

Financial Statements of

**GREATER VICTORIA
HARBOUR AUTHORITY**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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, 2021
- 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, 2021, 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 23, 2021

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,912,602	\$ 2,300,108
Guaranteed investment certificates (note 2)	7,021,823	9,051,092
Accounts receivable	983,708	840,977
Prepaid expenses	102,682	147,885
	<u>10,020,815</u>	<u>12,340,062</u>
Investments (note 3)	7,679,749	5,658,866
Capital assets (note 4)	61,240,650	62,523,331
	<u>\$ 78,941,214</u>	<u>\$ 80,522,259</u>

Liabilities, Deferred Contributions and Net Assets

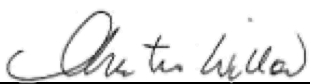
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,371,082	\$ 2,577,950
Deferred revenue and deposits	320,060	396,089
Demand loan (note 5)	6,325,164	5,881,258
	<u>8,016,306</u>	<u>8,855,297</u>
Deferred lease obligations	395,648	392,001
Deferred contributions (note 6)	137,394	155,605
Deferred capital contributions (note 7)	18,300,041	19,079,705
Net assets:		
Invested in capital assets	36,615,445	37,562,368
Internally restricted reserve fund (note 8)	9,280,206	7,729,566
Unrestricted	6,196,174	6,747,717
	<u>52,091,825</u>	<u>52,039,651</u>

Commitments and contingencies (note 10)

	<u>\$ 78,941,214</u>	<u>\$ 80,522,259</u>
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See accompanying notes to financial statements.

Approved by the Board:


Director


Director

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	Budget (note 15)	2021	2020
Revenues:			
Shipping	\$ 9,706,529	\$ 775,234	\$ 8,656,332
Marinas and attractions	2,451,156	1,757,366	2,518,025
Commercial real property	2,913,708	2,255,923	2,740,935
	15,071,393	4,788,523	13,915,292
Capital improvement fees (note 9)	2,396,034	66,429	1,754,450
Government operating subsidies (note 16)	-	1,538,437	-
Other recovered costs and in-kind sponsorship	668,720	656,751	661,236
	18,136,147	7,050,140	16,330,978
Expenses:			
General operating expenses	4,652,734	1,684,936	4,069,324
Commercial rent subsidy (note 16)	-	242,316	-
Repairs and maintenance	3,012,126	1,129,680	2,448,832
Insurance	865,410	911,769	762,014
Property taxes	1,120,370	908,113	939,770
Administrative	5,465,789	3,236,707	4,540,566
Interest expense	245,700	158,373	92,245
Amortization of capital assets	2,330,583	2,123,210	2,052,532
	17,692,712	10,395,104	14,905,283
Excess (deficiency) of revenues over expenses before the following	443,435	(3,344,964)	1,425,695
Deferred non-capital contributions recognized as revenue (note 6)	18,712	19,711	18,712
Statutory right of way contribution	591,975	591,977	-
Deferred capital contributions recognized as revenue (note 7)	797,089	803,082	806,402
Gain on disposal of capital assets	-	-	1,429
Excess (deficiency) of revenues over expenses before investment income	1,851,211	(1,930,194)	2,252,238
Net investment income (loss)	431,500	1,982,368	(324,382)
Excess of revenues over expenses	\$ 2,282,711	\$ 52,174	\$ 1,927,856

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Investment in capital assets	Internally restricted	Unrestricted	Total
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
Excess (deficiency) of revenue over expenses	(1,320,128)	1,801,883	(429,581)	52,174
Net purchase of capital assets	373,205	-	(373,205)	-
Transfer from internally restricted reserve fund	-	(251,243)	251,243	-
Balance, March 31, 2021	\$ 36,615,445	\$ 9,280,206	\$ 6,196,174	\$ 52,091,825

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 52,174	\$ 1,927,856
Items not involving cash:		
Amortization of capital assets	2,123,210	2,052,532
Amortization of deferred contributions	(19,711)	(18,712)
Amortization of deferred capital contributions	(803,082)	(806,402)
Gain on sale of capital assets	-	(1,429)
Unrealized loss (gain) on investments	(1,447,208)	808,335
Net changes in non-cash working capital:		
Decrease (increase) in accrued interest on guaranteed investment certificates	29,269	(18,675)
(Increase) decrease in accounts receivable	(142,731)	522,261
Decrease in prepaid expenses	45,203	24,883
Decrease in accounts payable and accrued liabilities	(1,206,868)	(995,205)
Increase in deferred lease obligations	3,647	28,647
(Decrease) increase in deferred revenue and deposits	(76,029)	728
	(1,442,126)	3,524,819
Cash flows from financing activities:		
Deferred contributions received	1,500	-
Deferred capital contributions received (repaid) (note 7)	23,418	(351,192)
Fixed term loan principal payments	(162,183)	-
Proceeds received from long-term debt	606,089	3,971,772
	468,824	3,620,580
Cash flows from investing activities:		
Purchase of capital assets	(840,529)	(5,464,825)
Proceeds from disposal of capital assets	-	1,429
Guaranteed investment certificates matured	9,000,000	8,000,000
Purchase of guaranteed investment certificates	(7,000,000)	(12,000,000)
Transfer to investments	(573,675)	(314,988)
	585,796	(9,778,384)
Decrease in cash and cash equivalents	(387,506)	(2,632,985)
Cash and cash equivalents, beginning of year	2,300,108	4,933,093
Cash and cash equivalents, end of year	\$ 1,912,602	\$ 2,300,108

