

Financial Statements of  
**WEST SHORE CHAMBER  
OF COMMERCE**

December 31, 2019

(Unaudited)

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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of West Shore Chamber of Commerce

I have reviewed the accompanying financial statements of West Shore Chamber of Commerce that comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, as well as 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.

### **Practitioner's Responsibility**

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

### **Conclusion**

Based on my review, nothing has come to my attention causing me to believe that the financial statements do not present fairly, in all material respects, the financial position of West Shore Chamber of Commerce as at December 31, 2019, 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 modifying my conclusion, I draw attention to Note 7 to the financial statements, which describes the situation in the context of the COVID-19 global pandemic declared by the World Health Organization.

FLEMING & COMPANY

Chartered Professional Accountant  
Victoria, British Columbia  
August 6, 2020

**WEST SHORE CHAMBER OF COMMERCE**  
**Statement of Financial Position**  
**December 31, 2019**  
(Unaudited)

	2019	2018
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 24,073	\$ 18,961
Accounts receivable (Note 6)	12,903	10,477
Prepaid expenses	355	211
	37,331	29,649
<b>CAPITAL ASSETS (Note 3)</b>	<b>52,644</b>	<b>52,955</b>
	\$ 89,975	\$ 82,604
<b>Liabilities and Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 5,519	\$ 5,104
Accrued payroll liabilities	-	1,202
Unearned revenue (Note 5)	51,243	51,672
Due to government agencies	2,441	3,771
	59,203	61,749
<b>NET ASSETS</b>		
Invested in capital assets	52,645	52,955
Unrestricted	(21,873)	(32,100)
	30,772	20,855
	\$ 89,975	\$ 82,604

Approved on behalf of the Board

The accompanying notes are an integral part of these financial statements.

**WEST SHORE CHAMBER OF COMMERCE**  
**Statement of Changes in Net Assets**  
**Year ended December 31, 2019**  
(Unaudited)

	Invested in capital assets	General fund	<b>Total</b>
Opening balance, January 1, 2018	\$ 54,457	\$ (59,366)	\$ (4,909)
Excess (shortfall) of revenue over expenses	(1,502)	27,266	25,764
Balance, December 31, 2018	52,955	(32,100)	20,855
Excess (shortfall) of revenue over expenses	(5,803)	15,720	9,917
Purchase of capital assets	5,493	(5,493)	-
Balance, December 31, 2019	\$ 52,645	\$ (21,873)	\$ 30,772

The accompanying notes are an integral part of these financial statements.

**WEST SHORE CHAMBER OF COMMERCE**  
**Statement of Operations**  
**Year ended December 31, 2019**  
(Unaudited)

	2019	2018
<b>Revenue</b>		
Advertising revenue	\$ 1,266	\$ 1,599
Donations and grants	5,465	5,159
Fees for services	36,200	36,733
Membership dues	107,611	126,624
Member events	51,681	72,091
Rental revenue	18,060	18,610
Sponsorships	5,062	5,579
Trade shows, insurance fee, and other	20,136	21,419
	245,481	287,814
<b>Cost of activities</b>		
Advertising and awards	3,147	6,030
Amortization	5,803	4,476
Insurance and dues	10,468	6,764
Interest and bank charges	3,469	3,543
Lunches, meetings, and member events	30,551	55,378
Office	11,026	12,241
Personnel costs	147,960	141,764
Professional development	862	3,147
Professional fees	7,635	8,520
Publishing	2,418	3,980
Repairs and maintenance	3,410	5,710
Telephone and utilities	8,342	8,384
Travel	473	2,113
	235,564	262,050
<b>Excess of revenue over expenses</b>	<b>\$ 9,917</b>	<b>\$ 25,764</b>

The accompanying notes are an integral part of these financial statements.

