

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Financial Statements**  
**Year Ended December 31, 2023**

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
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**Year Ended December 31, 2023**

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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, 2023, 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, 2023, 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.

Victoria, B.C.  
May 16, 2024

*Clark Trowsdale LLP*

Chartered Professional Accountants

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Statement of Financial Position**  
**December 31, 2023**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 471,093	\$ 489,248
Accounts receivable (Note 10)	39,492	77,890
Goods and services tax recoverable	19,146	17,360
Prepaid expenses	18,360	18,935
	<u>548,091</u>	603,433
CAPITAL ASSETS (Note 4)	96,481	207,927
SECURITY DEPOSITS	5,095	-
	<u>\$ 649,667</u>	<u>\$ 811,360</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 132,855	\$ 136,404
WorkSafeBC payable	1,761	1,061
Current portion of long term debt (Note 6)	100,000	100,000
	<u>234,616</u>	237,465
LONG TERM DEBT (Note 6)	-	100,000
	<u>234,616</u>	337,465
<b>NET ASSETS</b>		
Operating Fund	418,570	465,968
Invested in Capital Assets	(3,519)	7,927
	<u>415,051</u>	473,895
	<u>\$ 649,667</u>	<u>\$ 811,360</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, 2023**

	Operating Fund	Invested in Capital Assets	<b>2023</b>	2022
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 465,968	\$ 7,927	<b>\$ 473,895</b>	\$ 218,081
Purchase of capital assets	(73,174)	73,174	-	-
Long term debt repayment	(100,000)	100,000	-	-
Amortization of capital assets	184,027	(184,027)	-	-
Loss on disposal of capital assets	593	(593)	-	-
Deficiency of revenues over expenses	(58,844)	-	<b>(58,844)</b>	255,814
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 418,570</b>	<b>\$ (3,519)</b>	<b>\$ 415,051</b>	<b>\$ 473,895</b>

See notes to financial statements

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Statement of Revenues and Expenses**  
**Year Ended December 31, 2023**

	2023	2022
<b>REVENUES</b>		
City of Victoria Business Improvement Area Levy	\$ 1,727,880	\$ 1,694,000
Sponsorship (Note 10)	180,913	128,036
Grants (Note 10)	128,220	68,300
Interest income	26,338	13,660
Event revenue	2,940	-
Clean Team recoveries	2,060	3,022
Membership fees	500	250
	<u>2,068,851</u>	<u>1,907,268</u>
<b>EXPENSES</b>		
<b>ADMINISTRATION</b>		
AGM expense	10,259	7,028
Amortization	184,027	178,292
Computer and software	7,868	9,259
Conferences	10,315	6,119
Hospitality	2,801	4,738
Insurance	12,144	10,937
Interest and bank charges	15,425	13,297
Memberships, dues and subscriptions	5,155	4,230
Networking and partnerships	8,453	556
Office	19,058	9,702
Parking and auto	3,191	2,750
Professional fees	28,002	28,346
Rent	24,626	29,426
Research	18,058	32,729
Strategic planning	1,571	7,530
Telephone and communications	5,920	5,510
Training	742	190
Wages and benefits - Administration	240,280	219,046
	<u>597,895</u>	<u>569,685</u>
<b>CLEAN, SAFE AND BEAUTIFUL</b>		
Capital investment and improvements	134,353	60,426
Clean Team expenses	55,128	45,215
Police initiatives	-	9
Wages and benefits - Clean Team	421,748	306,889
	<u>611,229</u>	<u>412,539</u>
<b>EVENTS</b>		
Festivals and events	373,769	360,816
Street activation	30,840	-
Wages and benefits - Events	153,781	15,224
	<u>558,390</u>	<u>376,040</u>

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**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Statement of Revenues and Expenses** *(continued)*  
**Year Ended December 31, 2023**

	<b>2023</b>	2022
<b>MARKETING</b>		
Advertising and media	<b>130,961</b>	147,798
Branding and promotional	<b>82,030</b>	40,683
Gift card program	<b>38,047</b>	-
Operations and web management	<b>13,202</b>	12,924
Wages and benefits - Marketing	<b>95,348</b>	91,785
	<b>359,588</b>	293,190
	<b>2,127,102</b>	1,651,454
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>(58,251)</b>	255,814
<b>OTHER INCOME (EXPENSES)</b>		
Loss on disposal of capital assets	<b>(593)</b>	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (58,844)</b>	<b>\$ 255,814</b>

