

Ontario Tourism Marketing Partnership Corporation
(operating as Destination Ontario)
Financial Statements
For the Year Ended March 31, 2020

**Ontario Tourism Marketing
Partnership Corporation**

(operating as Destination Ontario)

Financial Statements

For the year ended March 31, 2020

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Ontario Tourism Marketing Partnership Corporation

(operating as Destination Ontario)

Management Report

The accompanying financial statements are the responsibility of the management of the Ontario Tourism Marketing Partnership Corporation. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by BDO Canada LLP, a firm of independent external auditors appointed by the Board of Directors, whose report follows.



Lisa LaVecchia
President and CEO
June 24, 2020



Ronald Ting
Treasurer
June 24, 2020



Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

**To the Board of Directors of
Ontario Tourism Marketing Partnership Corporation**

Opinion

We have audited the accompanying financial statements of Ontario Tourism Marketing Partnership Corporation (operating as Destination Ontario (the "Corporation")), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and the results of its 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 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 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.

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.



Independent Auditor's Report (Continued)

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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 24, 2020

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Statement of Financial Position

	March 31 2020 (\$ 000)	March 31 2019 (\$ 000)
ASSETS		
Current		
Cash	6,581	11,517
Accounts receivable	1,314	916
Prepaid expenses	7	359
	<u>7,902</u>	<u>12,792</u>
Capital assets (Note 3)	<u>1,121</u>	<u>2,687</u>
	<u>9,023</u>	<u>15,479</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	2,722	4,855
Obligation for retirement benefits (Note 2h)	177	309
Deferred revenue (Note 4)	-	9
	<u>2,899</u>	<u>5,173</u>
Obligation for retirement benefits (Note 2h)	<u>1,330</u>	<u>1,528</u>
Deferred capital contributions (Note 5)	<u>121</u>	<u>231</u>
	<u>1,451</u>	<u>1,759</u>
	<u>4,350</u>	<u>6,932</u>
Net assets		
Unrestricted fund	3,673	6,091
Investment in capital assets	1,000	2,456
	<u>4,673</u>	<u>8,547</u>
	<u>9,023</u>	<u>15,479</u>

Approved on behalf of the board:


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The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Statement of Operations

For the year ended March 31	2020	2019
	(\$ 000)	(\$ 000)
Revenues		
Province of Ontario Grant (Note 6)	33,415	38,132
Travel Information Centres - sales and rentals	968	1,093
Interest income	273	223
Advertising sales	222	1,249
Amortization of deferred capital contribution	119	185
Trade promotions	101	280
	35,098	41,162
Expenses		
Advertising and marketing	17,287	17,450
Administration (Note 7)	7,525	7,460
Travel Information Centres (Note 8)	6,067	6,035
Tourism Consumer Information System (Note 9(b))	4,888	4,144
Amortization of capital assets	1,611	2,146
Partnerships and sales	966	581
Research	620	221
Board and committee expenses (Note 10)	8	27
	38,972	38,064
(Deficiency) excess of revenues over expenses	(3,874)	3,098

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Statement of Changes in Net Assets

For the year ended March 31

	Unrestricted Fund (\$ 000)	Investment in Capital Assets (\$ 000)	2020 Total (\$ 000)	2019 Total (\$ 000)
Net assets , beginning of year	6,091	2,456	8,547	5,449
(Deficiency) excess of revenues over expenditures for the year	(2,382)	(1,492)	(3,874)	3,098
Purchase of capital assets, net	(36)	36	-	-
Net assets , end of year	3,673	1,000	4,673	8,547

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Statement of Cash Flows

For the year ended March 31	2020	2019
	(\$ 000)	(\$ 000)
OPERATING		
(Deficiency) excess of revenues over expenses	(3,874)	3,098
Add (less) non-cash items:		
Amortization of deferred capital contributions	(119)	(185)
Amortization of capital assets	1,611	2,146
Obligation for retirement benefits	(330)	(23)
	(2,712)	5,036
Change in non-cash working capital	(2,188)	(1,038)
	(4,900)	3,998
CAPITAL		
Capital asset additions	(45)	(152)
Deferred capital contributions	9	91
	(36)	(61)
(Decrease) increase in cash during the year	(4,936)	3,937
Cash, beginning of year	11,517	7,580
Cash, end of year	6,581	11,517

