



Financial Statements

Horticulture Centre of the Pacific

December 31, 2016

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Independent Auditors' Report

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To the members of the Horticulture Centre of the Pacific

We have audited the accompanying financial statements of the Horticulture Centre of the Pacific, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

In common with many not-for-profit organizations, the Centre derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016, and 2015 and net assets as at January 1, 2016 and 2015 and December 31, 2016 and 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Horticulture Centre of the Pacific as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which indicate the existence of a material uncertainty that may cast significant doubt about the Society's ability to continue as a going concern.

Report on other legal and regulatory matters

As required by the Society Act of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Victoria, Canada

May 10, 2017



Chartered Professional Accountants

Horticulture Centre of the Pacific

Statement of Operations and Changes in Net Assets

Year ended December 31

2016

2015

Revenue		
Education	\$ 207,838	\$ 217,659
PCTIA revenue	57,313	81,300
Grants (Note 10)	204,465	176,995
Sales and events	199,304	159,572
Donations and fundraising	155,235	178,860
Admissions and memberships	67,350	73,932
Outerbridge park	34,043	15,772
Interest benefit	-	33,415
	<u>925,548</u>	<u>937,505</u>
Expenditures		
Administration	183,651	181,258
Cost of goods sold	21,286	19,123
Education	32,580	39,755
Fundraising and grants	24,990	29,138
Garden and grounds	17,651	24,501
Interest on long-term debt (Note 6)	34,666	31,778
Outerbridge park	12,021	15,772
Property taxes	2,277	-
Retail and events	20,302	19,103
Wages, benefits and subcontracts	446,229	430,159
	<u>795,653</u>	<u>790,587</u>
Excess of revenue over expenditures from operations	129,895	146,918
Amortization of capital assets	<u>(80,610)</u>	<u>(79,979)</u>
Excess of revenue over expenditures	<u>\$ 49,285</u>	<u>\$ 66,939</u>
Deficit, beginning of year		
	\$ (131,764)	\$ (198,703)
Excess of revenue over expenditures	<u>49,285</u>	<u>66,939</u>
Deficit, end of year	<u>\$ (82,479)</u>	<u>\$ (131,764)</u>

See accompanying notes to the financial statements.

Horticulture Centre of the Pacific

Statement of Financial Position

December 31	2016	2015
Assets		
Current		
Cash	\$ -	\$ 52,490
Restricted cash and short term deposits	71,231	103,020
Accounts receivable	8,023	6,166
Inventory	6,169	5,008
Prepaid expenses	12,705	12,468
	<u>98,128</u>	<u>179,152</u>
Capital assets (Note 4)	1,465,980	1,545,278
	<u>\$ 1,564,108</u>	<u>\$ 1,724,430</u>

Liabilities		
Current		
Accounts payables and accrued liabilities	\$ 44,736	\$ 63,495
Due to government agencies	6,392	4,528
Deferred revenue	53,225	140,454
Deferred PCTIA revenue	3,750	3,120
Deferred contributions (Note 5)	102,907	103,020
Prepaid tuition and membership fees	34,865	29,254
Current portion of long-term debt (Note 6)	70,584	45,946
	<u>316,459</u>	<u>389,817</u>
Long-term debt (Note 6)	831,088	926,128
Deferred capital contributions (Note 7)	499,040	540,249
	<u>1,646,587</u>	<u>1,856,194</u>
Net Assets		
Unrestricted	<u>(82,479)</u>	<u>(131,764)</u>
	<u>\$ 1,564,108</u>	<u>\$ 1,724,430</u>

Going concern (Note 2)

On behalf of the Board

 Director
  Director

See accompanying notes to the financial statements

Horticulture Centre of the Pacific

Statement of Cash Flows

Year Ended December 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenditures	\$ 49,285	\$ 66,939
Amortization of deferred capital contributions	(41,209)	(42,264)
Interest benefit	-	(33,415)
Amortization of capital assets	80,610	79,979
	<u>88,686</u>	<u>71,239</u>
Change in non-cash operating working capital (Note 9)	(101,251)	7,932
	<u>(12,565)</u>	<u>79,171</u>

Financing

Repayment of long-term debt	(70,402)	(41,562)
Proceeds on new borrowings	-	70,000
	<u>(70,402)</u>	<u>28,438</u>

Investing

Purchase of capital assets	(1,312)	(53,431)
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Net (decrease) increase in cash and cash equivalents	(84,279)	54,178
Cash and cash equivalents, beginning of year	155,510	101,332
Cash and cash equivalents, end of year	\$ <u>71,231</u>	\$ <u>155,510</u>

Cash and cash equivalents consist of:

Cash	\$ -	\$ 52,490
Restricted cash and short term deposits	71,231	103,020
	<u>\$ 71,231</u>	<u>\$ 155,510</u>

See accompanying notes to the financial statements.

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

1. Nature of operations

The Horticulture Centre of the Pacific (the "Centre") is a charity incorporated as a corporation without share capital under the Society Act of British Columbia on November 7, 1979 and is a registered charity under the Income Tax Act. Horticulture Centre of the Pacific has stewardship of 103 acres of municipally owned land on which it operates the Gardens at the HCP and the Pacific Horticulture College, which offers an accredited ten-month landscape horticulture certificate program.