**DOWNTOWN VICTORIA BUSINESS ASSOCIATION****Statement of Cash Flows****Year Ended December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ (58,844)	\$ 255,814
Items not affecting cash:		
Amortization	184,027	178,292
Loss on disposal of capital assets	593	-
	<u>125,776</u>	<u>434,106</u>
Changes in non-cash working capital:		
Accounts receivable	38,398	4,937
Goods and services tax recoverable	(1,786)	(2,103)
Prepaid expenses	575	(12,670)
Security deposit	(5,095)	-
Accounts payable and accrued liabilities	(3,549)	(8,642)
WorkSafeBC payable	700	317
	<u>29,243</u>	<u>(18,161)</u>
Cash flow from operating activities	<u>155,019</u>	<u>415,945</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	<u>(73,174)</u>	<u>(55,397)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long term debt	<u>(100,000)</u>	<u>(100,000)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(18,155)</b>	<b>260,548</b>
Cash - beginning of year	<u>489,248</u>	<u>228,700</u>
<b>CASH - END OF YEAR</b>	<b>\$ 471,093</b>	<b>\$ 489,248</b>
<b>CASH CONSISTS OF:</b>		
Cash	<u>\$ 471,093</u>	<u>\$ 489,248</u>

See notes to financial statements

# DOWNTOWN VICTORIA BUSINESS ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2023

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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, 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, 2023

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#### 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.

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#### 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, 2023.

##### 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, 2023 is \$nil (2022 - \$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.

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**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**

**Notes to Financial Statements**

**Year Ended December 31, 2023**

4. CAPITAL ASSETS

	Cost	Accumulated amortization	<b>2023 Net book value</b>	2022 Net book value
Computer equipment	\$ 30,421	\$ 25,374	\$ 5,047	\$ 6,286
Equipment	69,381	54,258	<b>15,123</b>	9,156
Furniture and fixtures	30,963	11,018	<b>19,945</b>	1,740
Interactive light display	25,000	25,000	-	-
Leasehold improvements	19,894	1,105	<b>18,789</b>	-
Lights of Wonder	858,153	820,576	<b>37,577</b>	190,745
Website	10,911	10,911	-	-
	<u>\$ 1,044,723</u>	<u>\$ 948,242</u>	<u>\$ 96,481</u>	<u>\$ 207,927</u>

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

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.

Amounts payable within one year

	<u>2023</u>	<u>2022</u>
	\$ 100,000	\$ 200,000
	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ -</u>	<u>\$ 100,000</u>

Principal repayment terms are approximately:

2024	<u>\$ 100,000</u>
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## DOWNTOWN VICTORIA BUSINESS ASSOCIATION

### Notes to Financial Statements

Year Ended December 31, 2023

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#### 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 premises lease for a 2 year term commencing November 1, 2023 and ending October 31, 2025, with an option to renew for an additional 1 year term. The Association is committed to make lease payments of \$3,900 before GST per month during the lease term.

##### Storage Lease

The Association entered into a storage lease for a 2 year term commencing October 1, 2023 and ending September 30, 2025. The Association is committed to make lease payments of \$1,290 before GST per month during the lease term.

The future annual amounts will be:

2024	\$	62,280
2025		50,610
		<u>112,890</u>
	\$	<u>112,890</u>

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#### 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.

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#### 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, 2023, the Association paid remuneration of \$148,760 to one employee. No remuneration was paid to the Association's directors.

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**DOWNTOWN VICTORIA BUSINESS ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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10. GOVERNMENT ASSISTANCE

Sponsorship and Grants revenue include government assistance. Summary below:

	<u>2023</u>		<u>2022</u>
City of Victoria	\$ 128,854	\$	70,836
Government of British Columbia	<u>35,000</u>		<u>35,000</u>
	<u>\$ 163,854</u>	\$	<u>105,836</u>

Included in accounts receivable at December 31, 2023 is \$1,200 from the City of Victoria.

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

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