

**Horticulture Centre of the Pacific
Financial Statements
Year Ended December 31, 2023**

Independent Auditor's Report

To the Members of Horticulture Centre of the Pacific

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Horticulture Centre of the Pacific (the HCP), which comprise the statement of financial position as at December 31, 2023, and the statements of changes in net assets, operations 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 HCP as at December 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the HCP 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 HCP. 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, 2023, current assets as at December 31, 2023, and net assets as at January 1 and December 31 for the 2023 year-end. Our audit opinion on the financial statements for the year ended December 31, 2023 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 HCP in accordance with 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 audit opinion.

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 ASNPO, 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 HCP'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 HCP or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Members of Horticulture Centre of the Pacific (*continued*)

Those charged with governance are responsible for overseeing the HCP'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 HCP'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 HCP'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 HCP 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 of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with ASNPO have been applied on a basis consistent with that of the preceding year.

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Horticulture Centre of the Pacific
Statement of Financial Position
December 31, 2023

	2023 \$	2022 \$
Assets		
Current		
Cash and cash equivalents	268,118	264,130
Short term deposits	214,000	203,115
Restricted cash	191,845	171,834
Accounts receivable	5,307	11,344
Government remittances receivable	1,452	1,568
Inventory	9,671	8,230
Prepaid expenses	15,633	20,326
	<u>706,026</u>	<u>680,547</u>
Capital assets (Note 3)	<u>1,192,344</u>	<u>1,195,567</u>
Total assets	<u>1,898,370</u>	<u>1,876,114</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	41,431	83,490
Deferred revenue	109,839	58,312
Deferred contributions (Note 4)	82,006	113,522
Prepaid tuition and membership fees	75,612	72,774
Current portion of long term debt (Note 5)	584,226	70,064
	<u>893,114</u>	<u>398,162</u>
Long term debt (Note 5)	109,321	653,545
Deferred capital contributions (Note 6)	<u>362,808</u>	<u>367,844</u>
Total liabilities	<u>1,365,243</u>	<u>1,419,551</u>
Net Assets		
Unrestricted	319,127	253,448
Internally restricted (Note 7)	<u>214,000</u>	<u>203,115</u>
	<u>533,127</u>	<u>456,563</u>
Total liabilities and net assets	<u>1,898,370</u>	<u>1,876,114</u>

Approved on behalf of the Board

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements

Horticulture Centre of the Pacific
Statement of Changes in Net Assets
Year Ended December 31, 2023

	Unrestricted \$	Internally Restricted \$	2023 \$	2022 \$
Net assets - beginning of year	253,448	203,115	456,563	362,903
Excess of revenues over expenses	66,205	10,359	76,564	93,660
Interfund transfers (<i>Note 7</i>)	(526)	526	-	-
Net assets - end of year	319,127	214,000	533,127	456,563

The accompanying notes are an integral part of these financial statements

Horticulture Centre of the Pacific
Statement of Operations
Year Ended December 31, 2023

	2023	2022
	\$	\$
Revenues		
Education	482,353	484,613
Sales and events	378,231	321,871
Grants <i>(Note 8)</i>	202,328	215,244
Admissions and memberships	191,693	162,587
Donations and fundraising <i>(Note 6)</i>	160,454	119,086
PTIB tuition	124,765	161,520
	<u>1,539,824</u>	<u>1,464,921</u>
Expenses		
Administration	234,184	204,337
Amortization	70,527	74,606
Cost of goods sold	33,929	26,670
Education	74,856	73,661
Fundraising and grants	38,049	43,409
Garden and grounds	51,752	49,168
Interest on long term debt <i>(Note 5)</i>	25,137	26,043
Property taxes	3,149	3,180
Retail and events	24,559	23,921
Salaries and wages	907,118	846,266
	<u>1,463,260</u>	<u>1,371,261</u>
Excess of revenues over expenses	<u>76,564</u>	<u>93,660</u>