2. Going concern

These financial statements were prepared using Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO") that are applicable to a going concern. The going concern basis assumes that the Centre will continue in operation in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Many unfavourable conditions and events have cast doubt on the appropriateness of this assumption. The Centre is in a deficit position, its working capital is negative, and during the year it was unable to make the annual payment on its interest free loan with the District of Saanich. The Centre's ability to continue as a going concern depends on its ability to reduce cash expenditures to ensure debt repayments are paid. The Centre has taken action to reduce staff, and have enforced internal controls surrounding purchasing. An operating budget is in place and is being monitored on an ongoing basis. The Centre has re-negotiated its principal repayment schedule with the District of Saanich in the prior year.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary if the Centre were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Summary of significant accounting policies

Basis of presentation

The Centre has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO").

Inventory

Inventory is recorded at the lower of cost and net realizable value and consists of text books and purchased plant material. The Centre also has a substantial inventory of plant material grown on site and available for sale, which has not been reflected in the financial statements.

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

3. Summary of significant accounting policies (continued)

Capital assets

Capital assets for the Centre include buildings, fences, a conservation park and garden structures, gardening equipment and tools, office equipment and office and garden furniture.

Prior to 2007, original capital assets of the Centre were recorded at the nominal amount of \$1 as the cost of their acquisition has either been written off annually, or represented volunteer labour and donations or materials.

Effective January 1, 2007, new purchases of capital assets are capitalized for tangible items that exceed a unit cost of, or accumulated completion cost of, \$1,000 or higher. A full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

Effective January 1, 2014, for newly constructed buildings, amortization is recorded on a straight-line basis over the useful life of the asset, beginning in the month in which the building is substantially completed and ready for use.

Assets are amortized over their useful lives on a straight-line basis as follows:

Buildings and structures	10 years, straight-line
Couvelier Pavilion	40 years, straight-line
Computer equipment	3 years, straight-line
Equipment	10 years, straight-line
Property infrastructure	10 years, straight line

Revenue recognition

The Centre follows the deferral method 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 assured.

Contributions for capital assets are deferred until the asset is acquired, at which time the deferred contribution is allocated to revenue on the same basis as the asset is amortized.

Revenue from education fees is recognized when the course is presented. The unearned portion of education fees is shown as deferred revenue.

Revenue from one year memberships is recognized as revenue when collected. Multi-year memberships are recognized as revenue on a straight-line basis at the start of the membership year. The unearned portion of membership fees is shown as deferred revenue.

Revenue is recognized as services are rendered. Amounts received from customers in advance of services being rendered are classified as deferred revenue on the balance sheet.

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

3. Summary of significant accounting policies (continued)

Contributed services

The Centre acknowledges the substantial and significant services provided by its many volunteers; however, due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Financial instruments

The Centre's financial instruments consist of cash and short term deposits, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Centre's financial instruments are initially measured at fair value when issued or acquired. At each subsequent reporting date, the Centre measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The Centre regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Centre determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Use of estimates

In preparing the Centre's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Management estimates are used in accounting for accounts receivable exposure and useful lives for depreciation and amortization. Actual results could differ from these estimates.

Restricted cash and short term deposits

The Centre holds cash and short term deposits amounts that are externally restricted by donors for a specified purpose.

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

4. Capital assets			<u>2016</u>	<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings and structures	\$ 1,580,419	\$ 180,165	\$ 1,400,254	\$ 1,454,292
Computer equipment	14,690	13,858	832	2,346
Equipment	98,715	61,434	37,281	47,152
Property infrastructure	147,358	119,745	27,613	41,488
	<u>\$ 1,841,182</u>	<u>\$ 375,202</u>	<u>\$ 1,465,980</u>	<u>\$ 1,545,278</u>

5. Deferred contributions

Deferred contributions represent donations and grants externally restricted for projects and student bursaries received in the current period that are related to subsequent periods. Changes in the deferred contributions are as follows:

	<u>Opening Balance</u>	<u>Contributions</u>	<u>Expenditures</u>	<u>Closing Balance</u>
Bursaries	\$ 4,584	\$ 3,608	\$ 1,600	\$ 6,592
Bonsai	11,306	700	1,262	10,743
Bench	164	-	-	164
Building	5,500	500	-	6,000
Conservation area	2,444	5,830	262	8,012
Couvelier Pavilion	3,025	1,894	1,300	3,618
Equipment - capital	7,245	2,730	1,698	8,277
Gardens	18,127	3,764	6,251	15,640
Government of Canada Grant (pathways)	2,486	-	-	2,486
Government of Canada Grant (signage)	2,398	-	497	1,901
Library	1,864	-	38	1,826
Outerbridge Park	850	-	-	850
Plants	6,415	2,295	2,790	5,920
Potting shed	319	-	-	319
Rhododendron garden	776	500	315	961
Siem Lelum	21,400	-	-	21,400
Takata garden	14,116	500	6,661	7,955
Front computer	-	1,000	758	242
VanCity loan	-	50,000	50,000	-
	<u>\$ 103,020</u>	<u>\$ 73,320</u>	<u>\$ 73,433</u>	<u>\$ 102,907</u>

