

DOWNTOWN VICTORIA BUSINESS ASSOCIATION
Financial Statements
Year Ended December 31, 2022

DOWNTOWN VICTORIA BUSINESS ASSOCIATION
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Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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, 2022, 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, 2022, 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 8, 2023

Clark Trowsdale LLP

Chartered Professional Accountants

DOWNTOWN VICTORIA BUSINESS ASSOCIATION
Statement of Financial Position
December 31, 2022

| | 2022 | 2021 |
|--|-------------------|------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 489,248 | \$ 228,700 |
| Accounts receivable | 77,890 | 82,827 |
| Goods and services tax recoverable | 17,360 | 15,257 |
| Prepaid expenses | 18,935 | 6,265 |
| | <u>603,433</u> | 333,049 |
| CAPITAL ASSETS (Note 4) | <u>207,927</u> | 330,822 |
| | <u>\$ 811,360</u> | \$ 663,871 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 136,404 | \$ 145,046 |
| WorkSafe BC payable | 1,061 | 744 |
| Current portion of long term debt (Note 6) | 100,000 | 100,000 |
| | <u>237,465</u> | 245,790 |
| LONG TERM DEBT (Note 6) | <u>100,000</u> | 200,000 |
| | <u>337,465</u> | 445,790 |
| NET ASSETS | | |
| Operating Fund | 465,968 | 187,259 |
| Invested in Capital Assets | 7,927 | 30,822 |
| | <u>473,895</u> | 218,081 |
| | <u>\$ 811,360</u> | \$ 663,871 |

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, 2022

| | Operating Fund | Invested in Capital Assets | 2022 | 2021 |
|---------------------------------------|-------------------|-------------------------------|-------------------|-------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 187,259 | \$ 30,822 | \$ 218,081 | \$ 160,397 |
| Purchase of capital assets | (55,397) | 55,397 | - | - |
| Long term debt repayment | (100,000) | 100,000 | - | - |
| Amortization of capital assets | 178,292 | (178,292) | - | - |
| Excess of revenues over expenses | 255,814 | - | 255,814 | 57,684 |
| NET ASSETS - END OF YEAR | \$ 465,968 | \$ 7,927 | \$ 473,895 | \$ 218,081 |

See notes to financial statements

DOWNTOWN VICTORIA BUSINESS ASSOCIATION

Statement of Revenues and Expenses

Year Ended December 31, 2022

| | 2022 | 2021 |
|---|------------------|------------------|
| REVENUES | | |
| City of Victoria Business Improvement Area Levy | \$ 1,694,000 | \$ 1,131,399 |
| Sponsorship <i>(Note 10)</i> | 128,036 | 227,000 |
| Grants <i>(Note 10)</i> | 68,300 | 281,882 |
| Interest income | 13,660 | 1,296 |
| Clean Team recoveries | 3,022 | 1,325 |
| Membership fees | 250 | 150 |
| Event revenue | - | 500 |
| | 1,907,268 | 1,643,552 |
| EXPENSES | | |
| ADMINISTRATION | | |
| AGM expense | 7,028 | 2,212 |
| Amortization | 178,292 | 161,638 |
| Computer and software | 9,259 | 7,299 |
| Conferences | 6,119 | 6,145 |
| Hospitality | 4,738 | 4,777 |
| Insurance | 10,937 | 10,893 |
| Interest and bank charges | 13,297 | 13,011 |
| Memberships, dues and subscriptions | 4,230 | 3,568 |
| Networking and partnerships | 556 | 425 |
| Office | 9,702 | 8,836 |
| Parking and auto | 2,750 | 1,729 |
| Professional fees | 28,346 | 19,075 |
| Rent | 29,426 | 28,312 |
| Research | 32,729 | 10,574 |
| Strategic planning | 7,530 | - |
| Telephone and communications | 5,510 | 5,785 |
| Training | 190 | 425 |
| Wages and benefits - Administration | 219,046 | 187,684 |
| | 569,685 | 472,388 |
| CLEAN, SAFE AND BEAUTIFUL | | |
| Capital investment and improvements | 60,426 | 68,973 |
| Clean Team expenses | 45,215 | 34,718 |
| Police initiatives | 9 | 10,701 |
| Wages and benefits - Clean Team | 306,889 | 211,593 |
| | 412,539 | 325,985 |
| EVENTS | | |
| Car Free Day | - | 206 |
| Christmas | - | 507 |
| Festivals and events | 360,816 | 443,191 |
| Street activation | - | 46 |
| Wages and benefits - Events | 15,224 | - |
| | 376,040 | 443,950 |

