

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Financial Statements**  
**Year Ended December 31, 2021**

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Index to Financial Statements**  
**Year Ended December 31, 2021**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Downtown Victoria Business Association

*Report on the Financial Statements*

*Opinion*

We have audited the financial statements of Downtown Victoria Business Association (the association), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets, revenues and expenses 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, 2021, and the results of its operations and 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 association 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 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.

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\* Denotes professional corporation

Independent Auditor's Report To the Members of Downtown Victoria Business Association (*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 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.

*Report on Other Legal and Regulatory Requirements*

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

Victoria, B.C.  
May 25, 2022

*Clark Trowsdale LLP*

Chartered Professional Accountants

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Statement of Financial Position**  
**December 31, 2021**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 228,700	\$ 76,408
Accounts receivable (Note 9)	82,827	66,404
Goods and services tax recoverable	15,257	10,339
Prepaid expenses	6,265	17,293
	<u>333,049</u>	170,444
CAPITAL ASSETS (Note 3)	<u>330,822</u>	491,632
	<u>\$ 663,871</u>	<u>\$ 662,076</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 145,046	\$ 101,120
WorkSafe BC payable	744	559
Current portion of long term debt (Note 5)	100,000	100,000
	<u>245,790</u>	201,679
LONG TERM DEBT (Note 5)	<u>200,000</u>	300,000
	<u>445,790</u>	501,679
<b>NET ASSETS</b>		
Operating Fund	187,259	68,765
Invested in Capital Assets	30,822	91,632
	<u>218,081</u>	160,397
	<u>\$ 663,871</u>	<u>\$ 662,076</u>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See notes to financial statements

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2021**

	Operating Fund	Invested in Capital Assets	<b>2021</b>	2020
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 68,765	\$ 91,632	<b>\$ 160,397</b>	\$ 75,953
Purchase of capital assets	(828)	828	-	-
Long term debt repayment	(100,000)	100,000	-	-
Amortization of capital assets	161,638	(161,638)	-	-
Excess of revenues over expenses	57,684	-	<b>57,684</b>	84,444
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 187,259</b>	<b>\$ 30,822</b>	<b>\$ 218,081</b>	<b>\$ 160,397</b>

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Statement of Revenues and Expenses**  
**Year Ended December 31, 2021**

	2021	2020
<b>REVENUES</b>		
City of Victoria Business Improvement Area Levy	\$ 1,131,399	\$ 1,103,804
Grants (Note 9)	281,882	90,165
Sponsorship	227,000	-
Rental, sponsorship and Clean Team recoveries	1,325	3,135
Interest income	1,296	1,103
Event revenue	500	-
Membership fees	150	3,000
	<b>1,643,552</b>	<b>1,201,207</b>
<b>EXPENSES</b>		
<b>ADMINISTRATION</b>		
AGM expense	2,212	2,043
Amortization	161,638	163,412
Computer and software	7,299	6,146
Conferences	6,145	336
Hospitality	4,777	3,578
Insurance	10,893	8,926
Interest and bank charges	13,011	19,864
Memberships, dues and subscriptions	3,568	3,344
Networking and partnerships	425	501
Office	8,836	7,422
Parking and auto	1,729	4,616
Professional fees	19,075	26,190
Rent	28,312	26,868
Research	10,574	14,170
Telephone and communications	5,785	5,556
Training	425	847
Wages and benefits - Administration	187,684	187,268
	<b>472,388</b>	<b>481,087</b>
<b>CLEAN, SAFE AND BEAUTIFUL</b>		
Capital investment and improvements	68,973	18,087
Clean Team expenses	34,718	33,307
Police initiatives	10,701	281
Wages and benefits - Clean Team	211,593	173,756
	<b>325,985</b>	<b>225,431</b>
<b>EVENTS</b>		
Car Free Day	206	10,000
Christmas	507	66,564
Festivals and events	443,191	58,566
Street activation	46	-
Wages and benefits - Events	-	27,906
	<b>443,950</b>	<b>163,036</b>

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**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Statement of Revenues and Expenses (continued)**  
**Year Ended December 31, 2021**

	2021	2020
<b>MARKETING</b>		
Advertising and media	154,191	128,527
Branding and promotional	68,948	32,482
DVBA event marketing	92	4,085
Grants	1,025	-
Operations and web management	39,222	6,092
Wages and benefits - Marketing	80,067	76,023
	<u>343,545</u>	<u>247,209</u>
	<u>1,585,868</u>	<u>1,116,763</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 57,684</u>	<u>\$ 84,444</u>



**DOWNTOWN VICTORIA BUSINESS ASSOCIATION****Statement of Cash Flows****Year Ended December 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 57,684	\$ 84,444
Item not affecting cash:		
Amortization	<u>161,638</u>	163,412
	<u>219,322</u>	247,856
Changes in non-cash working capital:		
Accounts receivable	(16,423)	(56,982)
Goods and services tax recoverable	(4,918)	25,207
Prepaid expenses	11,028	(7,197)
Accounts payable and accrued liabilities	43,926	(183,706)
WorkSafe BC payable	<u>185</u>	<u>(124)</u>
	<u>33,798</u>	(222,802)
Cash flow from operating activities	<u>253,120</u>	25,054
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	<u>(828)</u>	-
<b>FINANCING ACTIVITY</b>		
Advance / (repayment) of long term debt	<u>(100,000)</u>	100,000
<b>INCREASE IN CASH FLOW</b>	<u>152,292</u>	125,054
Cash (deficiency) - beginning of year	<u>76,408</u>	(48,646)
<b>CASH - END OF YEAR</b>	<u>\$ 228,700</u>	<u>\$ 76,408</u>

# DOWNTOWN VICTORIA BUSINESS ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2021

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### 1. PURPOSE OF THE ASSOCIATION

The Downtown Victoria Business Association (the "association") was incorporated under the Societies Act of British Columbia to enhance the "Downtown Victoria Business Improvement Area". The Association is a not-for-profit organization under the Income Tax Act.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Invested in Capital Assets Fund reports the assets, liabilities, revenues, and expenses related to the Association's capital assets.

