

Financial Statements of

**GREATER VICTORIA
HARBOUR AUTHORITY**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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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, 2022
- 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, 2022, 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.

Chartered Professional Accountants

Victoria, Canada
September 15, 2022

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 589,019	\$ 1,912,602
Guaranteed investment certificates (note 2)	6,517,630	7,021,823
Accounts receivable	540,772	983,708
Prepaid expenses	85,988	102,682
	<u>7,733,409</u>	<u>10,020,815</u>
Investments (note 3)	8,011,206	7,679,749
Capital assets (note 4)	57,517,195	61,240,650
	<u>\$ 73,261,810</u>	<u>\$ 78,941,214</u>

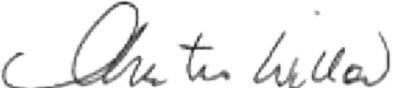
Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,269,683	\$ 1,371,082
Deferred revenue and deposits	333,229	320,060
Demand loan (note 5)	5,676,429	6,325,164
	<u>7,279,341</u>	<u>8,016,306</u>
Deferred lease obligations	6,024	395,648
Deferred contributions (note 6)	49,889	137,394
Deferred capital contributions (note 7)	17,603,884	18,300,041
Net assets:		
Invested in capital assets	34,236,882	36,615,445
Internally restricted reserve fund (note 8)	8,624,830	9,280,206
Unrestricted	5,460,960	6,196,174
	<u>48,322,672</u>	<u>52,091,825</u>
	<u>\$ 73,261,810</u>	<u>\$ 78,941,214</u>

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	Budget (note 15)	2022	2021
Revenues:			
Shipping	\$ 648,627	\$ 1,330,642	\$ 775,234
Marinas and attractions	1,716,203	1,895,643	1,757,366
Commercial real property	1,823,996	2,271,836	2,255,923
	4,188,826	5,498,121	4,788,523
Capital improvement fees (note 9)	49,607	30,295	66,429
Government operating subsidies (note 16)	277,970	549,875	1,538,437
Other recovered costs and in-kind sponsorship	389,135	503,502	656,751
	4,905,538	6,581,793	7,050,140
Expenses:			
General operating expenses	1,515,274	1,491,218	1,684,936
Commercial rent subsidy	-	-	242,316
Repairs and maintenance	1,972,276	1,383,073	1,129,680
Insurance	906,113	717,330	911,769
Property taxes	948,490	1,121,743	908,113
Administrative	3,353,072	3,318,480	3,236,707
Interest expense (note 5)	147,682	148,693	158,373
Amortization of capital assets	1,998,292	1,968,709	2,123,210
	10,841,199	10,149,246	10,395,104
Deficiency of revenues over expenses before the following	(5,935,661)	(3,567,453)	(3,344,964)
Deferred non-capital contributions recognized as revenue (note 6)	19,712	87,505	19,711
Statutory right of way contribution	-	-	591,977
Deferred capital contributions recognized as revenue (note 7)	797,089	741,029	803,082
Extraordinary item (note 17)	-	388,000	-
Loss on disposal of capital assets (note 17)	-	(1,838,191)	-
Deficiency of revenues over expenses before investment income	(5,118,860)	(4,189,110)	(1,930,194)
Net investment income	427,700	419,957	1,982,368
Excess (deficiency) of revenues over expenses	\$ (4,691,160)	\$ (3,769,153)	\$ 52,174

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Investment in capital assets	Internally restricted	Unrestricted	Total
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
Excess (deficiency) of revenue over expenses	(3,065,871)	331,457	(1,034,739)	(3,769,153)
Net investment in capital assets	687,308	-	(687,308)	-
Transfer from internally restricted reserve fund	-	(986,833)	986,833	-
Balance, March 31, 2022	\$ 34,236,882	\$ 8,624,830	\$ 5,460,960	\$ 48,322,672

