



Financial Statements of

VANCOUVER ECONOMIC COMMISSION

Year Ended December 31, 2017





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Independent Auditors' Report

To the Members of Vancouver Economic Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Vancouver Economic Commission, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes and schedule, comprising 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 our 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, we consider 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 is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Vancouver Economic Commission as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Report on the Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Public Sector Accounting Standards have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads "KPMG LLP" above a horizontal line.

Chartered Professional Accountants

Burnaby, Canada
May 29, 2018

VANCOUVER ECONOMIC COMMISSION

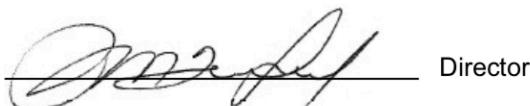
Statement of Financial Position

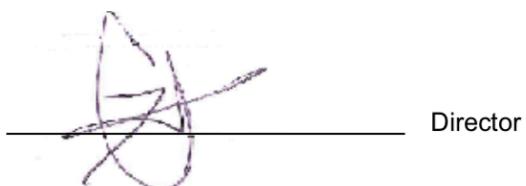
December 31, 2017, with comparative information for 2016

	VCAI Restricted Funding	General Fund	2017 Total	2016 Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 22,112	\$ 1,157,711	\$ 1,179,823	\$ 1,282,754
Accounts receivable	--	42,505	42,505	142,901
Deposits and prepaid expenses	--	82,635	82,635	38,445
	22,112	1,282,851	1,304,963	1,464,100
Capital assets (note 3)	--	168,663	168,663	209,106
	\$ 22,112	\$ 1,451,514	\$ 1,473,626	\$ 1,673,206
Liabilities & Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ --	\$ 250,208	\$ 250,208	\$ 223,344
Deferred contributions (note 4)	--	62,128	62,128	13,333
	--	312,336	312,336	236,677
Deferred lease inducement	--	169,285	169,285	205,210
	\$ 22,112	\$ 969,893	\$ 992,005	\$ 1,231,319
Net assets				
VCAI restricted	22,112	--	22,112	73,820
Lease reserve (note 8)	--	810,699	810,699	1,019,162
Unrestricted	--	159,194	159,194	138,337
	\$ 22,112	\$ 969,893	\$ 992,005	\$ 1,231,319
Commitments (note 9)				
Economic dependence (note 10)				
	\$ 22,112	\$ 1,451,514	\$ 1,473,626	\$ 1,673,206

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

VANCOUVER ECONOMIC COMMISSION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	VCAI Restricted Funding	General Fund	2017 Total	2016 Total
Revenue:				
City of Vancouver (note 5)	\$ 300,000	\$ 3,180,000	\$ 3,480,000	\$ 3,375,554
Special projects (note 6)	--	294,123	294,123	305,745
Interest income	--	48,044	48,044	14,718
	300,000	3,522,167	3,822,167	3,696,017
Expenses:				
Salaries and benefits	--	2,285,505	2,285,505	2,006,065
Contracted services	99,064	477,099	576,163	716,986
Sponsorships	57,624	42,020	99,644	131,332
Business travel	53,813	206,396	260,209	241,309
General and administrative (schedule)	1,145	123,010	124,155	179,407
Business meetings	46,280	29,132	75,412	162,039
Rent	--	326,130	326,130	241,821
Subscriptions and memberships	46,573	77,513	124,086	55,289
Communication and media	34,441	24,298	58,739	64,129
Registrations	12,768	16,246	29,014	33,093
Amortization	--	57,515	57,515	35,773
Professional fees	--	44,909	44,909	37,796
Loss on disposal of assets	--	--	--	8,687
	351,708	3,709,773	4,061,481	3,913,726
	\$ (51,708)	\$ (187,606)	\$ (239,314)	\$ (217,709)

See accompanying notes to financial statements.

VANCOUVER ECONOMIC COMMISSION

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	VCAI Restricted Funding	General Fund		2017 Total	2016 Total
		Lease Reserve	Unrestricted		
Revenue:					
Net assets, beginning of year	\$ 73,820	\$ 1,019,162	\$ 138,337	\$ 1,231,319	\$ 1,449,028
Excess (deficiency) of revenue over expenses	(51,708)	(208,463)	20,857	(239,314)	(217,709)
	\$ 22,112	\$ 810,699	\$ 159,194	\$ 992,005	\$ 1,231,319

See accompanying notes to financial statements.

VANCOUVER ECONOMIC COMMISSION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Deficiency of revenue over expenses	\$ (239,314)	\$ (217,709)
Amortization	57,515	35,773
Amortization of deferred lease inducement	(35,925)	205,210
Loss on disposal of assets	--	8,687
	<hr/> (217,724)	<hr/> (31,961)
Changes in non-cash operating working capital:		
Accounts receivable	100,396	(46,427)
Deposits and prepaid expenses	(44,191)	(37,345)
Accounts payable and accrued liabilities	26,865	(22,724)
Deferred contributions	48,795	13,333
	<hr/> (85,859)	<hr/> (61,202)
Capital transactions:		
Purchase of capital assets	(17,072)	(210,115)
	<hr/> (102,931)	<hr/> (271,317)
Changes in non-cash operating working capital:		
	1,282,754	1,554,071
Cash and cash equivalents, end of year	\$ 1,179,823	\$ 1,282,754

See accompanying notes to financial statements.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements

Year ended December 31, 2017

1. Operations:

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

The Commission is incorporated under the Society 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. The new Societies Act (British Columbia) came into effect November 28, 2016. The Society has until November 28, 2018 to transition to the new Act.

