Inc. is a corporation and is proportionately consolidated into the Corporation's consolidated financial statements.

**2. Significant accounting policies (continued):**

## (b) Basis of consolidation (continued):

## (iv) Surrey City Investment (Industrial) Corporation (“SCIIC”):

SCIIC is an investment holding entity set up for mixed-use real estate development projects in the City. The Corporation owns 100% of SCIIC.

SCIIC has 50% ownership in the Beedie SCDC (34A Ave) Limited Partnership (“Beedie LP”) (note 5). Beedie LP meets the criteria of a government business partnership and is accounted for using the modified equity method.

SCIIC has 50% ownership in the Beedie SCDC (34A Ave) G.P. Ltd. (“Beedie GP”), the General Partner of Beedie LP (note 5). Beedie GP is a corporation and is accounted for using the modified equity method.

## (v) Kwantlen Park Development Corporation (“KPDC”):

KPDC is an investment holding entity set up for mixed-use real estate development projects in the City. The Corporation owns 100% of KPDC. KPDC has had no activity to date.

## (c) Non-financial assets:

## (i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

## (a) Properties under development:

Properties under development include costs related to projects currently under planning, development or construction that will result in a finished real estate asset at a future date. Interest incurred on the development project is capitalized. Completed projects will either be reclassified as income properties or properties held-for-sale. Costs related to planning, development or construction are capitalized until such time as the property is ready for use or sale.

## (b) Income properties:

Properties held with the expectation of earning rental income are considered to be income properties. These properties include retail or commercial space that the Corporation leases to third parties.

## (c) Tangible capital assets in use:

Tangible capital assets in use relate to administrative assets required by the Corporation to operate and manage overhead and administrative activities. These include computer equipment and software, furniture and fixtures, tenant improvements and other related assets.

## Amortization of tangible capital assets:

The cost, less residual value, of tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

**2. Significant accounting policies (continued):**

## (c) Tangible capital assets in use (continued):

Asset	Rate
Administration assets:	
Furniture and fixtures	5 years
Computer equipment and software	3 years
Tenant improvements	5 years

The useful lives of income properties are determined on an asset-by-asset basis based on estimated remaining useful lives at the time of acquisition or completion of construction.

No amortization is recorded on properties under development. Amortization commences once the development is complete and the property is held or used as an income property

## (d) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits are less than their net book value. Any impairment is accounted for as an expense in the consolidated statement of operations.

## (e) Transfers of tangible capital assets:

Certain transfers of tangible capital assets to partners are recorded at agreed-upon values, representing market values. Any gains on such transfers, realizable from third parties are deferred and will be recognized once the assets are sold outside the related group or utilized in the future operations of such assets.

## (ii) Prepaid expenses:

Prepaid expenses include insurance and other items paid in advance and are recognized as an expense over the period of expected benefits.

## (d) Revenues:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Such contingent gains or assets will be separately disclosed.

## (i) Sales of properties:

Revenue recognition on sale of properties occurs when the Corporation has transferred the significant risks and rewards of ownership to the purchaser.

The cost of sale of a property or unit is allocated on the basis of the estimated total cost of the project prorated by the selling price of the property or unit over the anticipated sales proceeds from the entire project.



**2. Significant accounting policies (continued):**

(d) Revenues (continued):

(ii) Property lease revenue:

Property lease revenue includes all amounts earned from tenants including property tax and operating cost recoveries. Lease revenues are recognized on a straight-line basis over the term of the lease.

(e) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest is recorded using the effective interest method which includes all debt servicing costs.

(f) Measurement uncertainty:

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include useful life, impairment and net recoverable values of tangible capital assets, allocations of salaries and benefits to project costs, provisions for accrued liabilities, commitments, and fair value of land transfers.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

**3. Investments in government partnerships:**

Grove LP:

The Grove LP was established on September 1, 2011, for the purpose of developing 141 market townhomes in Surrey.

The Corporation provided contributions of land to the Grove LP in exchange for its 50% limited partnership units.

Decision making for the Grove LP is vested in the General Partner, the Grove (G.P.), of which the Corporation holds 50% of the issued and outstanding shares. The Limited Partners do not exercise day-to-day management or control of the operations of the Grove LP. Financial results are proportionately consolidated with those of the Corporation based upon the Corporation's partnership interest of 50%.

The Grove LP began property development during fiscal 2011. All related costs to date have been capitalized. All market townhomes have been completed and sold. The project is in the warranty period.