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DOWNTOWN VICTORIA BUSINESS ASSOCIATION
Statement of Revenues and Expenses *(continued)*
Year Ended December 31, 2022

| | 2022 | 2021 |
|---|-------------------|-----------|
| MARKETING | | |
| Advertising and media | 147,798 | 154,191 |
| Branding and promotional | 40,683 | 68,948 |
| DVBA event marketing | - | 92 |
| Grants | - | 1,025 |
| Operations and web management | 12,924 | 39,222 |
| Wages and benefits - Marketing | 91,785 | 80,067 |
| | 293,190 | 343,545 |
| | 1,651,454 | 1,585,868 |
| EXCESS OF REVENUES OVER EXPENSES | \$ 255,814 | \$ 57,684 |

DOWNTOWN VICTORIA BUSINESS ASSOCIATION**Statement of Cash Flows****Year Ended December 31, 2022**

| | 2022 | 2021 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 255,814 | \$ 57,684 |
| Item not affecting cash: | | |
| Amortization | <u>178,292</u> | 161,638 |
| | <u>434,106</u> | 219,322 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 4,937 | (16,423) |
| Goods and services tax recoverable | (2,103) | (4,918) |
| Prepaid expenses | (12,670) | 11,028 |
| Accounts payable and accrued liabilities | (8,642) | 43,926 |
| WorkSafe BC payable | <u>317</u> | 185 |
| | <u>(18,161)</u> | 33,798 |
| Cash flow from operating activities | <u>415,945</u> | 253,120 |
| INVESTING ACTIVITY | | |
| Purchase of capital assets | <u>(55,397)</u> | (828) |
| FINANCING ACTIVITY | | |
| Repayment of long term debt | <u>(100,000)</u> | (100,000) |
| INCREASE IN CASH FLOW | 260,548 | 152,292 |
| Cash - beginning of year | <u>228,700</u> | 76,408 |
| CASH - END OF YEAR | \$ 489,248 | \$ 228,700 |

See notes to financial statements

DOWNTOWN VICTORIA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

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.

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, sponsorship, event revenue, membership fees, interest, sponsorship and Clean Team recoveries. Revenues are recognized when assurance of collection exists.

Cash

Cash consists of cash and current assets with high liquidity (i.e. assets convertible into cash within 90 days).

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 | 3-5 years | straight-line method |
| Website | 4 years | straight-line method |

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DOWNTOWN VICTORIA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

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

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.

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

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.

3. FINANCIAL RISKS AND CONCENTRATION OF RISKS

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. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to accounts receivable. The Association assesses, on continuous basis, accounts receivable and provides for any amounts that are not considered collectible in an allowance for doubtful accounts. The balance in the allowance for doubtful accounts as at December 31, 2022 is \$nil (2021 - \$nil).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and long term debt. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares a budget and cash forecasts to ensure it meets its obligations.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

DOWNTOWN VICTORIA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2022 Net book value | 2021 Net book value |
|---------------------------|---------------------|-----------------------------|------------------------------------|---------------------------|
| Computer equipment | \$ 29,682 | \$ 23,396 | \$ 6,286 | \$ 4,263 |
| Equipment | 61,025 | 51,869 | 9,156 | 11,445 |
| Furniture and fixtures | 12,084 | 10,344 | 1,740 | 1,778 |
| Interactive light display | 25,000 | 25,000 | - | - |
| Leasehold improvements | 40,655 | 40,655 | - | - |
| Lights of Wonder | 834,455 | 643,710 | 190,745 | 313,336 |
| Website | 10,911 | 10,911 | - | - |
| | \$ 1,013,812 | \$ 805,885 | \$ 207,927 | \$ 330,822 |

5. 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.

6. LONG TERM DEBT

| | 2022 | 2021 |
|---|-------------------|-------------------|
| 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. | \$ 200,000 | \$ 300,000 |
| Amounts payable within one year | (100,000) | (100,000) |
| | \$ 100,000 | \$ 200,000 |

Principal repayment terms are approximately:

| | |
|------|-------------------|
| 2023 | \$ 100,000 |
| 2024 | 100,000 |
| | \$ 200,000 |

DOWNTOWN VICTORIA BUSINESS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

7. 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:

| | | |
|------|----|---------------|
| 2023 | \$ | 22,785 |
| 2024 | | <u>22,785</u> |
| | \$ | <u>45,570</u> |

8. 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.

9. 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, 2022, the Association paid remuneration of \$134,015 to one employee. No remuneration was paid to the Association's directors.

DOWNTOWN VICTORIA BUSINESS ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2022

10. GOVERNMENT ASSISTANCE

Sponsorship and Grants revenue include government assistance. Summary below:

| | <u>2022</u> | | <u>2021</u> |
|--------------------------------|-------------------|----|----------------|
| City of Victoria | \$ 70,836 | \$ | 102,000 |
| Government of British Columbia | 35,000 | | 80,437 |
| Government of Canada | - | | 136,445 |
| | <u>\$ 105,836</u> | \$ | <u>318,882</u> |

At December 31, 2022 no amount was receivable from a government entity.

Included in accounts receivable at December 31, 2021 is \$45,437 from the Government of British Columbia and \$2,000 from the City of Victoria.
