



Financial Statements

Greater Victoria Chamber of Commerce

December 31, 2011

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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, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, 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, 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Victoria, Canada

March 27, 2012

Chartered accountants

Grant Thornton LLP

Greater Victoria Chamber of Commerce

Statement of Operations

Year Ended December 31

2011

2010

Revenue		
Advertising	\$ 36,439	\$ 21,681
Benefit recovery	105,649	108,042
Business awards	64,570	63,295
Contract administration fees	8,400	16,267
Contributions from Greater Victoria Development Agency (Note 8)	111,941	201,907
Fundraising	76,641	68,939
Investments	22,248	20,705
Members' dues and assessments	587,714	607,939
Newsletter	49,150	33,910
Programs	122,685	132,279
Rent	4,263	6,897
Sponsorships	21,500	13,500
	<u>1,211,200</u>	<u>1,295,361</u>
Cost of activities		
Advertising	3,793	14,947
Business awards	47,352	33,322
Committee activities	8,929	7,109
Fundraising	32,894	28,944
Greater Victoria Development Agency (Note 8)	168,740	239,574
Newsletter	66,090	34,138
Program expense	86,380	94,554
	<u>414,178</u>	<u>452,588</u>
Excess of revenue over expenses before undernoted items	797,022	842,773
Administration (Note 11)	844,381	807,237
	<u>(47,359)</u>	<u>35,536</u>
Unrealized (loss) gain on fair market value adjustment	(19,864)	58,530
Realized loss on sale of shares	<u>(347)</u>	<u>(11,157)</u>
(Deficiency) excess of revenue over expenses	\$ <u>(67,570)</u>	\$ <u>82,908</u>

See accompanying notes to the financial statements.

Greater Victoria Chamber of Commerce

Statement of Changes in Net Assets

Year Ended December 31

2011

2010

	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year				
As previously stated	\$ 32,377	\$ 490,515	\$ 522,892	\$ 439,984
Prior period restatement (Note 13)	<u>(7,032)</u>	<u>-</u>	<u>(7,032)</u>	<u>(7,032)</u>
As restated	25,345	490,515	515,860	432,952
(Deficiency) excess of revenue over expenses	(12,755)	(54,815)	(67,570)	82,908
Transfer to net assets invested in capital assets	<u>18,800</u>	<u>(18,800)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 31,390</u>	<u>\$ 416,900</u>	<u>\$ 448,290</u>	<u>\$ 515,860</u>

See accompanying notes to the financial statements.

Greater Victoria Chamber of Commerce

Statement of Financial Position

December 31

2011

2010

(Note 13)

Assets

Current

Cash and cash equivalents	\$	-	\$	56,978
Marketable securities (Note 4)		728,836		737,664
Receivables		49,164		112,775
Prepays		43,983		<u>7,653</u>
		821,983		<u>915,070</u>

Capital assets (Note 5)

		31,390		<u>25,345</u>
	\$	853,373	\$	<u>940,415</u>

Liabilities

Current

Bank indebtedness (Note 6)	\$	37,509	\$	-
Payables and accruals		71,035		80,197
Deferred revenue (Note 7)		296,539		<u>344,358</u>
		405,083		<u>424,555</u>

Net Assets

Invested in capital assets		31,390		25,345
Unrestricted		416,900		<u>490,515</u>
		448,290		<u>515,860</u>
	\$	853,373	\$	<u>940,515</u>

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

2011

2010

Increase (decrease) in cash and cash equivalents

Operating		
(Deficiency) excess of revenue over expenses	\$ (67,570)	\$ 82,908
Amortization	12,755	14,882
Unrealized loss (gain) on fair market value adjustment	19,864	(58,530)
Loss on sale of investments	<u>347</u>	<u>11,158</u>
	<u>(34,604)</u>	<u>50,418</u>
Change in non-cash operating working capital		
Receivables	63,611	25,715
Prepays	(36,330)	3,500
Payables and accruals	(9,162)	47,394
Deferred revenue	<u>(47,819)</u>	<u>18,666</u>
	<u>(29,700)</u>	<u>95,275</u>
	<u>(64,304)</u>	<u>145,693</u>
Investing		
Purchase of capital assets	(18,800)	(12,571)
Purchase of investments	(71,302)	(160,108)
Proceeds on sale of investments	<u>59,919</u>	<u>149,523</u>
	<u>(30,183)</u>	<u>(23,156)</u>
Net (decrease) increase in cash and cash equivalents	(94,487)	122,537
Cash (bank indebtedness), beginning of year	<u>56,978</u>	<u>(65,559)</u>
(Bank indebtedness) cash, end of year	\$ <u>(37,509)</u>	\$ <u>56,978</u>

See accompanying notes to the financial statements.

Greater Victoria Chamber of Commerce

Notes to the Financial Statements

December 31, 2011

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.

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.

Greater Victoria Chamber of Commerce

Notes to the Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Financial instruments

The Chamber's financial instruments consist of cash and cash equivalents, marketable securities, receivables, payables and accruals and deferred revenue.

The Chamber has classified cash and cash equivalents and marketable securities as held for trading. These instruments are initially recognized at cost and subsequently recognized at their fair value, determined by published quotations in an active market. Transactions to purchase and sell these instruments are recorded on the trade date, and transactions from changes in fair value are recognized immediately to net earnings in the statement of operations. Fair value for term deposits and guaranteed investment certificates redeemable within the year are stated at cost, which, together with accrued interest income, approximates fair value considering the short term nature of these investments.

