Financial Statements

Tofino Destination Management Association

December 31, 2022

Contents

Grant Thornton LLP
Suite 650
1675 Douglas Street
Victoria, BC
V8W 2G5

T +1 250 383 4191
F +1 250 381 4623
www.GrantThornton.ca

Independent Auditor's Report

To the Members of
Tofino Destination Management Association

Opinion

We have audited the financial statements of Tofino Destination Management Association, 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 Organization 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 Organization 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.

Other matter

The financial statements of the Organization for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 22, 2022.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Report on other legal and regulatory requirements

As required by the BC *Societies Act*, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Grant Thornton LLP

Victoria, Canada
March 23, 2023

Chartered Professional Accountants

Tofino Destination Management Association
Statement of Operations

Year ended December 31	**2022**	2021
Revenues		
Municipal and Regional District Tax	**$ 1,971,831**	$ 1,412,101
Provincial and federal government grants	**46,510**	269,608
Retail Sales (Note 5)	**204,170**	144,736
Other	**13,885**	8,452
Interest income	**114**	294
	2,236,510	1,835,191
Expenditures		
Advertising, promotion, and programs	**653,152**	565,725
Amortization on new visitor centre	**92,395**	92,469
Amortization on property and equipment	**13,772**	16,297
Bank and interest charges	**11,458**	8,634
General and administrative	**158,478**	104,584
Loan interest	**14,536**	24,729
Professional fees	**14,878**	31,039
Rent	**21,672**	22,048
Repairs and maintenance	**30,869**	30,941
Research and product development	**11,290**	29,950
Retail cost of good sold (Note 5)	**88,662**	69,235
Training and development	**24,123**	1,826
Wages and benefits	**535,705**	539,492
	1,670,990	1,536,969
Excess of revenues over expenditures	**$ 565,520**	$ 298,222

Tofino Destination Management Association
Statement of Changes in Net Assets
Year ended December 31

	Operating Fund	Invested in property and equipment	Operating Contingency Fund	Internally Restricted Building Fund	**Total 2022**	Total 2021
Balance, beginning of year	$ 519,447	$ 336,975	$ 203,150	$ 100,150	**$ 1,159,722**	$ 861,500
Excess of revenues over expenditures	565,406	-	76	38	**565,520**	298,222
Additions to visitors centre	(48,257)	48,257	-	-	**-**	-
Purchases of property and equipment	(20,335)	20,335	-	-	**-**	-
Repayment of loan payable	(300,000)	300,000	-	-	**-**	-
Amortization of property and equipment	13,772	(13,772)	-	-	**-**	-
Amortization of new visitor centre	92,395	(92,395)	-	-	**-**	-
Amortization of MRDT deferred for new visitor centre	(130,926)	130,926	-	-	**-**	-
Balance, end of year	**$ 691,502**	**$ 730,326**	**$ 203,226**	**$ 100,188**	**$ 1,725,242**	$ 1,159,722

See accompanying notes to the financial statements.

Tofino Destination Management Association
Statement of Financial Position

December 31	2022	2021
Assets (Note 9)		
Current		
Cash	**$ 1,972,560**	$ 921,947
Accounts receivable (Note 4)	**177,646**	196,035
GST receivable	**19,482**	74,406
Prepaids and deposits	**19,279**	8,217
Inventory (Note 5)	**60,683**	48,853
	2,249,650	1,249,458
Long-term		
Restricted cash (Note 6)	**303,424**	303,300
New visitors centre (Note 7)	**1,851,228**	1,895,366
Property and equipment (Note 8)	**36,380**	29,817
	2,191,032	2,228,483
	$ 4,440,682	$ 3,477,941

Tofino Destination Management Association
Statement of Financial Position

December 31	2022	2021
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	**$ 97,506**	$ 69,434
Loan payable (Note 9)	**75,000**	375,000
	172,506	444,434
Long-term		
MRDT deferred for new visitor centre (Note 10)	**673,704**	285,577
Deferred capital contributions (Note 10)	**1,869,230**	1,588,208
	2,542,934	1,873,785
	2,715,440	2,318,219
Net assets		
Operating Fund	**691,502**	519,447
Invested in property and equipment	**730,326**	336,975
Internally restricted operating contingency fund	**203,226**	203,150
Internally restricted building maintenance fund	**100,188**	100,150
	1,725,242	1,159,722
	$ 4,440,682	$ 3,477,941

Commitment (Note 11)
Contingent liabilities (Note 12)

On behalf of the Board

______________________ Director ______________________ Director

See accompanying notes to the financial statements.

