



Financial Statements

Greater Victoria Chamber of Commerce

December 31, 2012

# Contents

	<b>Page</b>
Independent Auditors' Report	1-2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12



Grant Thornton

## Independent auditors' report

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To the members of  
Greater Victoria Chamber of Commerce

We have audited the accompanying financial statements of Greater Victoria Chamber of Commerce, which comprise the statement of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Victoria Chamber of Commerce as at December 31, 2012, December 31, 2011, and January 1, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Victoria, Canada

April 23, 2013

*Grant Thornton LLP*

Chartered accountants

# Greater Victoria Chamber of Commerce

## Statement of Operations

Year Ended December 31

2012

2011

	2012	2011
Revenue		
Advertising	\$ 35,142	\$ 36,439
Benefit recovery	107,383	105,649
Business awards	63,517	64,570
Contract administration fees	8,400	8,400
Contributions received for Greater Victoria Development Agency (Note 8)	90,000	111,941
Fundraising	61,942	76,641
Investments	22,568	22,249
Members' dues and assessments	610,069	587,715
Newsletter	55,668	49,149
Programs	76,773	122,685
Rent	680	4,263
Sponsorships	13,200	21,500
	<u>1,145,342</u>	<u>1,211,201</u>
Cost of activities		
Advertising	3,850	3,794
Business awards	39,759	47,353
Committee activities	18,538	8,928
Fundraising	22,060	32,894
Greater Victoria Development Agency (Note 8)	134,331	168,739
Newsletter	32,715	66,089
Program expense	45,644	86,380
	<u>296,897</u>	<u>414,177</u>
Excess of revenue over expenses before undernoted items	848,445	797,024
General operations (Note 10)	905,250	844,383
	<u>(56,805)</u>	<u>(47,359)</u>
Unrealized gain (loss) on fair market value adjustment	20,494	(19,864)
Realized gain (loss) on sale of shares	643	(347)
Deficiency of revenue over expenses	<u>\$ (35,668)</u>	<u>\$ (67,570)</u>

See accompanying notes to the financial statements.

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## Greater Victoria Chamber of Commerce Statement of Changes in Net Assets

Year Ended December 31

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	Invested in capital assets	Unrestricted	Total
Opening balance, January 1, 2011	\$ 25,345	\$ 490,515	\$ 515,860
Deficiency of revenue over expenses	(12,755)	(54,815)	(67,570)
Transfer to net assets invested in capital assets	<u>18,800</u>	<u>(18,800)</u>	<u>-</u>
Balance, December 31, 2011	31,390	416,900	448,290
Deficiency of revenue over expenses	(15,579)	(20,089)	(35,668)
Transfer to net assets invested in capital assets	<u>42,230</u>	<u>(42,230)</u>	<u>-</u>
Balance, December 31, 2012	<u>\$ 58,041</u>	<u>\$ 354,581</u>	<u>\$ 412,622</u>

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See accompanying notes to the financial statements.

# Greater Victoria Chamber of Commerce

## Statement of Financial Position

December 31	2012	2011	January 1 2011
			(Note 3)
<b>Assets</b>			
Current			
Cash and cash equivalents	\$ -	\$ -	\$ 56,978
Marketable securities (Note 4)	712,032	728,835	737,664
Receivables	90,951	49,164	112,775
Prepays	20,102	43,985	7,650
	823,085	821,984	915,067
Capital assets (Note 5)	55,837	31,390	25,346
	\$ 878,922	\$ 853,374	\$ 940,413
<b>Liabilities</b>			
Current			
Bank indebtedness (Note 6)	\$ 40,407	\$ 37,510	\$ -
Payables and accruals	59,412	61,712	68,963
Government remittances	10,242	9,323	11,233
Deferred revenue (Note 7)	356,239	296,539	344,357
	466,300	405,084	424,553
<b>Net Assets</b>			
Invested in capital assets	58,041	31,390	25,345
Unrestricted	354,581	416,900	490,515
	412,622	448,290	515,860
	\$ 878,922	\$ 853,374	\$ 940,413

Commitments (Note 9)

On behalf of the Board


Director

Director

See accompanying notes to the financial statements.

# Greater Victoria Chamber of Commerce

## Statement of Cash Flows

Year Ended December 31

2012

2011

Increase (decrease) in cash and cash equivalents

### Operating

Deficiency of revenue over expenses	\$	(35,668)	\$	(67,570)
Amortization		15,579		12,755
Loss on sale of capital assets		1,361		-
Unrealized (gain) loss on fair market value adjustment		(20,494)		19,864
(Gain) loss on sale of investments		(643)		347

(39,865)                      (34,604)

Change in non-cash operating working capital

Receivables	(41,787)	63,611
Prepays	23,883	(36,335)
Payables and accruals	(2,300)	(7,251)
Government remittances	919	(1,910)
Deferred revenue	59,700	(47,818)

40,415                      (29,703)

550                      (64,307)

### Investing

Purchase of capital assets	(42,230)	(18,799)
Sale of capital asset	843	-
Purchase of investments	(22,568)	(71,301)
Proceeds on sale and maturity of investments (Note 4)	60,508	59,919

(3,447)                      (30,181)

Net decrease in cash and cash equivalents

(2,897)                      (94,488)

(Bank indebtedness) cash and cash equivalents,  
beginning of year

(37,510)                      56,978

Bank indebtedness, end of year

\$ (40,407)                      \$ (37,510)

See accompanying notes to the financial statements.