The Chamber has classified receivables as loans and receivables. This asset is initially recognized at fair value. Fair value is approximated by the instruments initial cost in a transaction between unrelated parties. Receivables are subsequently measured at their amortized cost using the effective interest method. Gains and losses arising from changes in fair value are recognized in net earnings upon derecognition or impairment. The carrying value of receivables approximates their fair value due to their short-term maturity and capacity for prompt liquidation.

The Chamber has classified payables and accruals and deferred revenue as other financial liabilities. This liability is initially recognized at its fair value. Fair value is approximated by the instrument's initial cost of a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost using the effective interest method. Gains and losses arising from changes in fair value are recognized in net earnings upon derecognition or impairment. The carrying value of payables and accruals and deferred revenue approximates their fair value due to their short-term maturity and capacity for prompt liquidation.

The fair value of these financial instruments approximates their carrying values, unless otherwise noted, due to the relatively short periods to maturity for these items. Fair values of marketable securities are exposed to price risk.

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 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.

Greater Victoria Chamber of Commerce

Notes to the Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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.

3. Future change in accounting policies

Effective January 1, 2012, the Chamber will adopt Canadian accounting standards for not-for-profit organizations. These accounting policies are included as Part III of the CICA handbook. The transition to these new standards is expected to have a minimal impact on the financial statements of the Chamber.

4. Marketable securities

Marketable securities have a cost of \$748,842 (2010: \$738,270) with a market value of \$728,836 (2010: \$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>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 21,594	\$ 17,275
Fixed income	340,687	286,759
Equities	<u>366,555</u>	<u>433,630</u>
	<u>\$ 728,836</u>	<u>\$ 737,664</u>

Greater Victoria Chamber of Commerce

Notes to the Financial Statements

December 31, 2011

	<u>2011</u>			<u>2010</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u> (Note 13)
Furniture and equipment	\$ 70,267	\$ 66,919	\$ 3,348	\$ 7,932
Computer hardware/software	49,167	29,544	19,623	7,544
Leasehold improvements	<u>19,479</u>	<u>11,060</u>	<u>8,419</u>	<u>9,869</u>
	<u>\$ 138,913</u>	<u>\$ 107,523</u>	<u>\$ 31,390</u>	<u>\$ 25,345</u>

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.

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.

Greater Victoria Chamber of Commerce

Notes to the Financial Statements

December 31, 2011

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, 2011. 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>2011</u>	<u>2010</u>
Revenue		
Municipal	\$ 80,000	\$ 82,000
Federal	11,547	78,371
Corporate	<u>20,394</u>	<u>41,536</u>
	<u>111,941</u>	<u>201,907</u>
Expenses		
Affiliation dues	1,075	775
Convention and travel	1,403	5,558
Hosting groups	1,598	1,808
Insurance	1,000	1,000
Lease	9,000	9,000
Marketing	-	4,250
Office	4,976	8,608
Postage and courier	71	918
Professional fees	13,948	2,972
Staff expenses	1,620	2,087
Subcontract	35,882	103,801
Telephone	2,205	2,835
Wages and benefits	<u>95,962</u>	<u>95,962</u>
	<u>168,740</u>	<u>239,574</u>
Deficit (contribution from Greater Victoria Chamber of Commerce)	\$ <u>(56,799)</u>	\$ <u>(37,667)</u>

Greater Victoria Chamber of Commerce

Notes to the Financial Statements

December 31, 2011

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 five years are:

2012	\$	35,544
2013		35,544
2014		35,544
2015		35,544
2016		<u>2,962</u>
	\$	<u>145,138</u>

10. Capital management

The capital structure of the Chamber consists of a net investment in capital assets, unrestricted net assets and a \$75,000 line of credit with Island Savings Credit Union that has been drawn upon as at December 31, 2011. The primary objective of the Chamber's capital management is to ensure that it maintains adequate capital resources to provide the appropriate services to its members and continue to help develop, grow and retain business in the Greater Victoria region. The Chamber manages its capital structure with the primary goal of minimizing risk to the stability of cash flow from operations. The Chamber has met all its objectives in maintaining its current and long term operations.

11. Administration

	<u>2011</u>	<u>2010</u>
Affiliation and association dues	\$ 17,309	\$ 16,011
Amortization	12,755	14,882
Interest	208	256
Membership expenses	5,748	6,375
Occupancy costs	85,286	86,208
Office	80,710	79,320
Postage	20,963	19,603
Professional fees	9,872	15,438
Salaries and employee costs	575,323	536,794
Telephone	13,245	14,252
Travel and convention	<u>22,962</u>	<u>18,098</u>
	\$ <u>844,381</u>	\$ <u>807,237</u>

Greater Victoria Chamber of Commerce

Notes to the Financial Statements

December 31, 2011

12. Related party transactions

During the year, there were payments made in the amount of \$14,095 to a company owned by a member of the board of directors. The amount was paid in exchange for marketing services in the normal course of operations and represents the fair value of services rendered.

13. Prior period restatement

An adjustment was made to decrease capital assets and net assets invested in capital assets by \$7,032 as at January 1, 2010 to correct an error in the calculation of previous years' amortization.
