

Financial Statements of

**GREATER VICTORIA
HARBOUR AUTHORITY**

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone (250) 480-3500
Fax (250) 480-3539

INDEPENDENT AUDITORS' REPORT

To the Members of Greater Victoria Harbour Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Greater Victoria Harbour Authority (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the 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.



Other Information

Management is responsible for the other information. Other information comprises:

- Information, other than the financial statements and the auditors' report thereon, included in the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Management Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 Canadian accounting standards 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the financial statements.

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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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 (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting 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.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
September 11, 2020

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,300,108	\$ 4,933,093
Guaranteed investment certificates (note 2)	9,051,092	5,032,417
Accounts receivable	840,977	1,363,238
Prepaid expenses	147,885	172,768
	<u>12,340,062</u>	<u>11,501,516</u>
Investments (note 3)	5,658,866	6,152,213
Capital assets (note 4)	62,523,331	59,111,038
	<u>\$ 80,522,259</u>	<u>\$ 76,764,767</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,577,950	\$ 3,573,155
Deferred revenue and deposits	396,089	395,361
Demand loan (note 5)	5,881,258	-
	<u>8,855,297</u>	<u>3,968,516</u>
Long term debt	-	1,909,486
Deferred lease obligations	392,001	363,354
Deferred contributions (note 6)	155,605	174,317
Deferred capital contributions (note 7)	19,079,705	20,237,299
Net assets:		
Invested in capital assets	37,562,368	36,964,253
Internally restricted reserve fund (note 8)	7,729,566	7,515,691
Unrestricted	6,747,717	5,631,851
	<u>52,039,651</u>	<u>50,111,795</u>
Commitments and contingencies (note 10)		
Subsequent events (note 17)		
	<u>\$ 80,522,259</u>	<u>\$ 76,764,767</u>

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	Budget (note 15)	2020	2019
Revenues:			
Shipping	\$ 8,228,561	\$ 8,656,332	\$ 7,926,927
Marinas and attractions	2,420,405	2,518,025	2,299,640
Commercial real property	2,812,494	2,740,935	2,878,756
	13,461,460	13,915,292	13,105,323
Cruise sustainability fee (note 9)	1,747,011	1,754,450	1,375,471
Other recovered costs and in-kind sponsorship	631,955	661,236	791,405
	15,840,426	16,330,978	15,272,199
Expenses:			
General operating expenses	3,730,404	4,069,324	3,617,476
Repairs and maintenance	2,679,307	2,448,832	2,896,410
Insurance	608,006	762,014	595,253
Property taxes	820,286	939,770	873,918
Administrative	5,104,786	4,540,566	4,308,340
Interest expense	245,700	92,245	19,822
Amortization of capital assets	2,322,435	2,052,532	1,981,508
	15,510,924	14,905,283	14,292,727
Excess of revenues over expenses before the following	329,502	1,425,695	979,472
Deferred non-capital contributions recognized as revenue (note 6)	598,971	18,712	305,850
Non-capital contribution expense	-	-	(287,140)
Deferred capital contributions recognized as revenue (note 7)	722,136	806,402	816,606
Gain on disposal of capital assets	-	1,429	3,905
Excess of revenues over expenses before investment income	1,650,609	2,252,238	1,818,693
Net investment income	381,500	(324,382)	394,016
Excess of revenues over expenses	\$ 2,032,109	\$ 1,927,856	\$ 2,212,709

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Investment in capital assets	Internally restricted	Unrestricted	Total
Balance, April 1, 2018	\$ 36,635,178	\$ 6,396,308	\$ 4,867,600	\$ 47,899,086
Excess (deficiency) of revenue over expenses	(1,164,902)	223,243	3,154,368	2,212,709
Net purchase of capital assets	1,493,977	-	(1,493,977)	-
Transfer to internally restricted reserve fund	-	896,140	(896,140)	-
Balance, March 31, 2019	36,964,253	7,515,691	5,631,851	50,111,795
Excess (deficiency) of revenue over expenses	(1,246,130)	(570,347)	3,744,333	1,927,856
Net purchase of capital assets	1,844,245	-	(1,844,245)	-
Transfer to internally restricted reserve fund	-	784,222	(784,222)	-
Balance, March 31, 2020	\$ 37,562,368	\$ 7,729,566	\$ 6,747,717	\$ 52,039,651