Tofino Destination Management Association
Statement of Cash Flows

Year ended December 31	2022	2021
Increase (decrease) in cash		
Operating		
Excess of revenues over expenditures	**$ 565,520**	$ 298,222
Items not affecting cash		
Amortization on new visitor centre	**92,395**	92,469
Amortization property and equipment	**13,772**	16,297
	671,687	406,988
Change in non-cash working capital items		
Accounts receivable	**18,389**	(57,694)
GST receivable	**54,924**	(18,442)
Prepaids and deposits	**(11,062)**	1,545
Inventory	**(11,830)**	(14,735)
Accounts payable and accrued liabilities	**28,072**	(4,170)
	750,180	313,492
Financing		
Repayment of loan payable	**(300,000)**	(375,000)
Investing		
Increase in restricted cash	**(124)**	(171,295)
New visitors centre	**(48,257)**	-
Purchase of property and equipment	**(20,335)**	(3,959)
MRDT deferred revenue for new visitor centre	**388,127**	308,824
Deferred capital contributions	**281,022**	128,749
	600,433	262,319
Increase in cash	**1,050,613**	200,811
Cash		
Beginning of year	**921,947**	721,136
End of year	**$ 1,972,560**	$ 921,947

1. Nature of operations

Tofino Destination Management Association (the "Association") is a not-for-profit organization incorporated under the *Societies Act* (British Columbia). The principal business of the Association is to market and promote and manage responsible tourism in Tofino with the goal of increasing tourism-related visitation and revenues (primarily in non-peak seasons), managing visitor information, supporting events and festivals and conducting destination management initiatives that enhance the visitor experience.

2. Significant accounting policies

The financial statements for the Association 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.

Net assets

The Association internally segregates its net assets into the following funds:

(i) Operating fund - Contains the operating costs related to the Association.
(ii) Invested in property and equipment - Contains the Association's property and equipment and incurs the expenses related to amortization.
(iii) Internally restricted operating contingency fund - Contains internally restricted funds allocated to the continuation of the Association in the event of an unexpected reduction in revenues.
(iv) Internally restricted building maintenance fund - Contains internally restricted funds allocated to the repairs and maintenance of the new visitors centre.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Amortization

Purchased property and equipment and new visitors centre are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if the fair value can be reasonably determined.

Amortization is provided using the following methods at rates intended to amortize the cost of the assets over their useful lives:

New visitors centre	25 years Straight-line
Furniture and fixtures	20% Declining balance
Computer equipment	55% Declining balance
Vehicles	5 years Straight-line

2. Significant accounting policies (continued)

Impairment of long-lived assets

The Association tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Revenue recognition

The Association 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.

The Association recognized funds from the District of Tofino (the "District") for the Municipal and Regional District Tax ("MRDT") in the year the District recognizes it as revenue from the provincial government. As a result there is a delay between the collection from the local resorts and recognition of revenue.

Grant income is recognized 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 purchases are deferred until the assets are purchased and are then amortized on the same basis as the assets.

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

Income taxes

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

Accounting estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revisions. Many items in the preparation of these financial statements require management’s best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include, among others, the recoverability of accounts receivable, valuation of inventory, useful life of new visitors centre and the balance of the related obligation, useful lives of property and equipment, and the balance of accrued liabilities.

2. Significant accounting policies (continued)

Contributions

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Association's operations and would otherwise have been purchased.

Financial instruments

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

Financial assets measured at amortized cost include unrestricted and internally restricted cash and accounts receivable.

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

3. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to 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 the obligation.

The Association is exposed to credit risk with respect to its unrestricted and internally restricted cash and accounts receivable. Credit risk related to unrestricted and restricted cash is mitigated as the amounts are held with major Canadian financial institutions. Credit risk related to accounts receivable is mitigated as the Association enters into credit agreements with credit worthy counterparts including the District.

(b) Liquidity risk

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

The Association 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 Association's cash requirements. Additional cash requirements are met with the use of the available operating line of credit.

3. Financial instruments (continued)

(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 consists of two components:

(i) To the extent that the prevailing market interest rates differ from the interest rates on the Association's monetary assets and liabilities the Association is not exposed to interest price risk.

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

The Association is exposed to interest rate cash flow risk on its variable rate loan payable which is subject to a floating interest rate linked to the lender's prime rate.

4. Accounts receivable

Included in accounts receivable are MRDT receivable of $167,861 (2021 - $191,244) and trade accounts receivable of $9,785 (2021 - $4,791).

5. Inventory

During the year, $88,662 (2021 - $69,235) of inventory was recorded in expenses as retail cost of sales.