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ (3,769,153)	\$ 52,174
Items not involving cash:		
Amortization of capital assets	1,968,709	2,123,210
Amortization of deferred contributions	(87,505)	(19,711)
Amortization of deferred capital contributions	(741,029)	(803,082)
Loss on disposal of capital assets	1,838,191	-
Unrealized loss (gain) on investments	143,151	(1,447,208)
Net changes in non-cash working capital:		
Decrease in accrued interest on guaranteed investment certificates	4,193	29,269
Decrease (increase) in accounts receivable	442,936	(142,731)
Decrease in prepaid expenses	16,694	45,203
Decrease in accounts payable and accrued liabilities	(101,399)	(1,206,868)
Increase (decrease) in deferred lease obligations	(389,624)	3,647
Increase (decrease) in deferred revenue and deposits	13,169	(76,029)
	(661,667)	(1,442,126)
Cash flows from financing activities:		
Deferred contributions received	-	1,500
Deferred capital contributions received (note 7)	44,872	23,418
Fixed term loan principal payments	(648,735)	(162,183)
Proceeds received from long-term debt	-	606,089
	(603,863)	468,824
Cash flows from investing activities:		
Purchase of capital assets	(107,822)	(840,529)
Proceeds from disposal of capital assets	24,377	-
Guaranteed investment certificates matured	7,000,000	9,000,000
Purchase of guaranteed investment certificates	(6,500,000)	(7,000,000)
Transfer to investments	(474,608)	(573,675)
	(58,053)	585,796
Decrease in cash and cash equivalents	(1,323,583)	(387,506)
Cash and cash equivalents, beginning of year	1,912,602	2,300,108
Cash and cash equivalents, end of year	\$ 589,019	\$ 1,912,602

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2022

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 November 1, 2021 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, 2022

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, 2022

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, 2022

2. Guaranteed investment certificates:

	2022	2021
Short-term certificates	\$ 6,517,630	\$ 7,021,823

Guaranteed investment certificates earn interest of between 0.55% and 1.95%, with various maturity dates to March 2, 2023.

3. Investments:

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

	2022	2021
Fixed income	\$ 2,865,208	\$ 2,819,845
Canadian equity	2,025,992	1,738,033
US equity	1,627,630	1,521,680
International equity	1,392,014	1,500,063
Money market	100,362	100,128
	\$ 8,011,206	\$ 7,679,749

4. Capital assets:

2022	Cost	Accumulated amortization	Net book value
Land	\$ 19,563,855	\$ -	\$ 19,563,855
Breakwater and piers	41,313,636	14,973,311	26,340,325
Wharves and docks	10,933,969	7,196,573	3,737,396
Buildings and yard improvements	12,834,220	8,492,829	4,341,391
Furniture and fixtures	43,640	43,640	-
Office and maintenance equipment	552,566	484,900	67,666
Boats, marine and automotive	283,260	214,107	69,153
Capital assets under construction	3,397,409	-	3,397,409
	\$ 88,922,555	\$ 31,405,360	\$ 57,517,195

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2022

4. Capital assets (continued):

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

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.

The maximum value of the credit facility is \$8,500,000, repayable over 84 months with an interest rate of prime (2022 – 2.70%, 2021 - 2.45%). Principal repayment commenced on January 1, 2021. Monthly payments are \$54,061 plus interest.

As of March 31, 2022, the credit facility outstanding was \$5,676,429. Interest paid was \$148,693 (2021 - \$158,373).

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, 2022

6. Deferred contributions:

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

	Balance March 31, 2021	Amounts amortized to revenue	Amounts received	Balance March 31, 2022
Federal, provincial and municipal contributions:				
Ogden Point	\$ 61,611	\$ 11,722	\$ -	\$ 49,889
Steamship Terminal	75,783	75,783	-	-
Total deferred contributions	\$ 137,394	\$ 87,505	\$ -	\$ 49,889

7. Deferred capital contributions:

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

	Balance March 31, 2021	Amounts amortized to revenue	Amounts received (repaid)	Balance March 31, 2022
Transport Canada:				
Ogden Point	\$ 16,902,084	\$ 545,229	\$ -	\$ 16,356,855
Ogden Point - pier upgrades	73,528	73,528	-	-
	16,975,612	618,757	-	16,356,855
Other federal, provincial and municipal contributions:				
Ogden Point	1,155,037	112,308	44,872	1,087,601
Inner Harbour	169,392	9,964	-	159,428
	1,324,429	122,272	44,872	1,247,029
Total deferred contributions	\$ 18,300,041	\$ 741,029	\$ 44,872	\$ 17,603,884

8. Internally restricted net assets:

Internally restricted assets are comprised of the following three components. An amount of \$8,011,206 (2021 - \$7,679,749) 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 \$412,596 (2021 - \$1,416,144) 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, 2022

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 2022 was nil (2021 - nil) per cruise line passenger.

