

From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>
To: "Direct to Mayor and Council - DL"
CC: "City Manager's Correspondence Group - DL"
"Impey, Patrice" <Patrice.Impey@vancouver.ca>
Date: 12/9/2019 12:07:17 PM
Subject: VEC Financial Statements
Attachments: 2018 AUDITED FINANCIAL STATEMENTS SIGNED 2018-12-31 Vancouver Economic C....pdf

Dear Mayor and Council,

As requested by a Councillor, attached is a copy of the VEC 2018 Audited Financial Statements. If you have any questions, please feel free to contact me or Patrice Impey at 604-873-7610 / Patrice.Impey@vancouver.ca.

Best,
Sadhu

Sadhu Afochs Johnston | City Manager
Office of the City Manager | City of Vancouver
604.873.7627 | sadhu.johnston@vancouver.ca

Pronouns: he, him, his



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.

Financial Statements of

VANCOUVER ECONOMIC COMMISSION

And Independent Auditors' Report thereon

Year ended December 31, 2018



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of Vancouver Economic Commission

Opinion

We have audited the financial statements of the Vancouver Economic Commission (the "Commission"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Commission 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 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 Canadian public sector accounting standards, 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Commission'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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Commission 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 19, 2019

VANCOUVER ECONOMIC COMMISSION

Statement of Financial Position

December 31, 2018, with comparative information for 2017


	Internally Restricted Fund	General Fund	2018 Total	2017 Total
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,027,304	\$ 1,027,304	\$ 1,150,660
Accounts receivable	-	97,507	97,507	42,505
Deposits and prepaid expenses	-	47,237	47,237	111,798
Interfund balances	602,236	(602,236)	-	-
	602,236	569,812	1,172,048	1,304,963
Capital assets (note 3)	-	160,836	160,836	168,663
	\$ 602,236	\$ 730,648	\$ 1,332,884	\$ 1,473,626

Liabilities and Fund Balances

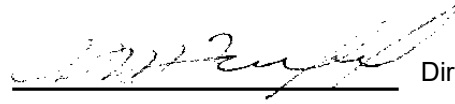
Current liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 196,066	\$ 196,066	\$ 250,208
Deferred contributions (note 4)	-	89,488	89,488	62,128
	-	285,554	285,554	312,336
Deferred lease inducement	-	133,359	133,359	169,285
Fund balances:				
Externally restricted fund	-	-	-	22,112
Internally restricted fund (note 8)	602,236	-	602,236	810,699
Unrestricted fund	-	311,735	311,735	159,194
	602,236	311,735	913,971	992,005
Commitments (note 9)				
Contractual rights (note 10)				
Economic dependence (note 12)				
	\$ 602,236	\$ 730,648	\$ 1,332,884	\$ 1,473,626

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

VANCOUVER ECONOMIC COMMISSION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Internally Restricted Fund	General Fund	2018 Total	2017 Total
Revenue:				
City of Vancouver (note 5)	\$ -	\$ 3,163,513	\$ 3,163,513	\$ 3,480,000
Special projects (note 6)	-	496,785	496,785	294,123
Interest income	-	28,057	28,057	48,044
	-	3,688,355	3,688,355	3,822,167
Expenses:				
Salaries and benefits	-	2,313,640	2,313,640	2,285,505
Rent	208,463	113,017	321,480	326,130
Contracted services	-	304,200	304,200	576,163
Business meetings	-	215,316	215,316	75,412
Business travel	-	175,053	175,053	260,209
Subscriptions and memberships	-	131,700	131,700	124,086
General and administrative (schedule)	-	121,799	121,799	124,155
Professional fees	-	63,312	63,312	44,909
Amortization	-	60,880	60,880	57,515
Communication and media	-	22,299	22,299	58,739
Sponsorships	-	22,020	22,020	99,644
Registrations	-	14,690	14,690	29,014
	208,463	3,557,926	3,766,389	4,061,481
Excess (deficiency) of revenue over expenses	\$ (208,463)	\$ 130,429	\$ (78,034)	\$ (239,314)

See accompanying notes to financial statements.

VANCOUVER ECONOMIC COMMISSION

Statement of Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

	VCAI Fund (note (2)(b)(i))	Internally Restricted Fund (note 8)	General Fund	2018 Total	2017 Total
Fund balances, beginning of year	\$ 22,112	\$ 810,699	\$ 159,194	\$ 992,005	\$ 1,231,319
Excess (deficiency) of revenue over expenses	-	(208,463)	130,429	(78,034)	(239,314)
Interfund transfers	(22,112)	-	22,112	-	-
Fund balances, end of year	\$ -	\$ 602,236	\$ 311,735	\$ 913,971	\$ 992,005

See accompanying notes to financial statements.