6. Restricted cash

As at December 31, 2022, $303,424 (2021 - $303,300) of cash was restricted by the Board. Of that balance, $203,233 (2021 - $203,150) was restricted for the purpose of an operating contingency and $100,191 (2021 - $100,150) was restricted for the purpose of a building maintenance fund.

7. New visitors centre

			2022	2021
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
New visitors centre	$ 2,179,179	$ 327,951	**$ 1,851,228**	$ 1,895,366

8. Property and equipment

			2022	2021
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Furniture and fixtures	$ 60,608	$ 28,664	**$ 31,944**	$ 18,800
Computer equipment	40,550	38,114	**2,436**	5,414
Vehicles	38,026	36,026	**2,000**	5,603
	$ 139,184	$ 102,804	**$ 36,380**	$ 29,817

9. Credit Facilities

The Association has an available non-revolving term construction loan of $75,000 (2021 - $375,000) bearing interest at the bank's prime rate plus 0.87% (2021 - prime plus 0.87%) per annum with monthly payments of $75,000 (2021 - $75,000) plus interest, due December 31, 2022 and an operating line of credit of $200,000 (2021 - $200,000) bearing interest at the bank's prime rate plus 1.25% (2021 - prime plus 1.25%) per annum. The aggregate funds drawn on the above facilities shall not exceed $575,000. The facilities are secured by a general security agreement over the assets of the Association. As at December 31, 2022, the Association has drawn $75,000 (2021 - $375,000) on the non-revolving term construction loan and $nil (2021 - $nil) on the operating line of credit.

The Association also has a Visa credit card authorized to $30,000 (2021 - $30,000). As at December 31, 2022 the Association has drawn $7,410 (2021 - $6,990). This balance is included in accounts payable and accrued liabilities.

10. MRDT deferred for new visitor centre

The deferred capital contributions consists of 0.8% of the total MRDT revenues that are restricted for the purpose of paying the principal and interest on the loan received to build the new visitors centre in Tofino. The deferred capital contribution is recognized into revenue at the same rate as the amortization of the new visitors centre.

The remaining balance of the 0.8% of the total MRDT that is not fully utilized during the year is recorded as MRDT deferred for new visitors centre and will be used in the subsequent year to pay the principal and interest on the loan.

Of the 3% MRDT collected from the guests of fixed roof accommodations, the Association receives 2.8% and the Province of BC retains 0.2% to fund the provincial Tourism Events Program. MRDT generated by online accommodation platforms, such as Airbnb, flows to the District of Tofino for affordable housing initiatives and is not included in these financial statements.

11. Commitment

In 2019, the Association entered into a 25-year land lease with the District beginning June 1, 2019 ending on May 30, 2044. The annual rent in the year was $21,672 and is adjusted in subsequent years by the previous year's rent of $22,048, increased by the cumulative increase in Core Consumer Price Index of the previous 12 months.

Annual rent in subsequent years may be reduced proportionately should the Association request the leased area be reduced and the District of Tofino agrees to the reduction. The Association can request the reduction once the site has been operational for 24 months.

12. Contingent liabilities

In 2022, a review of the 2021 MRDT collected by the Province of BC and remitted to the Association revealed that the amount received may include MRDT generated by online platforms which is supposed to flow to the District

As at the reporting date of the financial statements, the balance of potential overpayment cannot be reasonably estimated and has yet to be confirmed that the Society was overpaid; therefore, it has not been accrued.

13. Economic Dependence

The Association is economically dependent on the MRDT revenue received from the provincial government. The Association received 88% (2021 - 77.0%) of its total operating revenues and 100% (2021 - 100%) of the MRDT deferred for the new visitors centre from the MRDT revenue

14. Destination Marketing and Tourism Development Agreement with the District of Tofino

An agreement was signed May 15, 2017 with the District requiring the District to forward the hotel room tax (MRDT) funds collected from June 1, 2017 up to and including May 31, 2022 to the Association. In 2022 the agreement was renewed requiring the District to forward the hotel room tax (MRDT) funds collected from June 1, 2022 up to and including May 31, 2027 to the Society. In return, the Association will provide tourism marketing, programs and projects on behalf of the District. Under the terms of the Agreement, the Association is to expend all of the funds by May 31, 2027. Any funds unspent at that time will be remitted to the District, except in the event the Agreement is renewed.

15. Salaries, Honoraria and Benefits

The *Societies Act* (British Columbia) requires certain information to be reported with regards to remuneration of employees, contractors and directors.

During the year, the Association had 2 (2021 - 3) employees earning more than $75,000 for a total of approximately $162,100 (2021 - $264,200). The Association does not provide remuneration to its Board of Directors.