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# Greater Victoria Chamber of Commerce

## Notes to the Financial Statements

December 31, 2012

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### 1. Purpose of the organization

The Greater Victoria Chamber of Commerce (the "Chamber") is incorporated under the Board of Trade Act of Canada and its principal activity is to promote and improve trade and commerce and the economic, civic, and social welfare of Greater Victoria.

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### 2. Summary of significant accounting policies

#### Revenue recognition

The Chamber 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.

All other revenues are recognized as earned.

#### Amortization

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Furniture and equipment	20%, straight-line basis
Computer hardware and software	30%, straight-line basis
Leasehold improvements	straight-line basis over the lesser of useful life and lease term

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions.

#### Use of estimates

In preparing the Chamber's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Impairment of long-lived assets

The Chamber regularly reviews the carrying value of long-lived assets and continually makes estimates regarding future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Chamber may be required to record impairment charges for these assets.

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# Greater Victoria Chamber of Commerce

## Notes to the Financial Statements

December 31, 2012

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Chamber has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Chamber determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Chamber expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

#### Price risk

Price risk is comprised of currency risk, interest rate risk and market risk.

Currency risk relates to the possibility that the investments will change in value due to fluctuations in US, Euro and other international foreign exchanges rates.

#### Interest rate risk

Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Duration is an appropriate measure of interest rate risk for fixed-income funds as a rise in interest rates will cause a decrease in bond prices – the longer the duration, the greater the effect.

#### Market risk

Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. This risk is reduced by the investment policy provisions approved by management for a structured asset mix to be followed by the investment managers, the requirement for diversification of investments within each asset class and credit quality constraints on fixed income instruments. Market risk can be measured in terms of volatility, i.e., the standard deviation of change in the value of a financial instrument within a specific time horizon.

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# Greater Victoria Chamber of Commerce

## Notes to the Financial Statements

December 31, 2012

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### 2. Summary of significant accounting policies (continued)

#### Contributed materials and services

Donated property, equipment and services are recorded at fair value when received, if obtainable. If the fair market value cannot be determined, such items are not recognized in the financial statements.

The Chamber is dependent on the voluntary service of many members and others. Since these services are not normally purchased by the Chamber and, because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

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### 3. First-time adoption of Canadian accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which the Chamber has applied accounting standards for not-for-profit organizations ("ASNPO"). The financial statements for the period ended December 31, 2012 were prepared in accordance with ASNPO. Comparative period information presented for the year ended December 31, 2011 was prepared in accordance with ASNPO and the provisions set out in Section 1501 First-time adoption.

The date of transition to ASNPO is January 1, 2011. The Chamber's transition to ASNPO has had no material impacts upon transition to the opening net assets as at January 1, 2011 or the statements of financial position or the statement of cash flows for the year ended December 31, 2011.

As a result, the reconciliations and disclosures required by Section 1501 First-time adoption, for the net assets at the transition date, the comparative period net surplus and the cash flow statement have not been presented in these financial statement notes.

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### 4. Marketable securities

Marketable securities have a cost of \$711,327 (2011: \$748,842; January 1, 2011: \$738,270) with a market value of \$712,032 (2011: \$728,836; January 1, 2011: \$737,664). The funds are managed by BMO Harris Investment Management Inc., an external professional manager, in accordance with the Chamber's investment guidelines and consist of:

	<u>2012</u>	<u>2011</u>	<u>January 1 2011</u>
Cash and cash equivalents	\$ 9,873	\$ 21,594	\$ 17,275
Fixed Income	303,407	340,686	286,759
Equities	<u>398,752</u>	<u>366,555</u>	<u>433,630</u>
	<u>\$ 712,032</u>	<u>\$ 728,835</u>	<u>\$ 737,664</u>

During the year, the Board of Directors authorized a \$50,000 transfer of cash from the investment account to operations primarily for branding costs.