The accompanying notes are an integral part of these financial statements

Horticulture Centre of the Pacific
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
	\$	\$
Operating activities		
Excess of revenues over expenses	76,564	93,660
Items not affecting cash:		
Amortization of capital assets	70,527	74,606
Amortization of deferred capital contributions	<u>(21,812)</u>	<u>(21,372)</u>
	<u>125,279</u>	<u>146,894</u>
Changes in non-cash working capital:		
Accounts receivable	6,037	(4,526)
Inventory	(1,441)	(234)
Prepaid expenses	4,693	(6,035)
Government remittances receivable	116	320
Prepaid tuition and membership fees	2,838	(7,544)
Accounts payable and accrued liabilities	(42,056)	34,347
Deferred revenue	51,527	(112,410)
Deferred contributions	<u>(31,516)</u>	<u>(21,017)</u>
	<u>(9,802)</u>	<u>(117,099)</u>
Cash flow from operating activities	<u>115,477</u>	<u>29,795</u>
Investing activities		
Purchase of capital assets	(67,306)	(27,151)
Purchase of short term deposits, net of redemptions	<u>(10,885)</u>	<u>(203,115)</u>
Cash flow used by investing activities	<u>(78,191)</u>	<u>(230,266)</u>
Financing activities		
Repayment of long term debt	(30,062)	(29,157)
Addition to deferred capital contributions	<u>16,775</u>	<u>-</u>
Cash flow used by financing activities	<u>(13,287)</u>	<u>(29,157)</u>
Increase (decrease) in cash flow	23,999	(229,628)
Cash - beginning of year	<u>435,964</u>	<u>665,592</u>
Cash - end of year	<u>459,963</u>	<u>435,964</u>
Cash consists of:		
Cash and cash equivalents	268,118	264,130
Restricted cash	<u>191,845</u>	<u>171,834</u>
	<u>459,963</u>	<u>435,964</u>

The accompanying notes are an integral part of these financial statements

Horticulture Centre of the Pacific
Notes to Financial Statements
Year Ended December 31, 2023

1. Purpose of the HCP

Horticulture Centre of the Pacific (the HCP) 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. The HCP 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. Significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank balances held in savings accounts, and term deposits held 90-days or less. Amounts in savings accounts and term deposits are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than 90 days.

Short term deposits

Short term deposits consists of cash amounts held in a guaranteed investment certificate for one year or less.

Restricted cash

Restricted cash consists of cash amounts that are externally restricted by donors for the purpose of completing projects at the HCP and for student bursaries and scholarships.

Inventory

Inventory is valued at the lower of cost and net realizable value and consists of gift shop items, textbooks and purchased plant material.

Capital assets

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

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Buildings and structures	10-40 years
Computer equipment	3 years
Equipment	10 years
Property infrastructure	10 years

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Horticulture Centre of the Pacific
Notes to Financial Statements
Year Ended December 31, 2023

2. Significant accounting policies (*continued*)

Revenue recognition

The HCP 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 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 statement of financial position.

Government grants

Government grants are recorded when there is a reasonable assurance that the HCP has complied with and will continue to comply with, all the necessary conditions to obtain the grants and when there is reasonable assurance that the grant will be received. The HCP 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.

Contributed services

The operations of the HCP depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Fund accounting

The Unrestricted Fund reports the HCP's revenue and expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

The Internally Restricted Fund reports the HCP's internally restricted net assets for amounts that have been designated by the Board of Directors to fund certain strategic initiatives. Internally restricted assets are not available for use without prior approval by the Board of Directors. Interest earned on this fund are also internally restricted.

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Horticulture Centre of the Pacific
Notes to Financial Statements
Year Ended December 31, 2023

2. Significant accounting policies (continued)

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments subsequently measured at fair value are expensed when incurred. Transaction costs in respect of other financial instruments are recognized in the original cost and expensed over the life of the instrument.

The HCP regularly assesses whether there are any indications of impairment and if any indications exists and there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, the HCP recognizes an impairment loss in the statement of operations. Reversals of previously recognized impairment losses are recognized in operations in the year the reversal event occurs.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Capital assets

	2023		2022	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Buildings and structures	1,678,310	554,173	1,631,931	496,648
Computer equipment	45,508	43,412	44,379	39,900
Equipment	132,784	109,430	125,345	105,379
Property infrastructure	204,746	161,989	192,388	156,549
	<u>2,061,348</u>	<u>869,004</u>	<u>1,994,043</u>	<u>798,476</u>
Net book value		<u>1,192,344</u>		<u>1,195,567</u>

Horticulture Centre of the Pacific
Notes to Financial Statements
Year Ended December 31, 2023

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
	\$	\$	\$	\$
Ann's garden	3,774	827	(75)	4,526
Bonsai	8,309	500	(3,929)	4,880
Building	5,768	-	-	5,768
Bursaries	1,884	2,788	(2,000)	2,672
Children's area	-	2,417	(427)	1,990
Conservation area	-	50	(277)	(227)
Couvelier Pavilion	19,608	-	(18,725)	883
Ethnobotany	11,441	250	(4,682)	7,009
Gardens	4,329	-	(1,032)	3,297
Gathering place	164	-	-	164
Harvest woods	540	-	-	540
Heather garden	2,962	3,500	-	6,462
Irrigation	600	-	-	600
Library	1,056	391	(997)	450
Native plant garden	1,271	-	-	1,271
Outdoor education centre	5,000	-	-	5,000
Patio display garden	8,687	5,600	(12,039)	2,248
Pathways	1,804	-	-	1,804
Plants	3,293	-	(2,780)	513
Potting shed	319	-	-	319
Plant Database - IrisBG	-	500	-	500
Rhododendron garden	1,843	250	(169)	1,924
Scholarships	1,805	2,094	(2,000)	1,899
Signage	3,691	-	-	3,691
Takata garden	4,170	80	(927)	3,323
Tool shed	132	-	-	132
Urban garden	14,342	4,292	(5,417)	13,217
Veggie garden	24	-	(24)	-
Winter garden	2,235	1,000	(930)	2,305
Wade grass garden	3,825	75	-	3,900
Website	646	-	-	646
Youth program	-	300	-	300
	<u>113,522</u>	<u>24,914</u>	<u>(56,430)</u>	<u>82,006</u>