**WEST SHORE CHAMBER OF COMMERCE**  
**Statement of Cash Flows**  
**December 31, 2019**  
(Unaudited)

	2019	2018
Operating activities		
Excess of Revenue over Expenses	\$ 9,917	\$ 25,764
Items not affecting cash		
Amortization	5,803	4,476
	15,720	30,240
Change in non-cash working capital		
Receivables	(2,426)	358
Prepaid expenses	(144)	137
Accounts payable	413	(6,134)
Accrued payroll liabilities	(1,202)	(515)
Unearned revenue	(429)	(6,181)
Due to government agencies	(1,327)	165
	10,605	18,070
Investing activities		
Purchase of capital assets	(5,493)	(2,974)
Increase in cash and cash equivalents, during the year	5,112	15,096
Cash and cash equivalents, beginning of year	18,961	3,865
Cash and cash equivalents, end of year	\$ 24,073	\$ 18,961
Represented by:		
Cash and cash equivalents	\$ 24,073	\$ 18,961

The accompanying notes are an integral part of these financial statements.

**WEST SHORE CHAMBER OF COMMERCE**  
**Notes to Financial Statements**  
**December 31, 2019**  
(Unaudited)

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The Chamber is incorporated under the Board of Trade Act of Canada and its principle activity is to promote and improve trade and commerce and the economic, civic, and social welfare of the West Shore region of Greater Victoria. The Chamber is a non-profit entity and is exempt from Part I income tax under paragraph 149(1)(e) of the Income Tax Act.

**1. Summary of significant accounting policies**

**BASIS OF ACCOUNTING**

The Chamber prepares its financial statements in accordance with Canadian accounting standard for not-for-profit organizations (ASNPO).

**FUND ACCOUNTING**

The Chamber follows the restricted fund method of accounting for contributions.

The General Fund accounts for all unrestricted contributions and expenses that are not specifically designated under the Restricted Fund.

The Capital Asset Fund reports the assets, liabilities, revenues, and expenses related to the Chamber's capital assets.

The Restricted Fund represents contributions from external sources that limit the use of the funds to a specific purpose. Expenses related to the specified purpose are allocated to this fund.

**REVENUE RECOGNITION**

Fees for various services are recorded as revenue when the related services have been provided, or a contract for services has been established. Fees for service are contributions to the General Fund.

Membership revenue is recorded annually for each member and adjusted for any unearned portion, depending on the effective dates of the particular membership. Membership revenues are contributions to the General Fund.

All other unrestricted contributions are recognized as revenue in the General Fund in the year received or receivable if the amount to be recorded can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as income to the extent that they can be matched with their specified expense. All other restricted contributions are deferred to the period where the expenses occur.

**CASH AND CASH EQUIVALENTS**

The Chamber classifies high quality liquid investments redeemable in one year or less for fixed values as cash and cash equivalents.

**DONATED ASSETS, MATERIALS AND SERVICES**

The Chamber records donated property, plant and equipment at fair value. Donated services and materials are not recorded due to the difficulty in assessing their fair value.

**WEST SHORE CHAMBER OF COMMERCE**  
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#### CAPITAL ASSETS

Capital assets are recorded at cost and amortized using the declining balance method at rates sufficient to substantially amortize the cost over their estimated useful lives as follows:

Building	4% declining balance
Leasehold improvements	20% straight line
Furniture and fixtures	20% declining balance
Computer hardware	45% declining balance
Computer software	100% declining balance

Half of the normal amortization is taken in the year of acquisition to reflect the average date of purchase. Amortization expense is reported in the Capital Asset Fund. Impairment of tangible capital assets is reviewed whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

#### USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses. The main estimates include allowance for doubtful accounts, estimated useful lives of tangible capital assets, impairment of long-lived assets, accrued liabilities, and disclosure of contingencies.

## 2. Financial instruments

The Chamber's financial instruments consist of cash, receivables, accounts payable, accrued liabilities and other current liabilities.

The Chamber is exposed to various risks through its financial instruments without being exposed to concentrations of risk. The following analysis provides a measure of the organization's risk as at December 31, 2019.

#### CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfil an obligation.

The Chamber's credit risk consists principally of accounts receivable. The Chamber maintains cash and cash equivalents with reputable and major financial institutions. The investments include commercial papers and investments issued by high-credit quality corporations and financial institutions. Management considers the risk of non-performance of these instruments to be remote.

#### LIQUIDITY RISK

Liquidity risk is the risk that the Chamber will encounter difficulty in meeting its obligations associated with financial liabilities.

The Chamber is exposed to liquidity risk in meeting its obligations associated with financial liabilities, which is dependent on receipt of funds from contributors and continued support by financial institutions providing sufficient operating lending facilities.