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2020

1. NATURE OF CORPORATION

The Ontario Tourism Marketing Partnership Corporation (the "Corporation") was established as a corporation without share capital on November 30, 1998 pursuant to Ontario Regulation 618/98 made under the *Development Corporations Act*. The Regulation was amended by Ontario Regulation 271/04 in September, 2004 to extend the mandate of the Corporation indefinitely. The Corporation commenced active operations on April 1, 1999. In the fall of 2017, the organization announced a new corporate operating name, Destination Ontario (DO). The Ontario Tourism Marketing Partnership Corporation (OTMPC) will continue to be the official legal name of the organization. The objects of the Ontario Tourism Marketing Partnership Corporation (operating as Destination Ontario) are:

- (a) to market Ontario as a travel destination;
- (b) to undertake joint marketing initiatives with the tourism industry;
- (c) to support and assist the marketing efforts of the tourism industry; and
- (d) in co-operation with the tourism industry, the Government of Ontario, other governments and other agencies of governments, to promote Ontario as a travel destination.

The Corporation enters into agreements with private and public sector partners in order to add value to tourism marketing programs. The Corporation tracks the dollar value (leverage, in-kind) of such agreements to demonstrate the impact of the Corporation's investment on the partnered marketing programs. However, related partner revenues and expenses are not included in the Corporation's financial statements.

The Corporation is a not-for-profit organization, and thus not subject to income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are the representations of management and are prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 series of standards contained in the Chartered Professional Accountants (CPA) Canada handbook.

(b) Revenue Recognition

The Corporation follows the deferral method of accounting for revenues.

Province of Ontario Grant

The Corporation is funded primarily by the Province of Ontario. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in a subsequent period.

Advertising Sales and Travel Information Centers – sales and rentals

Revenue from Advertising sales and Travel Information Centres – sales and rentals are recognized in the period in which the service is provided or the program is run, the amount can be reasonably estimated and collection is reasonably assured.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Income

Interest income is recognized in the period in which it is earned.

Trade Promotions & Other

Trade Promotions and Other revenue items are recognized in the period in which they relate, when the amount can be reasonably estimated and collection is reasonably assured.

(c) Partner Support

The Corporation benefits from donated services provided by the tourism industry, such as transportation costs (airline and bus tickets), and accommodation and meal costs (discounted or free hotel rooms and restaurant charges). Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(d) Capital Assets

All capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the asset, with half a year amortization taken in the year of acquisition and disposition. All capital assets are amortized over three to five years.

(e) Deferred Capital Contributions

Deferred capital contributions represent amounts received from the Ministry of Tourism and Culture and Sport to finance the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the related assets.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

(g) Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, liquidity or credit risks arising from its financial instruments.

Financial instruments are recorded at cost when acquired or issued. In subsequent periods, investments traded in an active market are reported at fair value. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements**March 31, 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Retirement Benefits**

The costs of any legislated severance under *the Public Service Act of Ontario* and earned by employees are recognized when earned by eligible employees. During the year, the obligation was decreased by \$330,000 (2019 – decreased by \$23,000) based on assumptions derived from the December 31, 2019 actuarial valuation completed by the Province of Ontario. The liability is calculated using management's best estimate of future inflation rates and other underlying assumptions. The liability calculated using the projected benefit method and the following assumptions approximates \$1,507,000 (2019 - \$1,837,000). The discount factor used was 0.73 (2019 – 0.82) and the estimated average years to retirement was 9.0 years (2019 – 6.0 years).

The current portion of the obligation for retirement benefits represents the staff retirements in the next fiscal period.