Horticulture Centre of the Pacific
Notes to Financial Statements
Year Ended December 31, 2023

5. Long term debt

	2023 \$	2022 \$
Canadian Emergency Business Account (CEBA), \$60,000 interest-free loan with no required principal repayments and \$20,000 available loan forgiveness if \$40,000 is repaid on or before January 18, 2024. The loan was repaid on January 12, 2024 and the \$20,000 was forgiven. The loan forgiveness was previously recognized in the statement of operations.	40,000	40,000
District of Saanich, annual payments of \$8,640, maturing in 2041, specific assets and a general security agreement provided as collateral. The advance was an interest-free loan discounted at a rate of 3.5%, approximating the market borrowing rate for similar debt. The undiscounted balance owing at December 31, 2023 was \$155,519 (2022: \$164,159) and imputed interest for the year was \$4,150 (2022: \$4,302) included in interest in long term debt.	113,968	118,457
Vancity Business Mortgage, monthly payments of \$3,880 including interest of 3.82% per annum calculated monthly, maturing in 2024, Assignment of Rents of the HCP's leasehold interest in Lot 1, Sections 96, 102, 103, Lake District Plan VIP68477 and a general security agreement provided as collateral.	539,579	565,152
	693,547	723,609
Less: current portion	(584,226)	(70,064)
	<u>109,321</u>	<u>653,545</u>

Principal repayment terms are approximately:

	\$
2024	584,226
2025	4,809
2026	4,978
2027	5,152
2028	5,332
Thereafter	89,050
	<u>693,547</u>

Horticulture Centre of the Pacific
Notes to Financial Statements
Year Ended December 31, 2023

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. Amortization is included in the donations and fundraising revenue account.

Changes in the deferred capital contributions balance are as follows:

	Opening balance	Additions	Amortization	Closing balance
	\$	\$	\$	\$
Buildings	22,823	16,775	(6,242)	33,356
Couvelier Pavilion	338,654	-	(10,924)	327,730
Equipment	155	-	(155)	-
Portable	4,060	-	(4,060)	-
Property infrastructure	2,152	-	(430)	1,722
	<u>367,844</u>	<u>16,775</u>	<u>(21,811)</u>	<u>362,808</u>

7. Internally restricted funds

The internally restricted fund consists of a term deposit with a current value as at December 31, 2023 of \$214,000 (2022: \$203,115). An amount of \$526 was transferred to this fund and an additional \$10,359 (2022: \$3,115) has been earned in interest for 2023.

8. Grants

	2023	2022
	\$	\$
District of Saanich	130,000	130,000
Gaming	70,000	75,859
Other	-	7,230
Victoria Foundation	2,328	2,155
	<u>202,328</u>	<u>215,244</u>

In addition to these grants, education revenue includes funding received from the Industry Training Authority in the amount of \$203,966 (2022: \$220,204).

9. Victoria Foundation Endowment Fund

The HCP established the Horticulture Centre of the Pacific Endowment Fund at the Victoria Foundation where the HCP transfers funds to be maintained in the Endowment Fund and the net income is distributed to the HCP semi-annually. The fair market value of the endowment fund held by the Victoria Foundation as at December 31, 2023 is \$49,792 (2022: \$46,435).

10. Related party transactions

During the year, there were contributions received in the amount of \$3,270 (2022: \$5,370) from the HCP's directors.

Horticulture Centre of the Pacific
Notes to Financial Statements
Year Ended December 31, 2023

11. Remuneration disclosure

Under the British Columbia Societies Act, which came into effect November 28, 2016, societies must disclose remuneration paid to directors, employees, and contractors whose remuneration was at least \$75,000 annually. During the year, no remuneration was paid to the directors and there were two employees who met the above criterion with the total amount paid of \$180,014 (2022: two employees with the total amount paid of \$171,494).

12. Financial risks and concentrations of risk

The HCP is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. There have been no changes to the HCP's risk exposure from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The HCP is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The HCP is exposed to this risk mainly in respect to its accounts payable and accrued liabilities and long term debt.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The HCP is exposed to this risk mainly in respect to its long term debt.

Unless otherwise noted, it is management's opinion that the HCP is not exposed to significant other price risks arising from these financial instruments.