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

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.

COVID-19 Impacts:

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 future financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Cancellation of the 2021 cruise ship season based on Transport Canada's prohibiting of vessels carrying more than 100 passengers until February 28, 2022 resulting in a continued loss of 70% of the shipping business line revenues.
- Receipt of the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy.

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 Society is not practicable at this time.

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.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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.

(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).

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued):

(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.

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.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

2. Guaranteed investment certificates:

	2021	2020
Short-term certificates	\$ 7,021,823	\$ 9,051,092

Guaranteed investment certificates earn interest of between 0.95% and 1.35%, with various maturity dates to February 21, 2022.

3. Investments:

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

	2021	2020
Fixed income	\$ 2,819,845	\$ 2,178,416
Canadian equity	1,738,033	1,521,019
US equity	1,521,680	970,806
International equity	1,500,063	988,625
Money market	100,128	-
	\$ 7,679,749	\$ 5,658,866

4. Capital assets:

2021	Cost	Accumulated amortization	Net book value
Land	\$ 19,563,855	\$ -	\$ 19,563,855
Breakwater and piers	41,313,636	14,033,321	27,280,315
Wharves and docks	10,906,414	6,862,482	4,043,932
Buildings and yard improvements	16,067,031	9,234,805	6,832,226
Furniture and fixtures	43,804	43,804	-
Office and maintenance equipment	524,900	436,168	88,732
Boats, marine and automotive	285,760	198,977	86,783
Capital assets under construction	3,344,807	-	3,344,807
	\$ 92,050,207	\$ 30,809,557	\$ 61,240,650

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

4. Capital assets (continued):

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
	<u>\$ 91,209,678</u>	<u>\$ 28,686,347</u>	<u>\$ 62,523,331</u>

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. It has been classified as a current liability as the facility is due on demand and due to the covenant breach in 2021.

The maximum value of the credit facility is \$8,500,000, repayable over 84 months with an interest rate of prime (2021 - 2.45%, 2020 - 2.45%). Principal repayment commenced on January 1, 2021. Monthly payments are \$54,061 plus interest.

As of March 31, 2021, the credit facility outstanding was \$6,325,164. Interest paid was \$158,373 (2020 - \$92,245).

Due to the net loss reported for the fiscal year end, The Society is in breach of its financial and reporting covenants on this debt as set out in the lending agreement. As a result of both the breach and its nature of being due on demand, the debt has been presented as current on the financial statements. Should the debt be called by the bank, management believe the debt could be repaid or be refinanced on acceptable terms, such that there is no impact on the Society's ability to remain a going concern.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

6. Deferred contributions:

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

	Balance March 31, 2020	Amounts amortized to revenue	Amounts received	Balance March 31, 2021
Federal, provincial and municipal contributions:				
Ogden Point	\$ 73,335	\$ (11,724)	\$ -	\$ 61,611
Steamship Terminal	82,270	(7,987)	1,500	75,783
Total deferred contributions	\$ 155,605	\$ (19,711)	\$ 1,500	\$ 137,394

7. Deferred capital contributions:

Deferred capital contributions represent unamortized capital contributions received from Transport Canada and other federal and provincial contributions.

	Balance March 31, 2020	Amounts amortized to revenue	Amounts received (repaid)	Balance March 31, 2021
Transport Canada:				
Ogden Point	\$ 17,447,313	\$ (545,229)	\$ -	\$ 16,902,084
Ogden Point - pier upgrades	203,587	(130,059)	-	73,528
	17,650,900	(675,288)	-	16,975,612
Other federal, provincial and municipal contributions:				
Ogden Point	1,249,450	(117,831)	23,418	1,155,037
Inner Harbour	179,355	(9,963)	-	169,392
	1,428,805	(127,794)	23,418	1,324,429
Total deferred contributions	\$ 19,079,705	\$ (803,082)	\$ 23,418	\$ 18,300,041

8. Internally restricted net assets:

Internally restricted assets are comprised of the following three components. An amount of \$7,679,749 (2020 - \$5,658,866) 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 \$1,416,144 (2020 - \$1,928,889) represents the excess of cruise sustainability revenue and grant funding received over cruise sustaining expenditures. 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.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

8. Internally restricted net assets (continued):

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. Due to COVID and the closure of the marine borders to traffic, the cruise sustainability fee for 2021 was nil (2020 - \$2.31) per cruise line passenger.

