



Financial Statements

Horticulture Centre of the Pacific

December 31, 2021

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# Independent Auditors' Report

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To the members of the Horticulture Centre of the Pacific

## Qualified Opinion

We have audited the financial statements of the Horticulture Centre of the Pacific ("the Centre"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Horticulture Centre of the Pacific as at December 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 Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Centre 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 qualified opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statement

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.

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

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

### **Auditor's 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 auditor's 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 these 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 Centre'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 Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Centre 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.

We 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 principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Victoria, Canada  
May 17, 2022

Chartered Professional Accountants

# Horticulture Centre of the Pacific

## Statement of Operations and Changes in Net Assets

Year ended December 31

2021

2020

Revenue		
Education	\$ 516,023	\$ 319,455
PCTIA revenue	124,417	75,497
Grants (Note 9)	201,788	194,806
Sales and events	168,392	142,056
Donations and fundraising	165,946	135,707
Admissions and memberships	117,104	83,962
Government assistance	6,487	193,631
	<u>1,300,157</u>	<u>1,145,114</u>
Expenditures		
Administration	185,566	156,446
Cost of goods sold	20,755	21,851
Education	91,511	67,870
Fundraising and grants	67,411	47,929
Garden and grounds	29,879	28,356
Interest on long-term debt (Note 5)	27,291	28,253
Property taxes	2,928	2,258
Retail and events	8,249	6,246
Wages, benefits and subcontracts	718,217	634,392
	<u>1,151,807</u>	<u>993,601</u>
Excess of revenue over expenditures from operations	148,350	151,513
Amortization of capital assets	<u>(74,364)</u>	<u>(64,575)</u>
Excess of revenue over expenditures	<u>\$ 73,986</u>	<u>\$ 86,938</u>
<hr/>		
Net assets, beginning of year	\$ 288,917	\$ 201,979
Excess of revenue over expenditures	<u>73,986</u>	<u>86,938</u>
Net assets, end of year	<u>\$ 362,903</u>	<u>\$ 288,917</u>

See accompanying notes to the financial statements.

# Horticulture Centre of the Pacific

## Statement of Financial Position

December 31

2021

2020

### Assets

#### Current

Cash	\$	528,553	\$	500,272
Restricted cash and short term deposits		137,039		139,164
Accounts receivable		6,818		26,143
Due from government agencies		1,888		1,008
Inventory		7,995		10,664
Prepaid expenses		14,292		13,781
		<u>696,585</u>		<u>691,032</u>

#### Capital assets (Note 3)

1,243,022      1,269,499

\$ 1,939,607      \$ 1,960,531

### Liabilities

#### Current

Accounts payables and accrued liabilities	\$	49,142	\$	45,751
Deferred revenue		170,722		176,666
Deferred contributions (Note 4)		134,539		136,663
Prepaid tuition and membership fees		80,318		125,260
Current portion of long-term debt (Note 5)		68,773		27,712
		<u>503,494</u>		<u>512,052</u>

#### Long-term debt (Note 5)

683,994      742,962

#### Deferred capital contributions (Note 6)

389,216      416,600

1,576,704      1,671,614

### Net Assets

#### Unrestricted

362,903      288,917

\$ 1,939,607      \$ 1,960,531

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 2021 2020

Increase (decrease) in cash and cash equivalents

### Operating

Excess of revenue over expenditures	\$ 73,986	\$ 86,938
Amortization of deferred capital contributions	(27,384)	(27,385)
Amortization of capital assets	74,364	64,575
	<u>120,966</u>	<u>124,128</u>

Change in non-cash operating working capital (Note 8)	<u>(29,016)</u>	<u>192,629</u>
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	<u>91,950</u>	<u>316,757</u>
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### Financing

Repayment of long-term debt	<u>(17,907)</u>	<u>3,052</u>
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### Investing

Purchase of capital assets	<u>(47,887)</u>	<u>(5,625)</u>
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Net increase in cash and cash equivalents	26,156	314,184
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Cash and cash equivalents, beginning of year	<u>639,436</u>	<u>325,252</u>
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Cash and cash equivalents, end of year	\$ <u>665,592</u>	\$ <u>639,436</u>
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Cash and cash equivalents consist of:

Cash	\$ 528,553	\$ 500,272
Restricted cash and short term deposits	<u>137,039</u>	<u>139,164</u>
	\$ <u>665,592</u>	\$ <u>639,436</u>

See accompanying notes to the financial statements.

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# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

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### 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.

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### 2. 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.

#### 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



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# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### 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.

#### 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.

# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

### 2. Summary of significant accounting policies (continued)

#### 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.

#### Government assistance

The Centre recognizes government grants when there is reasonable assurance that the grant will be received, and that the Centre will comply with the conditions of the grant. Government grants receivable are recorded in general receivables on the Centre's statement of financial position. The Centre recognizes government grants as revenue in the statement of operations in the same period as the expenses for which the grant is intended to compensate.