**3. Investments in government partnerships (continued):**

Grove LP (continued):

The Corporation's proportionate share included in these consolidated financial statements is as follows:

	2023	2022
Financial assets:		
Cash	\$ 109,123	\$ 104,901
Accounts receivable	177	179
	<u>109,300</u>	<u>105,080</u>
Liabilities:		
Accounts payable and accrued liabilities	-	1
Deferred gain	3,000	3,000
	<u>3,000</u>	<u>3,001</u>
<b>Net Financial Assets</b>	<b>106,300</b>	<b>102,079</b>
<b>Accumulated surplus</b>	<b>\$106,300</b>	<b>\$ 102,079</b>

	2023	2022
Revenues, net of direct costs	5,305	2,008
Operating expenses	(1,083)	(2,756)
<b>Annual surplus (deficit)</b>	<b>\$ 4,222</b>	<b>\$ (748)</b>

**4. Due from governments:**

	2023	2022
GST receivable	\$ 16,117	\$ -
Development costs recoverable from the City of Surrey (a)	1,874,897	1,129,087
Receivable from the City of Surrey (b)	24,698,244	24,634,461
	<u>\$ 26,589,258</u>	<u>\$ 25,763,548</u>

(a) The Corporation has undertaken development activities on certain properties that are owned by the City of Surrey. The development costs have been incurred on the City's behalf. The settlement of the receivable will happen in the future at the time when the properties are sold to third parties. The balance is non-interest bearing and payable upon demand.

(b) The receivable is non-interest bearing and is payable upon demand.

**5. Investment in government business partnership:**

The Beedie LP was established on September 9, 2014, to develop a build-to-suit industrial building in Surrey. Development of the industrial building was completed in 2016 and the building has since been occupied by a tenant under a long-term lease. The Corporation's partnership interest is held through SCIIC, which provided contributions of cash and land to fund development. Beedie LP meets the criteria of a government business partnership and results are accounted for under the modified equity method. The liability of the Corporation is limited to the cash and land which it has contributed to the Beedie LP through SCIIC.

The Corporation's proportionate share in respect of this entity is as follows:

	2023	2022
<b>Financial assets:</b>		
Cash	\$ 115,377	\$ 222,708
Accounts receivable	363	38,489
Straight-line rent receivable	580,557	543,763
	<u>696,297</u>	<u>804,960</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	34,317	188,310
Accounts payable to Beedie LP partners	26,916	56,931
Deposits payable	64,900	55,580
Long-term debt	8,021,434	8,145,611
	<u>8,147,567</u>	<u>8,446,432</u>
<b>Net Debt</b>	<b>(7,451,270)</b>	<b>(7,641,472)</b>
Tangible capital assets	7,670,883	7,957,283
Prepaid expenses	203,002	217,389
<b>Accumulated surplus</b>	<b>\$ 422,615</b>	<b>\$ 533,200</b>
	<u>2023</u>	<u>2022</u>
Income property lease revenue, gross	\$ 1,108,244	\$ 1,149,577
Income property lease direct costs	(1,086,836)	(808,475)
<b>Annual surplus</b>	<b>\$ 21,408</b>	<b>\$ 341,102</b>
	<u>2023</u>	<u>2022</u>
Accumulated operating surplus, opening	\$ 533,200	\$ 738,250
Annual surplus	21,408	341,102
Distribution of earnings	(129,000)	(543,500)
	425,608	535,852
Income and expenses outside of partnership (a)	(2,993)	(2,652)
<b>Accumulated surplus</b>	<b>\$ 422,615</b>	<b>\$ 533,200</b>

**5. Investment in government business partnership (continued):**

SCDC originally transferred land to the partnership and recognized an increased value of the property of \$319,000 and related deferred revenue \$438,680 that are both amortized over the forty year life of the underlying lease. There are costs that incurred outside of partnership. The tangible capital asset is amortized at \$10,967 per annum and the deferred revenue is amortized at \$7,975 per annum.

**6. Deferred gains:**

	2023	2022
Deferred gain on Grove LP land (note 3)	\$ 3,000	\$ 3,000
Deferred gain on Beedie LP land (note 5)	358,261	369,228
	<u>\$ 361,261</u>	<u>\$ 372,228</u>

The Corporation transferred land to the partnerships in lieu of their equity contributions to the development projects. As the land was transferred at its estimated fair market value, there is an inherent gain on the transfer. The portion of the gain related to the Corporation's partnership interest has been eliminated. The portion of the gain attributed to the non-related parties has been deferred and will be recognized either upon the sale of the project to unrelated parties or amortized over the useful life of the project.

