Smythe CPA

TOFINO HOUSING CORPORATION INC.

Financial Statements
December 31, 2020
(Unaudited)

Smythe CPA

INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

TO THE SHAREHOLDER OF TOFINO HOUSING CORPORATION INC.

We have reviewed the accompanying financial statements of Tofino Housing Corporation Inc. (the "Company") that comprise the statement of financial position as at December 31, 2020, 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us 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 practitioners perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate 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, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Tofino Housing Corporation Inc. as at December 31, 2020, 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.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 12, 2021

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

Smythe LLP | **smythecpa.com**

TOFINO HOUSING CORPORATION INC.
Statement of Financial Position
December 31
(Unaudited)

	2020	2019
Assets		
Current		
Cash	$ 135,296	$ 118,021
Accounts receivable	189,171	-
Government remittances receivable	2,082	26,084
	326,549	144,105
Reimbursable expenses	53,702	-
Property (note 3)	539,347	92,000
	$ 919,598	$ 236,105
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 17,300	$ 128,848
Deferred revenue (note 4)	364,831	30,008
Current liabilities before callable debt	382,131	158,856
Loan payable (note 5)	336,933	-
	719,064	158,856
Fund balances		
Capital stock (note 6)	1	1
Net assets	200,533	77,248
	200,534	77,249
	$ 919,598	$ 236,105

Approved by the Board

______________________________ Member

______________________________ Member

See notes to financial statements

TOFINO HOUSING CORPORATION INC.
Statement of Operations and Changes in Net Assets
Year Ended December 31
(Unaudited)

	2020	2019
Revenues (note 4)		
Municipal Regional District Tax - Online Accomodation Platform	$ 108,217	$ 244,166
Grants	-	402,307
	108,217	646,473
Expenditures		
Consulting fees	332,107	509,749
Management fees	39,000	51,000
Accounting and legal	19,085	6,250
Office	6,003	1,679
Professional fees	5,470	10,543
Travel	3,023	4,213
Interest and bank charges	244	174
	404,932	583,608
Excess (deficiency) of revenues over expenditures before other item	(296,715)	62,865
Other item		
Interest	-	81
Excess (deficiency) of revenues over expenditures for year	(296,715)	62,946
Net assets, beginning of year	77,248	14,302
	(219,467)	77,248
Land contribution	420,000	-
Net assets, end of year	$ 200,533	$ 77,248

See notes to financial statements

TOFINO HOUSING CORPORATION INC.
Statement of Cash Flows
Year Ended December 31
(Unaudited)

	2020	2019
Operating activities		
Excess (deficiency) of revenues over expenditures	$ (296,715)	$ 62,946
Changes in non-cash working capital		
Accounts receivable	(189,171)	6,098
Government remittances receivable	24,002	(17,223)
Accounts payable and accrued liabilities	(111,548)	80,833
Deferred revenue	334,823	(247,299)
Reimbursable expenses	(53,702)	-
	4,404	(177,591)
Cash used in operating activities	(292,311)	(114,645)
Investing activities		
Increase in land improvements	-	(92,000)
Increase in land	(27,347)	-
Cash used in investing activities	(27,347)	(92,000)
Financing activity		
Proceeds of loan payable	336,933	-
Inflow (outflow) of cash	17,275	(206,645)
Cash, beginning of year	118,021	324,666
Cash, end of year	$ 135,296	$ 118,021
Supplemental cash flow information		
Land transferred from District of Tofino	$ 420,000	$ -

See notes to financial statements

1. OPERATIONS

Tofino Housing Corporation Inc. (the "Company) 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 Company is a designated municipal corporation under the Section 185 of the Community Charter, approved by the Municipal Inspector of British Columbia with the principal activity to provide affordable and attainable housing within the District of Tofino. The Company is a wholly owned subsidiary of the District of Tofino (the "District").

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies.

(a) Impairment of long-lived assets

The Company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(b) Revenue recognition

The Company follows the deferral method of accounting for contributions.

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

Grant income is recognized as revenue when received and grant conditions have been fulfilled.

Revenues with external restrictions are recognized as revenue in the year in which the related expenses are incurred.

Contributions for capital are deferred until the assets are purchased and are then amortized on the same basis as the assets.

Revenues from the sale of goods and services are recognized when the service has been provided or at the point of sale.

(c) Income taxes

The Company is a not-for-profit organization and is exempt from the income tax pursuant to section 149(1)(l) of the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(d) Accounting estimates

The preparation of these financial statements in conformity with ASNPO requires management 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 the reported amounts of revenues and expenses during the reporting period. Significant estimates include the recoverability of accounts receivable, the balance of accrued liabilities and the balance of deferred revenue. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(e) Financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Company subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and reimbursable expenses.

Financial liabilities measured at amortized cost include accounts payable and loan payable.

(f) Related parties

Related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

3. PROPERTY

	2020			2019
	Cost	**Accumulated amortization**	**Net**	**Net**
Land	$ 447,347	$ -	$ 447,347	$ -
Land improvements	92,000	-	92,000	92,000
	$ 539,347	$ -	$ 539,347	$ 92,000

Land is held for the purpose of providing affordable housing in the District of Tofino.

4. DEFERRED REVENUE

	Balance, beginning of year	Received or Receivable	Recognized	Balance, end of year
Capital reserve funds Sea Otter	$ -	$ 64,911	$ -	$ 64,911
Capital reserve funds Gateway	-	189,171	-	189,171
MRDT - OAP	30,008	188,958	(108,217)	110,749
	$ 30,008	$ 443,040	$ (108,217)	$ 364,831

5. LOAN PAYABLE

A loan of $336,933 (2019 - $nil) was obtained from British Columbia Housing Management Commission (BC Housing) for the construction of affordable housing projects. This loan is guaranteed by the District of Tofino. The loan is unsecured, interest-free and no principal payments are required until the earlier of:

- written demand being made by BC Housing to the Company, or
- August 20, 2023

6. CAPITAL STOCK

	2020	2019
Issued		
1 Common share, no par value	$ 1	$ 1

7. CONTRACTUAL OBLIGATION

During the year the Company entered into a ground lease with Catalyst Community Developments Society (Catalyst) for land for a sum of $10 and other costs as agreed upon by both parties. In exchange, Catalyst will construct and manage an affordable housing project. The term of the lease is sixty years.

8. FINANCIAL INSTRUMENTS

(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 Company is exposed to credit risk with respect to its cash, accounts receivable and reimbursable expenses. Credit risk related to cash is mitigated as the amounts are held with a major Canadian financial institution. Credit risk related to accounts receivable and reimbursable expenses is mitigated as the Company enters into credit agreements with credit worthy counterparts.

8. FINANCIAL INSTRUMENTS — continued

(b) Liquidity risk

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

The Company is exposed to this risk mainly in respect of its accounts payable and loan payable. Cash flow from operations provides a substantial portion of the Company’s cash requirements.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk consist of two components:

(i) To the extent that prevailing market interest rates differ from the interest rate on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

(ii) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

The Company is not exposed to interest rate cash flow risk or interest rate price risk due to the short-term nature of its financial instruments.

9. ECONOMIC DEPENDENCE

The Company is economically dependent on the District. The Company received 100% (2019 - 100%) of its total operating revenues from the District.

10. COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. This resulted in economic effects on global markets due to the ongoing disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing).

The Company adapted its operations to mitigate the financial impact of COVID-19; however, the impact of the pandemic on the Company's future operations cannot be reliably estimated at this time.