VANCOUVER ECONOMIC COMMISSION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (78,034)	\$ (239,314)
Items not involving cash:		
Amortization	60,880	57,515
Amortization of deferred lease inducement	(35,926)	(35,925)
	(53,080)	(217,724)
Changes in non-cash operating working capital:		
Accounts receivable	(55,002)	100,396
Deposits and prepaid expenses	64,561	(73,354)
Accounts payable and accrued liabilities	(54,142)	26,865
Deferred contributions	27,360	48,795
	(70,303)	(115,022)
Capital activities:		
Purchase of capital assets	(53,053)	(17,072)
Decrease in cash and cash equivalents	(123,356)	(132,094)
Cash and cash equivalents, beginning of year	1,150,660	1,282,754
Cash and cash equivalents, end of year	\$ 1,027,304	\$ 1,150,660

See accompanying notes to financial statements.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements

Year ended December 31, 2018

1. Operations:

The Vancouver Economic Commission (the "Commission") was created by the Council of the City of Vancouver (the "City"). The Commission is the economic development agency of the City and works to strengthen the City's economic future by helping existing businesses, attracting new businesses, researching business issues and making policy recommendations.

The Commission is incorporated under the Societies Act (British Columbia) and is classified as a tax exempt not-for-profit organization for purposes of the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(b) Fund accounting:

The resources and operations of the Commission have been segregated for accounting purposes into the following funds:

- (i) The Vancouver Capital Attraction Initiative ("VCAI") Fund accounts for revenue and expenses related to the operation of the VCAI including its program delivery and other expenses. The City had originally provided funding for VCAI. As at December 31, 2017, the VCAI program ceased to exist. Effective January 1, 2018, the City provided its approval to the Commission to use the remaining VCAI funds for general operating purposes.
- (ii) The General Fund accounts for revenue and expenses related to the operation of the Commission including its program delivery and other operating expenses.
- (ii) The Internally Restricted Fund accounts for funds internally restricted for specific use as approved by the Board of Directors (the "Board").

To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of changes in fund balances.

(c) Revenue recognition:

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

Externally restricted contributions are recognized as revenue in the related restricted fund when received or receivable if a relevant restricted fund exists. Externally restricted contributions for which a restricted fund does not exist are initially deferred and subsequently recognized as revenue in the General Fund in the year in which the related expenses are incurred.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

The Commission also receives investment income which is recorded on an accrual basis.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and financial instruments with maturity dates within 90 days of acquisition.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Useful life
Furniture and computer equipment	2-3 years
Software	3 years
Leasehold improvements	Over the term of the lease term

When a capital asset no longer contributes to the Commission's ability to provide services, its carrying amount is written down to its net realizable value.

(f) Contributed materials and services:

Contributions of materials and services are not recognized in these financial statements as such values are not readily determined.

(g) Deferred lease inducements:

Deferred lease inducements include amounts received in lease agreements related to leasehold improvements. Amortization of deferred leasehold inducements is recognized over the initial term of the lease, including any rent-free periods, on a straight-line basis against rent expense.

(h) Employee future benefits:

The Commission and its employees make contributions to the Municipal Pension Plan (the "Plan") which is a multi-employer jointly trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the Plan are not segregated by entity, the Plan is accounted for as a defined contribution plan and contributions by the Commission to the Plan are expensed as incurred.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any previously recorded unrealized gain or loss is adjusted through the Statement of remeasurement gains and losses.

The Commission does not have any financial instruments required or elected to be subsequently recorded at fair value, and as a result, the Statement of Remeasurement Gains and Losses has not been prepared.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and related disclosures. Areas requiring the use of management estimates include the determination of useful lives of capital assets for purposes of amortization, valuation of accounts receivable and provision of contingencies. Actual results could differ from those estimates.