**7. Tangible capital assets:**

	Income Properties Building	Administration	Total 2023
<b>Cost</b>			
Opening Balance	369,778	140,738	510,516
Additions	-	19,615	19,615
Disposals and write downs	-	(140,738)	(140,738)
Closing Balance	369,778	19,615	389,393
<b>Accumulated Amortization</b>			
Opening Balance	100,514	140,622	241,136
Current year amortization	7,975	2,529	10,504
Disposals	-	(140,738)	(140,738)
Closing Balance	108,489	2,413	110,902
<b>Net Book Value</b>	<b>261,289</b>	<b>17,202</b>	<b>278,491</b>

	Properties under Development	Income Properties Building	Administration	Total 2022
<b>Cost</b>				
Opening Balance	68,288,387	369,438	319,528	68,977,353
Additions	218,687	340	-	219,027
Disposals and write downs	-	-	(178,790)	(178,790)
Transfer to City of Surrey	(68,507,074)	-	-	(68,507,074)
Closing Balance	-	369,778	140,738	510,516
<b>Accumulated Amortization</b>				
Opening Balance	-	92,199	314,700	406,899
Current year amortization	-	8,315	4,712	13,027
Disposals	-	-	(178,790)	(178,790)
Closing Balance	-	100,514	140,622	241,136
<b>Net Book Value</b>	<b>-</b>	<b>269,264</b>	<b>116</b>	<b>269,380</b>

**8. Accumulated surplus:**

Accumulated surplus is comprised of:

	2023	2022
Share capital, common shares (a)(i)	\$ 100	\$ 100
Accumulated operating surplus (b)	36,435,812	36,208,518
	<b>\$ 36,435,912</b>	<b>\$ 36,208,618</b>

**(a) Share capital:**

The Corporation was established by the City pursuant to Section 185 of the Community Charter with the intent that, until the City Council otherwise determines, all shares will be held by the City.

**(i) Common shares:**

The authorized capital of the Corporation includes 100 common shares without par value which are issued and outstanding as fully paid and non-assessable by the City.

**(ii) Preferred shares:**

The Corporation is authorized to issue an unlimited number of preferred shares without par value.

As of December 31, 2023, the Corporation had no preferred shares (2022 – Nil) outstanding that are classified as accumulated surplus.

**(b) The change in accumulated operating surplus is as follows:**

	2023	2022
Accumulated operating surplus, opening	\$ 36,208,518	\$ 33,823,376
Annual surplus current year	227,294	2,385,142
	<b>\$ 36,435,812</b>	<b>\$ 36,208,518</b>

**9. Contractual obligations:**

The Corporation is obligated to reimburse the City for all operating costs incurred by the City on behalf of the Corporation; all such amounts have been accrued as incurred.

The Corporation has entered into various agreements and contracts for services and construction. Commitments outstanding as at December 31, 2023 are \$340,381 (2022 - nil), inclusive of the Corporation's proportionate share of Partnership commitments of nil (2022 - nil).

**9. Contractual obligations (continued):**

The Corporation is still responsible for a proportionate share of warranty and indemnity provided to the purchaser of the five corporate office entities of the Surrey Centre Limited Partnerships. The warranty and indemnity is equivalent to the 2/5/10 warranty insurance customary for residential units. The warranty and indemnity provided by the Corporation was made in proportion to SCIC's ownership percentage of the Surrey Centre Office Limited Partnership. The Corporation has assessed the potential risk and believes there is no material exposure and therefore no accrual has been recognized.

**10. Operating expenses by object:**

The following is a summary of operating expenses by object:

	2023	2022
Advertising and promotion	\$ 10,000	\$ -
Amortization	2,529	4,712
Consulting, professional, and other fees	273,399	60,175
Contract staff	144,264	-
Insurance	19,582	17,527
Salaries and benefits	66,559	-
Other staff costs	11,590	-
General administration costs	45,328	1,175
	<b>\$ 573,251</b>	<b>\$ 83,589</b>

**11. Related party transactions:**

Related parties include the City and its related entities as well as the government partnerships that the Corporation has an ownership interest in. 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.

Transactions with government partnerships have been disclosed in note 3.

The Corporation incurred interest costs of \$ nil (2022 - \$259,343) on the loan payable by the Corporation to the City.

**12. Financial risks:***(i)* Credit risks:

The Corporation is exposed to this risk relating to its cash, and accounts receivable. The Corporation holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Corporations cash accounts are insured up to \$100,000 (2022 - \$100,000).

Credit risk on accounts receivable and due from other governments is mitigated as the amount is due from the controlling shareholder.

**12. Financial risks (continued):**

(ii) Market risks:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

(iii) Currency risks:

All transactions are in Canadian dollars, so no currency risk exists.

(iv) Interest rate risks:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the future cash flows relating to its cash in bank as interest is earned at current prevailing rates. The Corporation's balance owing from the City is non-interest bearing, so there is no interest rate risk.

(v) Liquidity risks:

Liquidity risk is the risk that the Corporation will not be able to meet all cash outflow obligations as they come due. The Corporation mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining financing arrangements with the City of Surrey and ensuring financing payments are tied to development activities (cash inflows).

**13. Comparative figures:**

Comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

**14. Asset retirement obligations note disclosure:**

Effective January 1, 2023, SCDC was required to apply the new PSAS standard PS3280 Asset Retirement Obligations. Under this standard, a liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date.

As at January 1, 2023 and December 31, 2023, no asset retirement obligations were identified and the new Standard had no impact on the financial statements.