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 1,927,856	\$ 2,212,709
Items not involving cash:		
Amortization of capital assets	2,052,532	1,981,508
Amortization of deferred contributions	(18,712)	(305,850)
Amortization of deferred capital contributions	(806,402)	(816,606)
Gain on sale of capital assets	(1,429)	(3,905)
Unrealized loss on investments	808,335	35,848
Net changes in non-cash working capital:		
Increase in accrued interest on guaranteed investment certificates	(18,675)	(12,654)
Decrease (increase) in accounts receivable	522,261	(197,734)
Decrease (increase) in prepaid expenses	24,883	(79,805)
Increase (decrease) in accounts payable and accrued liabilities	(995,205)	1,574,455
Increase in deferred lease obligations	28,647	33,918
Increase in deferred revenue and deposits	728	63,831
	<u>3,524,819</u>	<u>4,485,715</u>
Cash flows from financing activities:		
Deferred contributions received	-	287,140
Deferred capital contributions received (repaid) (note 7)	(351,192)	351,192
Proceeds received from long-term debt	<u>3,971,772</u>	<u>1,909,486</u>
	3,620,580	2,547,818
Cash flows from investing activities:		
Purchase of capital assets	(5,464,825)	(3,754,655)
Proceeds from disposal of capital assets	1,429	3,905
Guaranteed investment certificates matured	8,000,000	5,034,000
Purchase of guaranteed investment certificates	(12,000,000)	(5,000,000)
Transfer to investments	(314,988)	(336,092)
	<u>(9,778,384)</u>	<u>(4,052,842)</u>
Increase (decrease) in cash and cash equivalents	(2,632,985)	2,980,691
Cash and cash equivalents, beginning of year	4,933,093	1,952,402
Cash and cash equivalents, end of year	<u>\$ 2,300,108</u>	<u>\$ 4,933,093</u>

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

Greater Victoria Harbour Authority (the "Society") is incorporated under the Societies Act (British Columbia). Its principal activity is to manage and develop the Victoria and Esquimalt harbours to meet local, Esquimalt Nation, Songhees Nation, municipal, provincial and federal interests and priorities.

In 2002 Transport Canada contributed lands and improvements at Ogden Point, Erie Street, Wharf Street and Ship Point. The contributions are subject to various restrictions including continued use as a port facility.

The land and improvements were transferred to the Society at a nominal value of \$1. The assets were recorded at an estimated fair market value of \$50,481,120, as determined by the BC Assessment through their annual valuation and assessment process.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. The Society's significant accounting policies are as follows:

(a) Revenue recognition:

The Society 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.

Contributions of capital assets that will be amortized are initially deferred and subsequently recognized as revenue on the same basis as the related costs are amortized. Contributions for capital assets that will not be amortized, such as land, are not recorded as deferred capital contributions or recognized as revenue, but are recorded as a direct increase in net assets in the period the asset is received.

Revenue from operations is recognized as services are performed. Amounts received for future services are deferred until the service is provided.

Revenue recognition under a lease commences when the tenant has a right to use the leased assets. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. Rental revenue also includes percentage participating rents and recoveries of operating expenses, including realty taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

(b) Cash and cash equivalents:

Cash and cash equivalents include deposits in banks and short-term investments with a term to maturity of three months or less at the date of purchase.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments 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 Society has elected to carry all investments at fair value. The Society has not elected to carry any other financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Society 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 Society 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.

(d) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income, dividends, net gain (loss) on sale of securities and unrealized gains (losses).

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their estimated fair market value determined at the date of contribution.

Amortization is provided on a straight-line basis over their estimated useful life at the following amortization periods:

Asset	Amortization period
Breakwater and piers	50 years
Wharves and docks:	
Refurbished existing	10 - 15 years
New construction	20 - 25 years
Buildings	10 - 50 years
Yard improvements	5 - 10 years
Furniture and fixtures	5 years
Office and maintenance equipment	2 - 5 years
Boats, marine and automotive	3 - 5 years
Information technologies	2 - 4 years

Amortization is not provided on capital assets under construction until the assets are available for use.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) Capital assets (continued):

When a capital asset no longer contributes to the Society's ability to provide services, its carrying value is written down to its residual value.

(f) Asset retirement obligations:

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the life of the asset. At this time, the Society has determined that there are no significant asset retirement obligations.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The more subjective of such estimates are the amortization period of capital assets. Actual results could differ from these estimates.