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

6. Long-term debt

	<u>2016</u>	<u>2015</u>
District of Saanich		
\$240,000, without interest. Secured by specific assets and a general security agreement. The terms of principal repayment are \$24,000 due annually starting June, 2015 for 10 years, due June 20, 2024. The advance was an interest free loan, discounted at a rate of 3.5% approximating the market borrowing rate for similar debt	\$ 191,863	\$ 185,780
Vancity Business Mortgage		
\$750,000 Fixed Rate Business Mortgage, monthly instalments of \$3,873, interest at 3.82%, secured by an Assignment of Rents of the Centre's leasehold interest in Lot 1, Sections 96, 102, 103, Lake District Plan VIP68477 and a general security agreement, due March 4, 2039.	698,594	718,182
Vancity Fixed Rate Business Mortgage		
\$70,000 Fixed Rate Business Mortgage, monthly instalments of \$716, interest at 4.25%, secured by a general security agreement, due November 17, 2023.	<u>11,215</u>	<u>68,112</u>
	901,672	972,074
Less current portion	<u>70,584</u>	<u>45,946</u>
Due beyond one year	<u>\$ 831,088</u>	<u>\$ 926,128</u>
Estimated principal repayments are as follows:		
2017	70,584	
2018	42,669	
2019	41,199	
2020	42,725	
2021	44,308	
Subsequent years	<u>660,187</u>	
	<u>\$ 901,672</u>	

The Centre did not make annual payment on its interest free loan during the year with the District of Saanich. The lender agreed to accept non-payment during the year and will consider a new repayment schedule during 2017 budget deliberations.

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

7. Deferred capital contributions

Deferred capital contributions represent contributions externally restricted for capital asset acquisitions. These contributions are recognized as revenue on the same basis as the amortization expense related to the capital asset acquired.

Changes in the deferred capital contributions balance are as follows:

	Opening Balance	Additions	Amortization	Closing Balance
Buildings	\$ 10,121	\$ -	\$ 2,946	\$ 7,175
Equipment	42,472	-	9,490	32,982
Infrastructure	41,107	-	13,788	27,319
Couvelier Pavilion	414,068	-	11,980	402,088
Portable	32,481	-	4,060	28,421
	<u>\$ 540,249</u>	<u>\$ -</u>	<u>\$ 42,264</u>	<u>\$ 497,985</u>

8. Victoria Foundation Endowment Fund

The Centre is the income beneficiary of the Horticulture Centre of the Pacific Fund Endowment established by The Victoria Foundation.

The Centre transfers funds to The Victoria Foundation to be maintained in the Endowment Fund, the net income from which is distributed to the Centre semi-annually.

The fair market value of the endowment fund held by the Victoria Foundation as at December 31, 2016 is \$38,357 (2015: \$36,110).

9. Supplemental cash flow information

	2016	2015
Change in non-cash operating working capital		
Accounts receivable	\$ (1,857)	\$ 3,194
Inventory	(1,161)	(3,577)
Prepaid expenses	(237)	(1,335)
Accounts payable and accrued liabilities	(18,759)	(11,635)
Due to government agencies	1,864	(3,239)
Deferred revenue	(87,229)	23,464
Deferred PCTIA revenue	630	3,120
Deferred contributions	(113)	4,549
Prepaid tuition and membership fees	5,611	(6,609)
	<u>\$ (101,251)</u>	<u>\$ 7,932</u>

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

10. Grants

	<u>2016</u>	<u>2015</u>
District of Saanich	\$ 130,000	\$ 130,000
Gaming grant	70,131	44,332
Other	<u>4,334</u>	<u>2,663</u>
	<u>\$ 204,465</u>	<u>\$ 176,995</u>

In addition to these grants, education revenue includes funding received from the Industry Training Authority in the amount of \$74,579 (2015: \$125,036).

11. Risk management

The Centre's main financial instrument risk exposure is detailed as follows:

Credit risk

The Centre has determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfill their obligations could result in financial losses for the Centre.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its obligations as they come due. The Centre is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities and long term debt.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre is exposed to interest rate risk with respect to its long term debt.

12. Comparative figures

Certain 2015 comparative figures have been reclassified to conform to the presentation adopted in the current year.

13. Related party transactions

During the year, there were contributions received in the amount of \$52,480 (2015: Nil) from directors.

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2016

14. Remuneration disclosure

On November 28, 2016, the new British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and all contractors who are paid at least \$75,000 annually.

During the year, the Centre paid no remuneration to directors.

During the year, the Centre paid \$94,523 in remuneration to persons who are employees or contractors, whose remuneration, during the applicable period, was at least \$75,000.

15. Non-monetary transactions

During the year, the Centre completed non-monetary transactions in the amount of \$5,000 (2015: \$ nil) involving the exchange of debt forgiveness for admission to The Gardens. This transaction was recorded at the fair value of the amount received.