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and computer equipment	\$ 155,267	\$ 96,920	\$ 58,347	\$ 32,869
Software	3,541	1,999	1,542	234
Leasehold improvements	178,822	77,875	100,947	135,560
	\$ 337,630	\$ 176,794	\$ 160,836	\$ 168,663

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Deferred contributions:

The Commission receives funding for various special projects from the following sources:

	Balance, beginning of year	Amounts received	Amounts recognized as revenue	Balance, end of year
Toronto-Dominion Bank	\$ -	\$ 35,000	\$ -	\$ 35,000
Ministry of Jobs, Trade and Technology	14,494	26,271	20,765	20,000
RGN Management Limited Partnership	-	20,833	2,000	18,833
Price Waterhouse Coopers LLP	-	30,000	18,000	12,000
Real Estate Foundation of BC	28,140	12,060	36,545	3,655
City Hall Sustainability Group	20,000	-	20,000	-
BC Tech Association	(506)	6,271	5,765	-
	\$ 62,128	\$ 130,435	\$ 103,075	\$ 89,488

5. City of Vancouver:

The City provides funding to the Commission. Contributions received from the City consist of the following:

	2018	2017
Core operating funding	\$ 3,100,000	\$ 3,100,000
Other project funding	63,513	80,000
VCAI funding	-	300,000
	\$ 3,163,513	\$ 3,480,000

Transactions between the Commission and the City are recorded at the exchange amounts established and agreed upon between the parties.

6. Special projects:

	2018	2017
Contributions from not-for-profit organizations	\$ 155,439	\$ 140,505
Contributions from private organizations	134,248	1,245
Federal reimbursement of program expenses	102,761	27,103
Provincial reimbursement of program expenses	70,402	106,918
Ticket revenue	33,935	18,353
	\$ 496,785	\$ 294,123

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Disclosure of remuneration:

The Societies Act (British Columbia) requires the disclosure of remuneration paid by the Commission to employees and contractors whose remuneration was at least \$75,000, and any amounts of remuneration paid by the Commission to directors.

For the fiscal year ended December 31, 2018, the Commission paid total remuneration of \$1,077,876 to the top ten employees for services, each of whom received total annual remuneration of \$75,000 or greater.

Included in remuneration is the cost of salaries and premiums for employment insurance, Canada pension plan, workers compensation, benefits including medical, dental, life insurance, long-term disability and pension.

No remuneration of \$75,000 or greater was paid to contractors for services and no remuneration was paid to any members of the Board.

8. Internally restricted fund:

In accordance with Board approval, the Commission had designated \$1,129,571 of its fund balances to finance lease expense over the period up to 2021. During the year, the Board approved the use of \$208,463 (2017 - \$208,463) to fund the current year lease expense.

	2018	2017
Balance, beginning of year	\$ 810,699	\$ 1,019,162
Less: Board approved usage	208,463	208,463
	<u>\$ 602,236</u>	<u>\$ 810,699</u>

9. Commitments:

The Commission is committed to future minimum lease payments for office space and equipment as follows:

- The Commission occupies office space under a long-term lease ending on November 30, 2021.
- The Commission is committed to lease a photocopier until October 20, 2019 with monthly rental payments of \$448 per month.

Total estimated lease payments up to the end of the lease terms are as follows:

2019	\$ 358,534
2020	363,901
2021	333,576
	<u>\$ 1,056,011</u>

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. Contractual rights:

The Commission's contractual rights arise from rights to receive payments under grant and other agreements. These funding agreements do not abnormally impact the Commission's financial position and do not guarantee the Commission the right to future funding. These amounts are not accrued in the financial statements:

2019	\$	529,725
2020		118,460
2021		178,546
2022		135,711
	\$	962,442

11. Pension plan:

The Commission and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 197,000 active members and approximately 95,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Commission paid \$164,852 (2017 - \$175,650) for employer contributions while employees contributed \$145,884 (2017 - \$154,082) to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018 with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

12. Economic dependence:

The Commission's ongoing operations depend on the funding from the City. The City funds approximately 86% (2017 - 92%) of the Commission's revenues.

13. Financial risks and concentration or risks:

(a) 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 discharge an obligation. The Commission is exposed to credit risk with respect to its accounts receivable. The Commission assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Management is of the opinion that the Commission is not exposed to any significant unusual or non-routine liquidity, currency, interest rate or other price risks or concentrations of risk resulting from its financial instruments. There has been no change to the risk exposures from 2017.

14. Comparative information:

Certain comparative information has been reclassified to conform with the presentation adopted in the current year.

VANCOUVER ECONOMIC COMMISSION

Schedule of General and Administrative Expenses

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Telecommunications	\$ 42,567	\$ 51,740
Computer technology services	34,036	36,249
Office	33,618	27,174
Office maintenance	5,814	3,675
Professional development and training	2,998	2,654
Bank charges and interest	1,524	1,421
Insurance	1,242	1,242
	<u>\$ 121,799</u>	<u>\$ 124,155</u>