(h) Changes in accounting policies:

On April 1, 2019, the Society adopted Section 4433, *Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the CPA Canada Handbook. The new section requires organizations to annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, not-for-profit organizations are to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening fund balances for partial impairments of tangible assets that existed as at April 1, 2019.

The implementation of this standard had no impact on the financial statements.

2. Guaranteed investment certificates:

	2020	2019
Short-term certificates	\$ 9,051,092	\$ 5,032,417

Guaranteed investment certificates earn interest of between 2.25 and 2.6%, with various maturity dates to February 21, 2021.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

3. Investments:

Investments represent funds invested for internally restricted purposes (note 8). The major components of investments stated at market value are as follows:

	2020	2019
Fixed income	\$ 2,178,416	\$ 2,358,206
Canadian equity	1,521,019	1,800,806
US equity	970,806	945,262
International equity	988,625	885,466
Money market	-	162,473
	\$ 5,658,866	\$ 6,152,213

4. Capital assets:

2020	Cost	Accumulated amortization	Net book value
Land	\$ 19,563,855	\$ -	\$ 19,563,855
Breakwater and piers	34,962,710	13,088,325	21,874,385
Wharves and docks	10,906,414	6,510,853	4,395,561
Buildings and yard improvements	16,067,031	8,479,785	7,587,246
Furniture and fixtures	43,804	43,804	-
Office and maintenance equipment	524,900	384,078	140,822
Boats, marine and automotive	285,760	179,502	106,258
Capital assets under construction	8,855,204	-	8,855,204
	\$ 91,209,678	\$ 28,686,347	\$ 62,523,331

2019	Cost	Accumulated amortization	Net book value
Land	\$ 19,563,855	\$ -	\$ 19,563,855
Breakwater and piers	34,471,777	12,204,337	22,267,440
Wharves and docks	9,299,372	6,167,140	3,132,232
Buildings and yard improvements	15,419,616	7,724,303	7,695,313
Furniture and fixtures	43,804	43,804	-
Office and maintenance equipment	487,716	333,249	154,467
Boats, marine and automotive	270,150	176,397	93,753
Capital assets under construction	6,203,978	-	6,203,978
	\$ 85,760,268	\$ 26,649,230	\$ 59,111,038

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

5. Demand loan:

On September 21, 2018, the Society signed a credit facility with Coast Capital Savings Federal Union ("Coast Capital") to finance the Ogden Point dolphin extension capital project. The credit facility was negotiated as a demand instrument to give flexibility on the variable interest rate and unrestricted prepayment options without notice or penalty. A general security agreement was provided as collateral. Coast Capital will not demand repayment of the loan if the Society remains in compliance with the financial covenants, terms, and conditions of the credit facility.

The maximum value of the credit facility is \$8,500,000, repayable over 84 months with an interest rate of prime (2020 - 2.45%, 2019 - 3.7%). Principal repayment of the loan commences on the earlier of the last advance of the capital loan and the latest disbursement date, at which point monthly payments will be \$70,833 plus interest. Interest repayment commences after the first draw.

As of March 31, 2020, the credit facility outstanding was \$5,881,258. Interest paid was \$92,245 (2019 - \$17,581). The Society will continue to make draws against the credit facility until completion of the project.

6. Deferred contributions:

Deferred federal, provincial, and municipal contributions relate to project specific funding and are recognized as costs are incurred.

	Balance March 31, 2019	Amounts amortized to revenue	Amounts received	Balance March 31, 2020
Federal, provincial and municipal contributions:				
Ogden Point	\$ 85,057	\$ 11,722	\$ -	\$ 73,335
Steamship Terminal	89,260	6,990	-	82,270
Total deferred contributions	\$ 174,317	\$ 18,712	\$ -	\$ 155,605

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

7. Deferred capital contributions:

Deferred capital contributions represent unamortized capital contributions received from Transport Canada and other federal and provincial contributions. The amount repaid of \$351,192 is in relation to the funding received during 2019 for the dolphin extension capital project. It was determined during 2020 that the funds received were not related to eligible costs for the project therefore the amounts were repaid.

