



Financial Statements

Horticulture Centre of the Pacific

December 31, 2017

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Independent Auditors' Report

Grant Thornton LLP
Suite 650
1675 Douglas Street
Victoria, BC
V8W 2G5
T +1 250 383 4191
F +1 250 381 4623
www.GrantThornton.ca

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, 2017 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, 2017 and 2016, current assets as at December 31, 2017, and 2016 and net assets as at January 1, 2017 and 2016 and December 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 2017, 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.

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
March 27, 2018

Grant Thornton LLP
Chartered Professional Accountants

Horticulture Centre of the Pacific

Statement of Operations and Changes in Net Assets

Year ended December 31

2017

2016

Revenue		
Education	\$ 299,287	\$ 207,838
PCTIA revenue	93,557	57,313
Grants (Note 9)	187,411	204,465
Sales and events	220,215	199,304
Donations and fundraising	78,436	155,235
Admissions and memberships	92,388	67,350
Outerbridge park	-	34,043
Interest benefit (Note 5)	46,870	-
	<u>1,018,164</u>	<u>925,548</u>
Expenditures		
Administration	153,942	183,651
Cost of goods sold	25,339	21,286
Education	36,159	32,580
Fundraising and grants	13,893	24,990
Garden and grounds	25,739	17,651
Interest on long-term debt (Note 5)	28,408	34,666
Outerbridge park	-	12,021
Property taxes	2,305	2,277
Retail and events	24,402	20,302
Wages, benefits and subcontracts	502,309	446,229
	<u>812,496</u>	<u>795,653</u>
Excess of revenue over expenditures from operations	205,668	129,895
Amortization of capital assets	<u>(74,052)</u>	<u>(80,610)</u>
Excess of revenue over expenditures	\$ <u>131,616</u>	\$ <u>49,285</u>
Deficit, beginning of year		
	\$ (82,479)	\$ (131,764)
Excess of revenue over expenditures	<u>131,616</u>	<u>49,285</u>
Net assets (deficit), end of year	\$ <u>49,137</u>	\$ <u>(82,479)</u>

See accompanying notes to the financial statements.

Horticulture Centre of the Pacific

Statement of Financial Position

December 31

2017

2016

Assets

Current

Cash	\$	33,747	\$	-
Restricted cash and short term deposits		119,338		71,231
Accounts receivable		11,952		8,023
Inventory		10,160		6,169
Prepaid expenses		11,819		12,705
		<u>187,016</u>		<u>98,128</u>

Capital assets (Note 3)		<u>1,431,140</u>		<u>1,465,980</u>
	\$	<u>1,618,156</u>	\$	<u>1,564,108</u>

Liabilities

Current

Accounts payables and accrued liabilities	\$	36,836	\$	44,736
Due to government agencies		9,461		6,392
Deferred revenue		55,758		53,225
Deferred PCTIA revenue		-		3,750
Deferred contributions (Note 4)		119,338		102,907
Prepaid tuition and membership fees		35,865		34,865
Current portion of long-term debt (Note 5)		27,586		70,584
		<u>284,844</u>		<u>316,459</u>

Long-term debt (Note 5)		791,916		831,088
Deferred capital contributions (Note 6)		492,259		499,040
		<u>1,569,019</u>		<u>1,646,587</u>

Net Assets

Unrestricted		<u>49,137</u>		<u>(82,479)</u>
	\$	<u>1,618,156</u>	\$	<u>1,564,108</u>

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

2017

2016

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenditures	\$	131,616	\$	49,285
Amortization of deferred capital contributions		(6,781)		(41,209)
Interest benefit		(46,870)		-
Amortization of capital assets		74,052		80,610
		<u>152,017</u>		<u>88,686</u>
Change in non-cash operating working capital (Note 8)		<u>4,349</u>		<u>(101,251)</u>
		<u>156,366</u>		<u>(12,565)</u>

Financing

Repayment of long-term debt		<u>(35,300)</u>		<u>(70,402)</u>
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Investing

Purchase of capital assets		<u>(39,212)</u>		<u>(1,312)</u>
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Net increase (decrease) in cash and cash equivalents **81,854** (84,279)

Cash and cash equivalents, beginning of year 71,231 155,510

Cash and cash equivalents, end of year **\$ 153,085** **\$ 71,231**

Cash and cash equivalents consist of:

Cash	\$	33,747	\$	-
Restricted cash and short term deposits		<u>119,338</u>		<u>71,231</u>
	\$	<u>153,085</u>	\$	<u>71,231</u>

See accompanying notes to the financial statements.

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2017

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. 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

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2017

Revenue recognition

2. Summary of significant accounting policies (continued)

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, 2017

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.

