

Ontario Tourism Marketing Partnership Corporation

(operating as Destination Ontario)

Financial Statements

For the Year Ended March 31, 2019

**Ontario Tourism Marketing
Partnership Corporation**

(operating as Destination Ontario)

Financial Statements

For the year ended March 31, 2019

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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 4, 2019



Ronald Ting
Treasurer
June 4, 2019



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, 2019, 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, 2019, 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.



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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 4, 2019

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Statement of Financial Position

	March 31 2019 (\$ 000)	March 31 2018 (\$ 000)
ASSETS		
Current		
Cash	11,517	7,580
Accounts receivable	916	857
Prepaid expenses	359	94
	<u>12,792</u>	<u>8,531</u>
Capital assets (Note 3)	<u>2,687</u>	<u>4,681</u>
	<u>15,479</u>	<u>13,212</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	4,855	5,478
Obligation for retirement benefits (Note 2h)	309	-
Deferred revenue (Note 4)	9	100
	<u>5,173</u>	<u>5,578</u>
Obligation for retirement benefits (Note 2h)	<u>1,528</u>	<u>1,860</u>
Deferred capital contributions (Note 5)	<u>231</u>	<u>325</u>
	<u>1,759</u>	<u>2,185</u>
	<u>6,932</u>	<u>7,763</u>
Net assets		
Unrestricted fund	6,091	922
Special projects fund	-	171
Investment in capital assets	2,456	4,356
	<u>8,547</u>	<u>5,449</u>
	<u>15,479</u>	<u>13,212</u>

Approved on behalf of the board:





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	2019	2018
	(\$ 000)	(\$ 000)
Revenues		
Province of Ontario Grant (Note 6)	38,132	37,156
Advertising sales	1,249	2,719
Travel Information Centres - sales and rentals	1,093	1,092
Trade promotions	280	208
Interest income	223	90
Amortization of deferred capital contribution	185	186
	41,162	41,451
Expenses		
Advertising and marketing	17,450	21,394
Administration (Note 7)	7,460	7,915
Travel Information Centres (Note 8)	6,035	5,798
Tourism Consumer Information System (Note 9(b))	4,144	3,852
Amortization of capital assets	2,146	2,101
Partnerships and sales	581	592
Research	221	406
Board and committee expenses (Note 10)	27	48
	38,064	42,106
Excess (deficiency) of revenues over expenses	3,098	(655)

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)	Special Projects Fund (\$ 000)	Investment in Capital Assets (\$ 000)	2019 Total (\$ 000)	2018 Total (\$ 000)
Net assets , beginning of year	922	171	4,356	5,449	6,262
Excess (deficiency) of revenues over expenditures for the year	5,059	-	(1,961)	3,098	(655)
Transfer of reserve for TCIS redevelopment project	171	(171)	-	-	-
TCIS redevelopment expenses	-	-	-	-	(158)
Purchase of capital assets, net	(61)	-	61	-	-
Net assets , end of year	6,091	-	2,456	8,547	5,449

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	2019	2018
	(\$ 000)	(\$ 000)
OPERATING		
Excess (deficiency) of revenues over expenses	3,098	(655)
Add (less) non-cash items:		
Amortization of deferred capital contributions	(185)	(186)
Amortization of capital assets	2,146	2,101
Obligation for retirement benefits	(23)	138
	5,036	1,398
TCIS Redevelopment Expenses – Special Project Fund	-	(158)
Change in non-cash working capital	(1,038)	1,737
	3,998	2,977
CAPITAL		
Capital asset additions	(152)	(456)
Deferred capital contributions	91	62
	(61)	(394)
Increase in cash during the year	3,937	2,583
Cash, beginning of year	7,580	4,997
Cash, end of year	11,517	7,580

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, 2019

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

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Notes to Financial Statements

March 31, 2019

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, 2019**

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 \$23,000 (2018 – increased by \$138,000) based on assumptions derived from the March 31, 2016 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 \$1,837,000 (2018 - \$1,860,000). The discount factor used was 0.82 (2018 – 0.79) and the estimated average years to retirement was 6.0 years (2018 – 7.0 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

	2019		2018	
	(\$ 000)		(\$ 000)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture	396	396	396	396
Leasehold improvements	2,708	2,422	2,556	2,231
Tourism Consumer Information System	15,657	13,256	15,657	11,301
	18,761	16,074	18,609	13,928
Cost less accumulated amortization		2,687		4,681

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
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Notes to Financial Statements

March 31, 2019

4. DEFERRED REVENUE

	2019 (\$ 000)	2018 (\$ 000)
Ministry of Tourism, Culture and Sport		
OTICS – Capital assets	2	93
Advertising programs	7	7
	9	100

5. DEFERRED CAPITAL CONTRIBUTIONS

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

	2019 (\$ 000)		2018 (\$ 000)	
	Contributions	Accumulated Amortization	Contributions	Accumulated Amortization
Contributions received	969	738	1,810	1,485
Contributions less accumulated amortization		231		325

6. REVENUE: PROVINCE OF ONTARIO

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

	2019 (\$ 000)	2018 (\$ 000)
Core funding	37,968	36,968
Fun Pass	-	30
Ontario Travel Centres Capital	-	39
Summer Experience Program	164	119
	38,132	37,156

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements**March 31, 2019**

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:

	2019	2018
	(\$ 000)	(\$ 000)
Salaries and benefits	6,627	6,753
Lease	432	621
Supplies and equipment	191	21
Services	114	391
Transportation and communications	96	129
	<u>7,460</u>	<u>7,915</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 \$491,000 (2018 – \$470,000).

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:

	2019	2018
	(\$ 000)	(\$ 000)
Salaries and benefits	3,058	2,822
Lease	1,361	1,344
Merchandise for sale	921	818
Services	531	578
Transportation and communications	92	196
Supplies and equipment	72	40
	<u>6,035</u>	<u>5,798</u>

Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of \$174,000 (2018 - \$179,000).

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

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Notes to Financial Statements

March 31, 2019

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, \$4,144,000 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 \$4,144,000 (2018 - \$4,404,000) of which \$Nil (2018 - \$158,000) was charged directly to the Special Projects Fund and \$Nil (2018 - \$394,000) 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>
2019	1,123
2020	1,022
2021	1,058
2022	741
	<u>3,944</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.