(i) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows;

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

3. CAPITAL ASSETS

	2020		2019	
	(\$ 000)		(\$ 000)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture	441	401	396	396
Leasehold improvements	2,708	2,553	2,708	2,422
Tourism Consumer Information System	15,657	14,731	15,657	13,256
	18,806	17,685	18,761	16,074
Cost less accumulated amortization		1,121		2,687

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2020

4. DEFERRED REVENUE

	2020 (\$ 000)	2019 (\$ 000)
Ministry of Tourism, Culture and Sport		
OTICS – Capital assets	-	2
Advertising programs	-	7
	-	9

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received relating to acquisition of capital assets:

	2020 (\$ 000)		2019 (\$ 000)	
	Contributions	Accumulated Amortization	Contributions	Accumulated Amortization
Contributions received	978	857	969	738
Contributions less accumulated amortization		121		231

6. REVENUE: PROVINCE OF ONTARIO

The Corporation received funding that is recognized as revenue from the Province as follows:

	2020 (\$ 000)	2019 (\$ 000)
Core funding	32,968	37,968
MSA Website Accessibility	189	-
Summer Experience Program	138	164
TEI/VEP Funding	120	-
	33,415	38,132

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2020

7. ADMINISTRATIVE EXPENSES

Certain costs of administration such as legal and human resources support services were provided by the Ministry of Tourism, Culture and Sport without charge. All other administrative expenses are borne by the Corporation and are as follows:

	2020 (\$ 000)	2019 (\$ 000)
Salaries and benefits	6,176	6,627
Lease	824	432
Services	240	114
Supplies and equipment	184	191
Transportation and communications	101	96
	<u>7,525</u>	<u>7,460</u>

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province. These plans are accounted for as defined contribution plans, as the Corporation has insufficient information to apply defined benefit plan accounting to these pension plans. Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of \$489,000 (2019 – \$491,000).

Costs of post-retirement non-pension employee benefits are paid by the Management Board Secretariat and are not included in administrative expenses.

8. TRAVEL INFORMATION CENTRES

The expenditures for the Travel Information Centres are as follows:

	2020 (\$ 000)	2019 (\$ 000)
Salaries and benefits	3,039	3,058
Lease	1,342	1,361
Merchandise for sale	688	921
Supplies and equipment	470	72
Services	469	531
Transportation and communications	59	92
	<u>6,067</u>	<u>6,035</u>

Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of \$171,000 (2019 - \$174,000).

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2020

9. TOURISM CONSUMER INFORMATION SYSTEM REDEVELOPMENT AND COMMITMENTS

- a) After a competitive procurement process in 2017, ESIT Canada Enterprise Services Co. (ESIT) has been awarded a five year contract as the service provider for hosting, operations, maintenance and redevelopment of the Tourism Consumer Information System. During the year, \$4,888,000 was paid out against the total committed amount to ESIT of \$21,242,000.
- b) During the year, total costs incurred for the Tourism Consumer Information System amounted to \$4,888,000 (2019 - \$4,144,000) of which \$Nil (2019 - \$Nil) was charged directly to the Special Projects Fund and \$Nil (2019 - \$Nil) was capitalized to the Investment in Capital Assets.
- c) The Corporation has various operating leases for its premises and advertising. The minimum annual payments for the next four years are as follows:

	<u>(\$ 000)</u>
2021	1,173
2022	1,095
2023	1,095
2024	185
	<u>3,548</u>

10. BOARD AND COMMITTEE EXPENSES

Board and committee members do not receive per diems. Board and committee members are reimbursed for meal and travel expenses incurred to attend board of directors and related committee meetings, consistent with the OPS Travel, Meals and Hospitality directive.

11. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world.

On March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. The Corporation continues to operate focused on delivering marketing activities to support the tourism industry, which has been severely impacted by COVID-19.

If the impacts of COVID-19 continue, there could be further impact on the Corporation that could affect the Corporation's future funding. At this time, the full potential impact of COVID-19 on Destination Ontario is not known.