	Balance March 31, 2019	Amounts amortized to revenue	Amounts received (repaid)	Balance March 31, 2020
Transport Canada:				
Erie Street	\$ 9,314	\$ (9,314)	\$ -	\$ -
Ogden Point	17,992,541	(545,228)	-	17,447,313
Ogden Point - pier upgrades	333,646	(130,059)	-	203,587
	18,335,501	(684,601)	-	17,650,900
Other federal, provincial and municipal contributions:				
Ogden Point	1,712,479	(111,837)	(351,192)	1,249,450
Inner Harbour	189,319	(9,964)	-	179,355
	1,901,798	(121,801)	(351,192)	1,428,805
Total deferred contributions	\$ 20,237,299	\$ (806,402)	\$ (351,192)	\$ 19,079,705

8. Internally restricted net assets:

Internally restricted assets are comprised of the following three components. An amount of \$5,658,866 (2019 - \$6,152,213) which is reserved to fund future earthquake insurance deductible, business interruption, material revenue loss exposure and one year of debt service costing. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

The amount of \$1,928,889 (2019 - \$1,338,272) represents the excess of cruise sustainability revenue and grant funding received over cruise sustaining expenditures (note 9). The cruise sustainability amounts are restricted for repairs and maintenance and capital expenditures related to the cruise infrastructure and are anticipated to be expended by March 2022.

The remaining \$ 141,811 (2019 - \$25,206) represents the excess of revenues over expenditures in relation to the Fuel Dock. The Society receives \$2.47 per litre of revenue from the Fuel Dock as a capital recovery fee. These amounts are restricted for capital and major repairs and maintenance expenditures on the Fuel Dock.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

9. Cruise sustainability fee:

On April 1, 2010, the Society introduced a cruise sustainability fee to all cruise lines calling at the Ogden Point Terminal. Cruise sustainability fee revenues are used solely to recover and fund capital expenditures related to cruise infrastructure. The cruise sustainability fee for 2020 was \$2.31 (2019 - \$2.15) per cruise line passenger.

To March 31, 2020 cumulative sustainability fee revenues and grant funding received for cruise sustaining projects exceed cumulative expenditures as follows:

Cruise sustainability fee revenues	\$ 10,286,188
Grant funding received for cruise sustaining projects	1,924,181
	<u>12,210,369</u>
Less:	
Cruise sustaining expenditures	10,171,654
Interest and principal on Dolphin loan	109,826
	<u>Excess of cruise sustainability revenue and grant funding received over cruise sustaining expenditures</u>
	\$ 1,928,889

10. Commitments and contingencies:

(a) Lease commitments:

On September 1, 2012 the Society commenced a lease of the CPR Steamship Terminal Building for a term of 19 years and 7 months with 2 renewal terms of 10 years each. Under the lease agreement there is a fixed portion of base rent payable monthly as well as percentage rent which is payable annually. Percentage rent is based on one-half of revenues earned from tenants of the building less operating costs with a deduction for the amount of annual base rent and a deduction of \$75,000 tenant improvement allowance.

On April 1, 2016 the Society commenced a lease of the 1st floor of the Dogwood Building for a term of 7 years. Under the lease agreement there is a fixed portion of base rent payable monthly as well as a proportionate share of operating costs.

The fixed payments of base rent for the next five years and thereafter are as follows:

	Steamship Terminal	Dogwood
2021	\$ 370,000	\$ 100,149
2022	370,000	105,420
2023	378,000	105,420
2024	385,000	-
2025	395,000	-
Thereafter	2,974,000	-

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

10. Commitments and contingencies (continued):

(b) Contingent asset:

Under the Steamship Terminal lease agreement and subject to certain conditions, the landlord will provide the Society with up to \$1,500,000 of tenant improvement allowance to be realized by way of a \$75,000 annual deduction against percentage rent. During the first four years of the initial term of the lease the annual deduction was accrued and carried forward for deduction against the landlord's percentage rent. The allowance was not applied in the current year, however it is anticipated that it will be deducted against future percentage rent payable.

11. Board of directors' fees:

For purposes of director's fees, as per amendment to Special Resolution 14.04.04, CAM-Sec 4.4, annual director's fees shall not exceed 5% of the previous year's gross revenues. The total fees paid in the fiscal year amounted to \$159,353 which represented 1% of the previous year's gross revenues (2019 - \$186,801, 1.3%). Please see the chart below for details of the Director compensation. While there are 13 active Directors at any one time during the calendar year, details include 14 Directors due to 1 Director that transitioned between the 2019 and 2020 calendar years.