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## Greater Victoria Chamber of Commerce

### Notes to the Financial Statements

December 31, 2012

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#### 5. Capital assets

	<u>Furniture and equipment</u>	<u>Computer hardware and software</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Cost</b>				
Balance, January 1, 2011	\$ 273,441	\$ 221,104	\$ 19,479	\$ 514,024
Additions	-	18,800	-	18,800
Disposals	<u>203,174</u>	<u>190,737</u>	<u>-</u>	<u>393,911</u>
Balance, December 31, 2011	70,267	49,167	19,479	138,913
Additions	15,158	25,245	1,827	42,230
Disposals	<u>17,000</u>	<u>13,067</u>	<u>-</u>	<u>30,067</u>
Balance, December 31, 2012	<u>\$ 68,425</u>	<u>\$ 61,345</u>	<u>\$ 21,306</u>	<u>\$ 151,076</u>
<b>Accumulated amortization</b>				
Balance, January 1, 2011	\$ 265,509	\$ 213,559	\$ 9,610	\$ 488,678
Amortization	4,584	6,721	1,450	12,755
Disposals	<u>203,174</u>	<u>190,736</u>	<u>-</u>	<u>393,910</u>
Balance, December 31, 2011	66,919	29,544	11,060	107,523
Amortization	8,211	5,918	1,450	15,579
Disposals	<u>17,000</u>	<u>10,863</u>	<u>-</u>	<u>27,863</u>
Balance, December 31, 2012	<u>\$ 58,130</u>	<u>\$ 24,599</u>	<u>\$ 12,510</u>	<u>\$ 95,239</u>
<b>Net book value</b>				
January 1, 2011	\$ 7,932	\$ 7,545	\$ 9,869	\$ 25,346
December 31, 2011	\$ 3,348	\$ 19,623	\$ 8,419	\$ 31,390
December 31, 2012	<u>\$ 10,295</u>	<u>\$ 36,746</u>	<u>\$ 8,796</u>	<u>\$ 55,837</u>

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#### 6. Bank indebtedness

The Chamber has a line of credit authorized to \$75,000. Advances bear interest at prime plus 1% and are due on demand. A general security agreement has been provided in support of the line of credit.

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#### 7. Deferred revenue

Deferred revenue represents the unearned portion of membership fees received or receivable in advance and other fees and sponsorships received in advance of the related event.

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## Greater Victoria Chamber of Commerce

### Notes to the Financial Statements

December 31, 2012

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#### 8. The Greater Victoria Development Agency

The Greater Victoria Development Agency (GVDA) is a committee of the GVCC and was formed to help develop, retain and attract businesses to the Greater Victoria region. They are an industry led initiative, and in collaboration with other sector partners, strive to help build the best possible economic environment for local entrepreneurs and businesses in which to operate.

In accordance with Canadian generally accepted accounting principles, the Chamber has recognized contributions to the GVDA to the extent of related costs incurred to December 31, 2012. The deficit (chamber contribution) for the GVDA will increase to the extent that additional costs are incurred subsequent to the year-end that are not supported by contributions. The following is a summary of the revenue and expenses for the GVDA:

	<u>2012</u>	<u>2011</u>
Revenue		
Municipal	\$ 80,000	\$ 80,000
Federal	-	11,547
Corporate	<u>10,000</u>	<u>20,394</u>
	<u>90,000</u>	<u>111,941</u>
Expenses		
Affiliation dues	3,350	1,075
Convention and travel	4,486	1,403
Hosting groups	-	1,597
Insurance	1,000	1,000
Lease	9,000	9,000
Marketing	3,660	-
Office	7,830	4,976
Postage and courier	176	71
Professional fees	2,980	13,948
Staff expenses	341	1,621
Subcontract	782	35,881
Telephone	1,755	2,205
Wages and benefits	<u>98,971</u>	<u>95,962</u>
	<u>134,331</u>	<u>168,739</u>
Deficit (contribution from Greater Victoria Chamber of Commerce)	<u>\$ (44,331)</u>	<u>\$ (56,798)</u>

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# Greater Victoria Chamber of Commerce

## Notes to the Financial Statements

December 31, 2012

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### 9. Commitments

The Chamber leases its office under an operating lease which expires on January 31, 2016. The lease includes minimum annual rent payments of \$35,544 and 18.88% of applicable common area costs. Annual payments of minimum rent over the next four years are:

2013	\$	35,544
2014		35,544
2015		35,544
2016		<u>2,962</u>
	\$	<u>109,594</u>

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### 10. General operations

	<u>2012</u>	<u>2011</u>
Affiliation and association dues	\$ 16,188	\$ 17,309
Amortization	15,579	12,755
Interest	698	208
Loss on disposal of assets	1,361	-
Membership expenses	6,864	5,748
New Image Project	35,686	-
Occupancy costs	86,785	85,287
Office	85,661	80,710
Postage	13,455	20,963
Professional fees	12,745	9,872
Salaries and employee costs	605,974	575,324
Telephone	13,190	13,245
Travel and convention	<u>11,064</u>	<u>22,962</u>
	\$ <u>905,250</u>	\$ <u>844,383</u>

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### 11. Related party transactions

During the year, there were payments made in the amount of \$15,159 to companies owned by members of the board of directors. The amounts were paid in exchange for functions, courier service, and temporary employment services in the normal course of operations and represent the fair value of services rendered.

During the year, there were advertising and sponsorship revenues received totalling \$11,325 from related parties.

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