

Tofino Housing Corporation Inc.
Financial Statements
December 31, 2022

Tofino Housing Corporation Inc.

Contents

For the year ended December 31, 2022

| | <i>Page</i> |
|--|-------------|
| Management's Responsibility | |
| Independent Auditor's Report | |
| Financial Statements | |
| Statement of Financial Position..... | 1 |
| Statement of Operations..... | 2 |
| Statement of Changes in Net Assets..... | 3 |
| Statement of Cash Flows..... | 4 |
| Notes to the Financial Statements | 5 |

Management's Responsibility

To the Shareholder of Tofino Housing Corporation Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

MNP LLP is appointed by the shareholder to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 4, 2023



Executive Director

To the Shareholder of Tofino Housing Corporation Inc.:

Opinion

We have audited the financial statements of Tofino Housing Corporation Inc. (the "Corporation"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 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.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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.

Nanaimo, British Columbia

April 4, 2023

MNP LLP

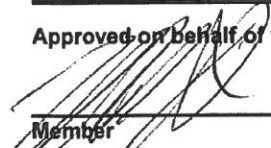
Chartered Professional Accountants

Tofino Housing Corporation Inc.
Statement of Financial Position

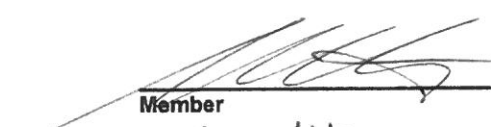
As at December 31, 2022

| | 2022 | 2021 |
|----------------------------------|------------------|------------------|
| Assets | | |
| Current | | |
| Cash | 94,452 | 167,315 |
| Accounts receivable (Note 3) | 16,797 | 56,119 |
| Land held for sale (Note 4) | 532,475 | - |
| | 643,724 | 223,434 |
| Capital assets (Note 4) | 3,533,716 | 3,845,423 |
| | 4,177,440 | 4,068,857 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals | 9,654 | 73,305 |
| Term loan due on demand (Note 5) | 115,000 | 63,665 |
| | 124,654 | 136,970 |
| Commitments | | |
| Net assets | 4,052,785 | 3,931,886 |
| Share capital (Note 6) | 1 | 1 |
| | 4,052,786 | 3,931,887 |
| | 4,177,440 | 4,068,857 |

Approved on behalf of the Board



 Member
 Melody McCorie



 Member
 Nyla Attiana

The accompanying notes are an integral part of these financial statements

Tofino Housing Corporation Inc.
Statement of Operations

For the year ended December 31, 2022

| | 2022 | 2021 |
|--|------------------|------------------|
| <hr/> | | |
| Revenue | | |
| Municipal and Regional District Tax - Online Accommodation Platform (Note 7) | 149,867 | 86,363 |
| Grants | - | 10,761 |
| Other revenue | 2,566 | 5,015 |
| | 152,433 | 102,139 |
| <hr/> | | |
| Expenses | | |
| Consulting | 17,656 | 37,900 |
| Management fees | 36,000 | 36,000 |
| Contracted services | 322,297 | 92,076 |
| Professional fees | 26,961 | 60,734 |
| Bank charges and interest | 17,368 | 611 |
| Accounting and legal | 15,013 | 14,738 |
| Travel | 2,431 | 1,982 |
| Office | 676 | 1,748 |
| | 438,402 | 245,789 |
| <hr/> | | |
| Excess (deficiency) of revenue over expenses before other items | (285,969) | (143,650) |
| <hr/> | | |
| Other items | | |
| Assumption of loan by Catalyst Community Developments Society | - | 336,933 |
| Reimbursement from Catalyst Community Developments Society | 406,868 | - |
| | 120,899 | 193,283 |
| <hr/> | | |

The accompanying notes are an integral part of these financial statements

Tofino Housing Corporation Inc.
Statement of Changes in Net Assets
For the year ended December 31, 2022

| | | |
|--|------------------|-----------|
| Net assets beginning of year | 3,931,886 | 462,603 |
| Excess of revenue over expenses | 120,899 | 193,283 |
| Land contribution | - | 3,276,000 |
| Net assets, end of year | 4,052,785 | 3,931,886 |

The accompanying notes are an integral part of these financial statements

Tofino Housing Corporation Inc.

Statement of Cash Flows

For the year ended December 31, 2022

| | 2022 | 2021 |
|---|-----------------|----------------|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| Excess of revenue over expenses | 120,899 | 193,283 |
| Assumption of loan by Catalyst Community Developments Society | - | (336,933) |
| Changes in working capital accounts | | |
| Accounts receivable | 39,322 | 188,836 |
| Accounts payable and accruals | (63,651) | 56,005 |
| Deferred contributions | - | (10,761) |
| | 96,570 | 90,430 |
| Financing | | |
| Proceeds from term loan due on demand | 434,725 | 63,665 |
| Repayment of term loan due on demand | (383,390) | - |
| | 51,335 | 63,665 |
| Investing | | |
| Purchase of capital assets | (220,768) | (122,076) |
| Increase (decrease) in cash resources | (72,863) | 32,019 |
| Cash resources, beginning of year | 167,315 | 135,296 |
| Cash resources, end of year | 94,452 | 167,315 |

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Tofino Housing Corporation Inc. (the "Corporation") was incorporated under the Business Corporations Act (British Columbia) on February 8, 2005. It was subsequently dissolved March 18, 2014 and restored May 5, 2017. The Corporation is a designated municipal corporation under Section 185 of the Community Charter, approved by the Municipal Inspector of British Columbia with the principle activity to provide affordable and attainable housing within the District of Tofino. The Corporation is a wholly owned subsidiary of the District of Tofino (the "District").