#### 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.

3. Capital assets			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings and structures	\$ 1,631,931	\$ 443,761	\$ 1,188,170	\$ 1,236,168
Computer equipment	36,718	30,004	6,714	3,216
Equipment	122,953	99,035	23,918	18,750
Property infrastructure	175,290	151,070	24,220	11,365
	<u>\$ 1,966,892</u>	<u>\$ 723,870</u>	<u>\$ 1,243,022</u>	<u>\$ 1,269,499</u>

# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

### 4. 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:

	Opening Balance	Contributions	Expenditures	Closing Balance
Bursaries	\$ 4,935	\$ 2,308	\$ 2,800	\$ 4,443
Scholarships	3,142	2,043	2,600	2,584
Bonsai	10,803	4,150	9,259	5,694
Building	-	5,768	-	5,768
Conservation area	1,712	-	1,449	263
Couvelier Pavilion	-	30,000	2,327	27,673
Crevice Garden	3,000	741	3,741	-
Deer fence	50	300	350	-
Ethnobotany	13,252	6,850	7,143	12,959
Garden tools	1,771	-	-	1,771
Gardens	3,088	6,934	5,693	4,329
Garry Oak Planting	-	400	246	154
Gathering place	164	-	-	164
Pathways	1,804	-	-	1,804
Harvest woods	540	-	-	540
Heather garden	1,962	1,000	-	2,962
Infrastructure	99	-	99	-
Irrigation	2,020	-	2,020	-
Library	1,635	-	445	1,190
Native plant garden	1,787	-	516	1,271
Outdoor education centre	5,000	-	-	5,000
Patio Display Garden	-	5,000	-	5,000
Plants	7,813	1,565	3,778	5,600
Potting shed	319	-	-	319
Signage	3,836	-	145	3,691
Takata Garden	9,817	800	1,105	9,513
Tool shed	18,235	-	17,489	747
Urban garden	9,474	6,521	5,774	10,222
Veggie garden	64	-	-	64
Winter garden	1,995	1,000	-	2,995
Ann's garden	2,483	1,265	450	3,298
Rhododendron garden	1,438	500	-	1,938
Volunteers	1,000	-	-	1,000
Wade grass garden	3,425	400	-	3,825
Website	20,000	-	12,241	7,759
	<u>\$ 136,663</u>	<u>\$ 77,544</u>	<u>\$ 79,669</u>	<u>\$ 134,539</u>

# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

### 5. Long-term debt

	<u>2021</u>	<u>2020</u>
Canadian Emergency Business Account (CEBA) \$60,000, without interest. There are no required principal repayments until the maturity date of December 31, 2023 and if paid back before this date \$20,000 is forgivable .	\$ 40,000	\$ 30,000
District of Saanich \$216,000, without interest. Secured by specific assets and a general security agreement. The terms of principal repayment are \$8,640 due annually starting June, 2017 for 25 years, due June 20, 2041. The advance was an interest free loan, discounted at a rate of 3.5% approximating the market borrowing rate for similar debt.	122,795	126,991
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.	<u>589,972</u>	<u>613,684</u>
	752,767	770,675
Less current portion	<u>68,773</u>	<u>27,712</u>
Due beyond one year	<u>\$ 683,994</u>	<u>\$ 742,963</u>

Estimated principal repayments are as follows:

2022	68,773
2023	29,874
2024	545,008
2025	4,814
2026	4,983
Subsequent years	<u>99,314</u>
	<u>\$ 752,767</u>

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## Horticulture Centre of the Pacific Notes to the Financial Statements

December 31, 2021

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### 5. Long-term debt (continued)

As at December 31, 2021 the Centre owed \$172,799 to the District of Saanich. In accordance with accounting standards for not-for-profits for financial instruments, this loan has been presented on these financial statements at an imputed present value using an interest rate of 3.5%. This is a requirement under the standards because the loan is interest free and the Centre receives a benefit due to the long term nature of this loan.

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### 6. 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	\$ 32,050	\$ -	\$ 5,301	\$ 26,749
Equipment	6,908	-	3,518	3,390
Infrastructure	6,014	-	3,581	2,433
Couvelier Pavilion	359,447	-	10,924	348,523
Portable	12,181	-	4,060	8,121
	<u>\$ 416,600</u>	<u>\$ -</u>	<u>\$ 27,384</u>	<u>\$ 389,216</u>

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# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

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### 7. 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, 2021 is \$53,113 (2020: \$47,912).

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### 8. Supplemental cash flow information

	<u>2021</u>	<u>2020</u>
Change in non-cash operating working capital		
Accounts receivable	\$ 19,325	\$ 7,391
Inventory	2,669	987
Prepaid expenses	(511)	10,418
Accounts payable and accrued liabilities	3,391	5,916
Due to or from government agencies	(880)	966
Deferred revenue	(5,944)	41,247
Deferred contributions	(2,124)	48,577
Prepaid tuition and membership fees	(44,942)	77,127
	<u>\$ (29,016)</u>	<u>\$ 192,629</u>

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### 9. Grants

	<u>2021</u>	<u>2020</u>
District of Saanich	\$ 130,000	\$ 130,000
Gaming grant	70,000	49,261
Other	-	13,934
Victoria Foundation	1,788	1,611
	<u>\$ 201,788</u>	<u>\$ 194,806</u>

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In addition to these grants, education revenue includes funding received from the Industry Training Authority in the amount of \$248,157 (2020: \$119,957).

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# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

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### 10. 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.

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### 11. Related party transactions

During the year, there were contributions received in the amount of \$3,590 (2020: \$5,600) from directors.

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### 12. Remuneration disclosure

Under the British Columbia Societies Act, which came into effect November 28, 2016, societies must disclose remuneration paid to directors, and to employees and contractors whose remuneration was at least \$75,000 annually.

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

During the year, there was one person who met this criterion, and the total amount of remuneration paid was \$87,587.

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# Horticulture Centre of the Pacific

## Notes to the Financial Statements

December 31, 2021

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### 13. Impact of COVID-19

On March 11, 2020 the World Health Organization declared the COVID-19 outbreak a pandemic which has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

In response to the spread of COVID-19, The Centre has adapted their business processes to conform to provincial mandates and has updated some services to focus on initiatives that provide services at a distance. The Centre has not experienced any significant difficulties or delays in completing their operational activities.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of operations of the Society for future periods.

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