To March 31, 2021 cumulative cruise sustainability fee revenues and grant funding received for cruise sustaining projects exceed cumulative expenditures as follows:

Cruise sustainability fee revenues	\$ 10,286,179
Grant funding received for cruise sustaining projects	1,947,752
	<hr/> 12,233,931
Less:	
Cruise sustaining expenditures	(10,387,404)
Interest and principal on Dolphin loan	(430,383)
	<hr/>
Excess of cruise sustainability revenue and grant funding received over cruise sustaining expenditures	\$ 1,416,144

The remaining \$184,313 (2020 - \$141,811) 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.

9. Capital Improvement fees:

The capital improvement fees are comprised of:

- (a) Capital improvement fee recovered from the fuel dock of \$42,501;
- (b) Fees recovered from the tenants of the Steamship building for capital washroom improvements of \$23,928; and
- (c) The cruise sustainability fee of nil.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

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
2022	\$ 370,000	\$ 105,420
2023	378,000	105,420
2024	385,000	-
2025	395,000	-
2026	400,000	-
Thereafter	2,574,000	-

The Society received rent deferral beginning April 1, 2020 and as at March 31, 2021, \$119,004 in rent payable is included in accounts payable and accrued liabilities.

(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.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2021

11. Employee and contractor remuneration:

For the fiscal year ending March 31, 2021, the Society paid total remuneration of \$1,033,774 to the 9 highest paid employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater (2020 - \$1,155,308 to the 11 highest paid). Remuneration includes salaries, benefits and bonuses.

12. 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. For the 2020-21 Fiscal year the Board of Directors agreed to forgo meeting fees the help reduce expenses. This has resulted in significant savings for the Society. The total fees paid in the fiscal year amounted to \$77,000 which represented less than 1% of the previous year's gross revenues (2020 - \$159,353, 1%). The table below provides details of the directors' compensation. While there are 13 active directors at any one time during the calendar year, details include 15 directors due to two directors that transitioned between the 2020 and 2021 calendar years.

	2021	2020
Director	\$ 733	\$ 1,800
Director	733	4,992
Director	3,400	7,527
Director	4,000	8,600
Director	4,000	9,734
Director	4,000	10,600
Director	4,000	12,800
Director and Committee Chair	4,459	12,300
Director and Committee Chair	5,275	-
Director and Committee Chair	6,500	12,700
Director and Committee Chair	6,500	13,100
Secretary and Committee Chair	6,900	12,900
Treasurer and Committee Chair	6,900	13,900
Board Chair	3,500	-
Board Chair	10,900	28,400
External Board Advisors (6)	5,200	10,000
Total Board of Directors' fees	\$ 77,000	\$ 159,353

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Notes to Financial Statements

Year ended March 31, 2021

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.

There have been no significant changes in the Society's risk exposure from the prior year beyond the pervasive effects of COVID-19 as noted.

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Notes to Financial Statements

Year ended March 31, 2021

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. The Skwin'ang'eth Selas Development Company was then dissolved on August 11, 2020 and funds remained of \$51,705 that will be held for First Nations initiatives as overseen by the Society's First Nations Economic Development Committee.

For the fiscal year ending March 31, 2021, the Society continued to commit a percentage of revenue that would have originally been payable to Skwing'ang'eth Selas Development Company, to First Nations initiatives overseen by the Society's First Nations Economic Development Committee of the Board (2020 - 1.00%, 2021 - 1.00%). The Society had also agreed to carry forward any unused commitment amounts from the previous fiscal year. However, in the 2021 fiscal year it was agreed that due to the financial constraints of the Society, the unused amounts would not be carried forward.

15. Budget data:

The budget data presented in these financial statements is based upon the 2021 operating and capital budgets approved by the Board of Directors on March 13, 2020.

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Notes to Financial Statements

Year ended March 31, 2021

16. Government operating subsidies:

From April 1, 2020 to March 31, 2021 the Society was in receipt of four operating subsidies from the Federal Government as COVID-19 support.

	2021
Temporary wage subsidy	\$ 25,000
Canada emergency wage subsidy (CEWS)	1,023,168
Canada emergency commercial rent assistance (CECRA)	427,457
Canada emergency rent subsidy (CERS)	62,812
	<hr/>
	\$ 1,538,437

In addition, as was required by the CECRA program subsidy above, the Society contributed 25% to qualified recipients by giving them rent concessions of \$242,316. This is recorded as an expense to the Society.