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Revenue recognition

The Corporation 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. Endowment contributions are recognized as direct increases in net assets. Land contributions are recognized as direct increases in net assets.

Municipal and Regional District Tax is recognized as a transfer from the District of Tofino on an accrual basis.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Other revenue is recognized as revenue when the services have been performed and revenue has been received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Reimbursement revenue is recognized under a cost-sharing agreement with Catalyst Community Developments Society, where the Corporation is reimbursed for consulting and other expenses incurred in the development of housing projects.

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. No election has been made in the current year.

All financial assets and liabilities are subsequently measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Corporation assesses impairment of all of its financial assets measured at cost or amortized cost. The Corporation groups assets for impairment testing when there are numerous assets affected by the same factor. When there are indications of impairment, the Corporation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Corporation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Corporation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Construction in progress and land improvements are not amortized until the capital asset is put into use. Assets under development that are intended to be sold will not be amortized.

Measurement uncertainty (use of estimates)

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Accrued liabilities are stated after a review of all amounts payable at the year end. Deferred revenue is stated after review of restrictions imposed by contributors and whether those restriction have been met during the year. Fair value of contributed land is based on the best information available at the time.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

3. Accounts receivable

| | 2022 | 2021 |
|---|---------------------|--------------|
| District of Tofino - MRDT adjustment receivable | 3,483 | - |
| Amounts receivable in excess of contractual cash contribution | 11,574 | 54,602 |
| Goods and Services Tax receivable | 1,740 | 1,517 |
| | <hr/> 16,797 | <hr/> 56,119 |

Tofino Housing Corporation Inc.
Notes to the Financial Statements
For the year ended December 31, 2022

4. Capital assets

| | | 2022 | 2021 |
|---------------------------------|------------------|-----------------------|-----------------------|
| | <i>Cost</i> | <i>Net book value</i> | <i>Net book value</i> |
| Land | 3,212,395 | 3,212,395 | 3,744,870 |
| Road - construction in progress | 196,093 | 196,093 | 33,485 |
| Land improvements | 125,228 | 125,228 | 67,068 |
| | 3,533,716 | 3,533,716 | 3,845,423 |

Land held for sale includes one property with a carrying value of \$532,475. No amortization of this asset has been recorded during the current year.

5. Term loans due on demand

| | | 2022 | 2021 |
|---|--|----------------|--------|
| RBC loan, bearing interest at Royal Bank Prime plus 0.50% per annum, interest only payments until the sale of specified land. Secured by Lots 3 & 5, Plan EPP105421, District Lot 114, Clayoquot Land District with a NBV of \$1,036,767 (2021 - \$1,036,767) | | 115,000 | 63,665 |
| | | 115,000 | 63,665 |

RBC prime at December 31, 2022 was 6.45% (2021 - 2.45%)

6. Share capital

| | | 2022 | 2021 |
|------------------------------|--|-------------|------|
| Issued | | | |
| Common shares | | | |
| 1 Common share, no par value | | 1 | 1 |
| | | | |

7. Related party transactions

Included in Municipal and Regional District Tax - Online Accommodation Platform and Grants reported in the statement of operations is a contribution of \$149,867 (2021 – \$83,363) from the District of Tofino, the only shareholder of the Corporation.

8. Income taxes

The Corporation is a not-for-profit organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes pursuant to section 149(1)(l).

9. Financial instruments

The Corporation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

10. Economic dependence

The Corporation's primary source of revenue is the District of Tofino. The funding can be cancelled if the Corporation does not comply with the Online Accommodation Platform Revenue Transfer Agreement (the "Agreement"). The Corporation's ability to continue viable operations is dependent upon maintaining its compliance with the agreement. As at the date of these financial statements the Corporation believes that it is in compliance with the agreement.

11. Significant agreements

The Corporation has the following agreements with Catalyst Community Developments Society (the "Society"):

700 Sharp Road, Tofino legally described as: Lot 1 District 132 Clayoquot District

The Society has agreed to finance and construct affordable rental housing and the Corporation has granted the Society a registered lease for a 60 year term plus potential renewals with prepaid rent of \$10.

Lot 2, District Lot 114, Clayoquot District (North)

On June 10, 2021 the Society has agreed to finance and construct affordable rental housing and the Corporation has granted the Society a registered lease for a 60 year term plus potential renewals with prepaid rent of \$10.

Lot 1, District lot 114, Clayoquot District (South)

On October 29, 2021, the Society has agreed to finance and construct affordable rental housing and the Corporation has granted the Society a registered lease for a 60 year term plus potential renewals with prepaid rent of \$10.

The Corporation has made cash contributions to the above affordable rental housing projects ("project") that are to be repaid from the operating surplus of each project. As repayment is contingent on sufficient operating surplus for the Corporation to be repaid, the cash contribution has been expensed in the financial statements in the period in which they were incurred. Cash contribution repayments will be recorded in revenue in the year in which operating surpluses become receivable to the Corporation.