To March 31, 2022 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	1,992,623
	<u>12,278,802</u>
Less:	
Cruise sustaining expenditures	10,638,395
Interest and principal on Dolphin loan	1,227,811
	<u>11,866,206</u>
Excess of cruise sustainability revenue and grant funding received over cruise sustaining expenditures	<u>\$ 412,596</u>

The remaining \$201,028 (2021 - \$184,313) represents the excess of revenues over expenditures in relation to the Fuel Dock. The Society receives \$0.0376 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 \$16,715 (2021 - \$42,501);
- (b) Fees recovered from the tenants of the Steamship building for capital washroom improvements of \$13,580 (2021 - \$23,928); and
- (c) The cruise sustainability fee of nil.

10. Commitments and contingencies:

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 last year of the lease are as follows:

	<u>Dogwood</u>
2023	<u>\$ 105,420</u>

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2022

11. Employee and contractor remuneration:

For the fiscal year ending March 31, 2022, the Society paid total remuneration of \$1,276,464 to the 10 highest paid employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater (2021 - \$1,033,774 to the 9 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 fiscal year 2020-21 and the beginning of fiscal year 2021-22 the directors agreed to forgo meeting fees, resulting in significant savings to the Society. Meeting fees were re-instated in September of 2021. The total fees paid in the fiscal year amounted to \$107,043 which represents 1.5% of the previous year's gross revenues (2021 - \$77,000, less than 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 17 directors due to two directors that transitioned between the 2021 and 2022 calendar years and the addition of the position of Vice Chair.

	2022	2021
Director	\$ -	\$ 733
Director	-	733
Director	2,643	3,400
Director	5,200	4,000
Director	6,400	4,000
Director	6,400	4,000
Director	6,400	4,000
Director and Committee Chair	-	4,459
Director and Committee Chair	8,900	5,275
Director and Committee Chair	8,900	6,500
Director and Committee Chair	8,900	6,500
Treasurer and Committee Chair	8,900	6,900
Secretary and Committee Chair	9,300	6,900
Vice Chair	10,900	-
Board Chair	18,800	3,500
Board Chair	-	10,900
External Board Advisors (6)	5,400	5,200
Total Board of Directors' fees	\$ 107,043	\$ 77,000

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2022

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.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2022

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, 2022, the Society put on hold the commitment to a percentage of revenue (2021 – 1.00%) that would have originally been payable to Skwin'ang'eth Selas Development Company, to First Nations initiatives overseen by the Society's First Nations Economic Development Committee of the Board.

15. Budget data:

The budget data presented in these financial statements is based upon the 2022 operating and capital budgets approved by the Board of Directors on February 23, 2021.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2022

16. Government operating subsidies:

During the past two years the Society was in receipt of operating subsidies from the Federal Government as COVID-19 support.

	2022	2021
Canada emergency wage subsidy (CEWS)	482,212	\$ 1,023,168
Canada emergency rent subsidy (CERS)	67,663	62,812
Canada emergency commercial rent assistance (CECRA)	-	427,457
Temporary wage subsidy	-	25,000
	549,875	\$ 1,538,437

17. Termination of Steamship Terminal Lease

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.

The Society received rent deferral beginning April 1, 2020 and as at March 31, 2022, \$127,282 in rent payable is included in accounts payable and accrued liabilities.

As of October 22, 2021 the Society has executed a Memorandum of Understanding with the BC Transportation Financing Authority to release the Society from the lease. The Society has 12 months from the date of execution of the Memorandum of Understanding to negotiate the Surrender Agreement with the BC Transportation Financing Authority which would determine the effective date of surrender to be November 1, 2021.

During the period of the Memorandum of Understanding the Society's obligations under the lease have been suspended.

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.

The leasehold improvements purchased by the Society of net book value of \$1,862,569 have been written off in these financial statements and the related deferred lease obligation of \$388,000 extinguished.