	2020
Director	\$ 1,800
Director	4,992
Director	7,527
Director	8,600
Director	9,734
Director	10,600
Director	12,800
Director and Committee Chair	12,300
Director and Committee Chair	12,700
Director and Committee Chair	13,100
Secretary and Committee Chair	12,900
Treasurer and Committee Chair	13,900
Board Chair	28,400
External Board Advisors (6)	10,000
Total Board of Directors' fees	\$ 159,353

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

12. Employee and contractor remuneration:

For the fiscal year ending March 31, 2020, the Society paid total remuneration of \$1,155,308 to the 11 highest paid employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater (2019 - \$1,034,638 to the 8 highest paid). Remuneration includes salaries, benefits and bonuses.

13. Financial instruments:

(a) Foreign currency risk:

The Society holds investments in equities outside of Canada which are subject to foreign exchange risk (note 3).

(b) Interest rate risk:

The Society's exposure to interest rate risk relates to its investments in fixed income securities (note 3) and its demand loan (note 5). The fair value of these instruments are directly impacted by changes in interest rates. The objective of the Society's investment policy is to control interest rate risk by managing its interest rate exposure.

(c) Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash, cash equivalents, guaranteed investment certificates, investments and receivables, the Society's credit risk is limited to the carrying value on the statement of financial position.

The Society manages the risk associated with the concentration of credit risk through its policy of dealing with high credit quality financial institutions.

(d) Market risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Society's investments are carried at fair value with fair value changes recognized in the statement of operations, all changes in market conditions will directly result in an increase or decrease in net assets. The objective of market risk management is to mitigate market risk exposures within acceptable parameters while optimizing the return on risk.

This risk is mitigated by the investment policies for the respective asset mixes to be followed by the investment managers with established guidelines for a risk tolerance and exposures, the requirements for diversification of investments within each asset class and credit quality constraints on fixed income investments.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

14. Significantly influenced organization:

Skwin'ang'eth Selas Development Company was incorporated on December 19, 2013 under the Canada Not-for-profit Corporations Act with the purpose of, among other things, promoting economic development opportunities for the Esquimalt Nation and Songhees Nation communities.

The non-profit organization was established jointly by the Esquimalt Nation, Songhees Nation and Greater Victoria Harbour Authority with equal representation on its Board of Directors. As a non-profit corporation, activities will not be carried out for the purpose of return for the Society. Any surpluses will be used to further the corporation's purpose.

On April 1, 2014 the Society and the Skwin'ang'eth Selas Development Company initiated a revenue contribution agreement for a term of 3 years. During the term of the agreement the Society agreed to contribute a portion of its operating revenue (excluding cruise sustainability fees and other recovered costs and in-kind revenue) in respect of each operating year (2015 - 0.50%, 2016 - 0.75%, 2017 - 1.00%) payable quarterly. On June 9, 2016 the Members of Skwin'ang'eth Selas became inactive and it was resolved by the Members that Greater Victoria Harbour Authority be released from the contractual obligation to make quarterly "percentage of revenue" contributions and the contract be terminated effective March 31, 2016.

For the fiscal year ending March 31, 2020, the Society continued to commit a percentage of revenue that would have originally been payable to Skwin'ang'eth Selas, to First Nations initiatives overseen by the Society's First Nations Economic Development Committee of the Board (2019 - 1.00%, 2020 - 1.00%). The Society also agreed to carry forward any unused commitment amounts from the previous fiscal year. At the end of 2019, \$47,638 was unspent and carried forward. In 2020, the new commitment amount totaled \$119,000. Total commitment amount to be carried forward into the next fiscal year is \$97,069.

15. Budget data:

The budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by the Board of Directors on March 1, 2019.

16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2020

17. Subsequent events:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At the time of the approval of these financial statements, the Society has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Cancellation of the 2020 cruise ship season based on Transport Canada's prohibiting of vessels carrying more than 100 passengers until October 31, 2020 resulting in a projected loss of 70% of the shipping business line revenues.
- Laying off of 23 staff members, 8 temporary lay offs and 15 permanent lay offs.
- Offered rent deferrals to many of the commercial clients.
- Receipt of the Canada Emergency Wage Subsidy and the Canada Temporary Wage Subsidy.
- Application for the Canada Emergency Commercial Rent Assistance Program as a landlord, which will see a revenue impact to the commercial business line of up to 25% for four months.

Potential future impacts on the Society's business could include future decreases in revenue in the commercial, marina and event business lines. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the future financial effect on the Entity is not practicable at this time.