2. Significant accounting policies:

(a) Basis of presentation:

The 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.

(ii) The General Fund accounts for revenue and expenses related to the operation of the Commission including its program delivery and other operating expenses.

(c) Revenue recognition:

The Commission follows the restricted fund method of accounting for contributions relating to the VCAI fund and the deferral method for other restricted contributions.

Restricted contributions relating to the VCAI fund are recognized as revenue when received or receivable. Other restricted contributions are initially deferred and subsequently recognized as revenue in the General Fund in the year in which the related expenses are incurred.

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 interest 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.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(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

(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) Employee future benefits:

The Commission and its employees make contributions to the Municipal Pension Plan (the “Plan”) which is a multi-employer joint 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.

(h) 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.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair values are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

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.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

There are no financial instruments carried at fair value as at year end and as a result, the statement of remeasurement gains and losses has not been prepared.

(i) 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:

	2017	2016	2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and computer equipment	\$ 106,588	\$ 73,719	\$ 32,869	\$ 38,232
Software	1,406	1,172	234	703
Leasehold improvements	178,824	43,264	135,560	170,171
	\$ 286,818	\$ 118,115	\$ 168,663	\$ 209,106

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Deferred contributions:

	Balance, beginning of year	Amounts received	Amounts recognized as revenue	Balance, end of year
City of Surrey	\$ 3,333	--	\$(3,333)	--
Ministry of International Trade	10,000	--	(10,000)	--
Ministry of Jobs, Tourism and Skills Training		30,000	(30,000)	--
Ministry of Jobs, Trade and Technology		6,412	(6,918)	(506)
BC Tech Association		6,412	(6,918)	(506)
Real Estate Foundation of BC		28,140	--	28,140
Ministry of Jobs, Trade and Technology		15,000	--	15,000
City Hall – Sustainability Group	178,824	100,000	(80,000)	20,000
	\$ 13,333	\$ 185,964	\$(137,169)	\$ 62,128

5. City of Vancouver:

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

	2017	2016
Core funding	\$ 3,100,000	\$ 3,000,000
VCAI funding	300,000	300,000
Other project funding	80,000	75,554
	\$ 3,480,000	\$ 3,375,554

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

6. Special projects:

Special projects revenue consists of the following:

	2017	2016
Federal Reimbursement of Program expenses	\$ 27,103	\$ 81,955
Provincial Reimbursement of Program expenses	106,918	145,000
Contributions from private organizations	1,245	7,206
Recognition of other deferred contributions	57,169	68,500
Other contributions	101,688	3,084
	\$ 294,123	\$ 305,745

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Disclosure of remuneration:

The Societies Act (British Columbia), which became effective November 28, 2016, 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, 2017, the Commission paid total remuneration of \$1,177,278 to the top ten employees for services, each of whom received total annual remuneration of \$75,000 or greater. No remuneration was paid to directors.

8. Lease reserve:

In accordance with Board approval, the Commission designated \$1,129,571 of its net assets to finance office expansion over the period up to 2023. During the year, the Board approved the use of \$208,463 from the lease reserve to fund the current year lease expense.

	2017	2016
Balance, beginning of year	\$ 1,019,162	\$ 1,129,571
Less: Board approved usage	208,463	110,409
	\$ 810,699	\$ 1,019,162

9. Commitments:

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

- (a) The Commission occupies office space under a long-term lease ending on November 30, 2021.
- (b) 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:

2018	\$ 354,953
2019	355,251
2020	363,901
2021	333,576
	\$ 1,407,681

10. Economic dependence:

The Commission's ongoing operations depend on the funding from the City of Vancouver. The City of Vancouver funds approximately 92% (2016 - 91%) of the Commission's revenues.

VANCOUVER ECONOMIC COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Pension Plan:

The Commission and its employees contribute to the Municipal Pension Plan (the “Plan”), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the 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, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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 Municipal Pension 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 \$175,650 (2016 - \$137,678) for employer contributions while employees contributed \$154,082 (2016 - \$89,151) to the Plan in fiscal 2017.

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.

8. 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.

VANCOUVER ECONOMIC COMMISSION

Schedule of General and Administrative Expenses

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Computer technology services	\$ 36,249	\$ 37,942
Telecommunications	51,740	53,505
Office	27,174	39,484
Professional development and training	2,654	40,592
Office maintenance	3,675	5,294
Bank charges and interest	1,421	1,348
Insurance	1,242	1,242
	\$ 124,155	\$ 179,407