#### 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. Revenues are in the form of a levy from the City of Victoria, grants, subsidies, event revenue, membership fees, interest, rental, sponsorship and Clean Team recoveries. Contributions are recognized when assurance of collection exists.

#### Capital assets

Purchased capital assets are recorded at cost. If determinable, contributed capital assets are recorded at fair market value at the date of contribution. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance method
Equipment	20%	declining balance method
Furniture and fixtures	20%	declining balance method
Interactive light display	3 years	straight-line method
Leasehold improvements	5 years	straight-line method
Lights of Wonder	5 years	straight-line method
Website	4 years	straight-line method

#### Contributed services

The Association receives assistance from volunteers in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

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## DOWNTOWN VICTORIA BUSINESS ASSOCIATION

### Notes to Financial Statements

Year Ended December 31, 2021

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

##### 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. Actual results could differ from these estimates.

##### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. As at December 31, 2021, it is management's opinion that the Association is not exposed to significant credit, liquidity, market, currency or interest rate risks.

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#### 3. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer equipment	\$ 28,412	\$ 24,149	\$ 4,263	\$ 5,290
Equipment	61,025	49,580	11,445	14,116
Furniture and fixtures	11,686	9,908	1,778	2,222
Interactive light display	25,000	25,000	-	-
Leasehold improvements	40,655	40,655	-	-
Lights of Wonder	783,340	470,004	313,336	470,004
Website	10,911	10,911	-	-
	<u>\$ 961,029</u>	<u>\$ 630,207</u>	<u>\$ 330,822</u>	<u>\$ 491,632</u>

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#### 4. LINE OF CREDIT

The association has a credit facility with an approved operating line that can be drawn upon to a maximum of \$500,000 for day to day operations and bears interest at the prime rate.

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## DOWNTOWN VICTORIA BUSINESS ASSOCIATION

### Notes to Financial Statements

Year Ended December 31, 2021

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#### 5. LONG TERM DEBT

	<u>2021</u>	<u>2020</u>
A multi-draw non-revolving demand instalment loan with maximum borrowing allowed of \$500,000 to assist with the purchase of the Lights of Wonder display. The loan bears interest at 0.50% over the bank's prime lending rate and is paid monthly.	\$ 300,000	\$ 400,000
Amounts payable within one year	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 200,000</u>	<u>\$ 300,000</u>

Principal repayment terms are approximately:

2022	\$ 100,000
2023	100,000
2024	<u>100,000</u>
	<u>\$ 300,000</u>

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#### 6. COMMITMENTS AND CONTINGENCIES

##### The City of Victoria Business Improvement Bylaw

The City of Victoria Business Improvement Area Bylaw, 2019 (19-045) was re-established January 1, 2020. Any unspent funds at the earlier of the expiry of the Bylaw, December 31, 2024, or the dissolution of the Association, must be returned to the City of Victoria after payment of any debts lawfully incurred by the Association in relation to a "business promotion scheme". If the Downtown Victoria Business Improvement Area Service is renewed or extended beyond the term provided for under this Bylaw, and if the DVBA continues to comply with the conditions set out in the Bylaw, the Association may request of the Council that any unexpended portion of a DVBA grant be retained by the Association to use for a business promotion scheme after the expiry of this Bylaw, subject to any terms and conditions Council may impose.

##### Premises Lease

The Association entered into a 5 year lease of the premises from January 1, 2020 until December 31, 2024. The Association is committed to make lease payments of \$1,808.33 before GST per month from January 1, 2020 to December 31, 2021 then \$1,898.75 before GST per month from January 1, 2022 to December 31, 2024.

The future annual amounts will be:

2022	\$ 22,785
2023	22,785
2024	<u>22,785</u>
	<u>\$ 68,355</u>

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## **DOWNTOWN VICTORIA BUSINESS ASSOCIATION**

### **Notes to Financial Statements**

**Year Ended December 31, 2021**

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#### **7. ECONOMIC DEPENDENCE AND GOING CONCERN**

The Association receives the majority of its revenues pursuant to a funding arrangement with the City of Victoria. The contract with the City was re-established for 5 years ending December 31, 2024. Without continued support of the downtown property and business owners through a levy collected by the City of Victoria, the Association would not be able to continue its operations.

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#### **8. EMPLOYEE REMUNERATION**

The British Columbia Societies Act includes a requirement for the Association to disclose the remuneration, inclusive of salaries and benefits, paid to its directors, and certain employees and contractors who are paid at least \$75,000. For the fiscal year ending December 31, 2021, the Association paid remuneration of \$111,394 to one employee. No remuneration was paid to the Association's directors.

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#### **9. COVID-19 IMPACT ON OPERATIONS**

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management has responded to the pandemic operationally by restricting building access to the public, reducing discretionary spending, and implementing work arrangements for staff in order to reduce the spread of COVID-19. Events that were originally scheduled to occur in person have been moved to a digital delivery model or cancelled.

During the year the Association recognized \$181,882 in funding from the Federal and Provincial Government. \$4,750 for the Canada Summer Job Project, \$131,695 for the Western Diversification Program and \$45,437 for the BC Fairs, Festivals, and Events Recovery Grant. Included in accounts receivable at December 31, 2021 is \$45,437 for the support earned under the BC Fairs, Festivals, and Events Recovery Grant.

The financial position and results of operations as of, and for the year ended, December 31, 2021 have captured the impact of these events. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Association for future periods.

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