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>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings and structures	\$ 1,614,846	\$ 229,437	\$ 1,385,409	\$ 1,400,254
Computer equipment	19,245	14,542	4,703	832
Equipment	98,945	70,986	27,959	37,281
Property infrastructure	<u>147,358</u>	<u>134,289</u>	<u>13,069</u>	<u>27,613</u>
	<u>\$ 1,880,394</u>	<u>\$ 449,254</u>	<u>\$ 1,431,140</u>	<u>\$ 1,465,980</u>

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2017

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	\$ 6,591.50	\$ 4,126.50	\$ 4,665	\$ 6,053
Scholarships	3,618.33	1,200.00	1,200	3,618
Bonsai	10,743.13	600.00	248	11,096
Building	6,000.00	105.00	404	5,701
Conservation area	2,182.45	-	-	2,182
Ethnobotany	5,829.84	5,932.32	3,035	8,727
Front entrance	1,865.68	60.00	-	1,926
garden tools	1,597.74	-	-	1,598
Gardens	11,376.28	100.00	-	11,476
Gathering place	-	2,363.91	-	2,364
Pathways	2,486.36	-	210	2,277
Harvest woods	380.00	120.00	-	500
Heather garden	500.00	-	38	462
Infrastructure	782.20	120.00	206	696
Irrigation	1,351.09	-	-	1,351
Library	1,826.45	-	64	1,763
Native plant garden	279.46	113.34	-	393
Office	391.53	-	178	214
Plants	5,420.21	1,752.35	-	7,173
Potting shed	319.33	-	-	319
Signage	4,430.44	-	103	4,327
Takata Garden	8,355.36	3,688.38	3,798	8,246
Urban garden	1,299.66	1,120.00	-	2,420
Veggie garden	743.34	-	298	446
Winter garden	23.46	1,100.00	366	757
Ann's garden	2,152.17	563.00	1,080	1,635
Rhododendron garden	961.21	500.00	375	1,086
Victoria Siem Lelum	21,400.00	-	-	21,400
Wade grass garden	-	10,000.00	866	9,134
	<u>\$ 102,907</u>	<u>\$ 33,565</u>	<u>\$ 17,134</u>	<u>\$ 119,338</u>

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2017

5. Long-term debt

	<u>2017</u>	<u>2016</u>
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	\$ 138,744	\$ 191,863
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.	677,821	698,594
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>2,937</u>	<u>11,215</u>
	819,502	901,672
Less current portion	<u>27,586</u>	<u>70,584</u>
Due beyond one year	<u>\$ 791,916</u>	<u>\$ 831,088</u>
Estimated principal repayments are as follows:		
2017	27,589	
2018	25,592	
2019	26,572	
2020	27,589	
2021	28,645	
Subsequent years	<u>683,515</u>	
	<u>\$ 819,502</u>	

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2017

5. Long-term debt (continued)

As at December 31, 2017 the Centre owed \$207,360 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.

The loan was renegotiated in fiscal 2017 and the term has been extended to June 20, 2024 with annual principal payments of \$8,640. The following schedule outlines the changes during the year.

Amortized cost of loan at the beginning of the year	\$	191,863
Principal payment net of imputed interest		(6,249)
Interest benefit due to ammended loan agreement		<u>(46,870)</u>
Amortized cost of loan at December 31, 2017	\$	<u>138,744</u>

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	\$ 7,175	\$ 34,427	\$ 2,946	\$ 38,656
Equipment	32,982	-	9,490	23,492
Infrastructure	27,319	-	13,788	13,531
Couvelier Pavilion	403,143	-	10,924	392,219
Portable	<u>28,421</u>	<u>-</u>	<u>4,060</u>	<u>24,361</u>
	<u>\$ 499,040</u>	<u>\$ 34,427</u>	<u>\$ 41,208</u>	<u>\$ 492,259</u>

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2017

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, 2017 is \$39,997 (2016: \$38,357).

8. Supplemental cash flow information

	<u>2017</u>	<u>2016</u>
Change in non-cash operating working capital		
Accounts receivable	\$ (3,929)	\$ (1,857)
Inventory	(3,991)	(1,161)
Prepaid expenses	886	(237)
Accounts payable and accrued liabilities	(7,900)	(18,759)
Due to government agencies	3,069	1,864
Deferred revenue	2,533	(87,229)
Deferred PCTIA revenue	(3,750)	630
Deferred contributions	16,431	(113)
Prepaid tuition and membership fees	1,000	5,611
	<u>\$ 4,349</u>	<u>\$ (101,251)</u>

9. Grants

	<u>2017</u>	<u>2016</u>
District of Saanich	\$ 130,000	\$ 130,000
Gaming grant	55,189	70,131
Other	2,222	4,334
	<u>\$ 187,411</u>	<u>\$ 204,465</u>

In addition to these grants, education revenue includes funding received from the Industry Training Authority in the amount of \$142,994 (2016: \$74,579).

Horticulture Centre of the Pacific

Notes to the Financial Statements

December 31, 2017

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.

11. Related party transactions

During the year, there were contributions received in the amount of \$600 (2016: \$52,480) from directors.

12. 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, no persons who are employees or contractors received remuneration from the Centre that was at least \$75,000.

13. Non-monetary transactions

During the year, the Centre completed non-monetary transactions in the amount of \$5,000 (2016: \$5,000) involving the exchange of debt forgiveness for admission to the Centre. This transaction was recorded at the fair value of the amount received.