**WEST SHORE CHAMBER OF COMMERCE**  
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**2. Financial instruments (continued)**

**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 Chamber is exposed to interest rate risk with respect to the following financial instruments:

- Interest bearing investments
- Bank indebtedness
- Trade payables

The Chamber is exposed to interest rate risk with respect to cash and cash equivalents, and investments in interest bearing securities, as well as accumulated accounts payable balances with various vendors. Changes in interest rates can affect the fair value of investments and the cash flows related to interest income and expense.

<b>3. Capital Assets</b>			<b>2019</b>			<b>2018</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>		<b>Net Book Value</b>	
Building*	\$ 85,472	\$ 42,572	\$ 42,900	\$	44,688	
Leasehold improvements	5,000	2,120	2,880	\$	3,600	
Furniture and fixtures	20,195	18,407	1,788		2,235	
Computer hardware	21,877	16,801	5,076		2,432	
Computer software	6,961	6,961	-		-	
	<b>\$ 139,505</b>	<b>\$ 86,861</b>	<b>\$ 52,644</b>	<b>\$</b>	<b>52,955</b>	

\*See further notes about Building asset under Note 4 Lease Obligations.

**4. Lease obligations**

**EQUIPMENT**

Commencing June 25, 2018, the Chamber entered into a 48 month operating lease for office equipment, which requires quarterly payments of \$297 plus applicable taxes. The lease may be cancelled by either party at the end of each consecutive 12 month term. Future obligations are as follows:

- 2020 - \$1,188
- 2021 - \$1,188
- 2022 - \$594

**LAND**

The Chamber has entered into a 33 year lease with the City of Langford for the land at 2830 Aldwynd Road in Langford with the lease expiring on February 28, 2034. There is provision for two 33 year term renewals on this lease. A payment of \$33 is due at the beginning of each 33 year term. The Chamber is responsible for property taxes on the property however a property tax exemption is requested annually. This year, as in previous years, the exemption has been approved.

**WEST SHORE CHAMBER OF COMMERCE**  
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**4. Lease obligations (continued)**

As part of the land lease over 2830 Aldwynd Road, the title and ownership of buildings and structures on the property shall vest with the Chamber. Upon expiration or termination of the land lease, the ownership of the buildings and structures transfer to the Lessor with no compensation to the Chamber.

SUPPLEMENTAL INFORMATION – lease obligations

The on-going benefit associated with the lease, as described in note 6, is a reduction in rental operating costs and cash flow requirements.

**5. Unearned revenue**

Effective December 31, 2015, the Chamber settled an outstanding trade payable with a supplier. In exchange for a partnership over the next five years the supplier has agreed to forgive the balance of the debt owing. The Chamber is not obligated to make any particular volume of purchases and will amortize the forgiven debt as follows:

	<u>2019</u>	<u>2018</u>
2019 -	-	5,129
2020 -	<u>5,129</u>	<u>5,129</u>
	5,129	10,258
Prepaid membership fees	<u>46,114</u>	<u>41,414</u>
	<u>\$51,243</u>	<u>\$51,672</u>

**6. Related party transactions**

All transactions with related parties that occurred in the normal course of operations are measured at the exchange amount, which represents the fair value of the transaction.

During the year, there were expenses incurred in the normal course of business in the amount of \$20,980 (\$30,347 - 2018) by employees, directors, and/or companies related to them.

During the year, there were revenues received in the normal course of business totaling \$10,949 (\$13,732 - 2018) from related parties including employees, directors, and/or companies related to them.

Included in the Accounts Receivable balance is \$451 (\$678 - 2018) due from related parties. Included in the Accounts Payable balance is \$367 (\$1,154 - 2018) due to related parties. Payments were received and made in the normal course of operations.

**7. Subsequent Events**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. The Chamber is aware of changes in its operations as a result of the COVID-19 crisis, and while events were postponed or cancelled, and one contract staff was laid off, all employees were maintained at their full hours to support the business community during the pandemic.

It should be acknowledged that the disturbance to the 2020 fiscal year will most likely result in a significant drop in funds raised from the chamber's events. There is uncertainty about the length and potential impact of the disturbance. Although the total disruption to revenues cannot be fully quantified, given current economic conditions, management estimates the impact on chamber's membership revenue should not substantially vary from prior years and that government programs are being utilized to offset some of the lost revenue.

End of Notes