



Financial Statements

Tofino Destination Management Association

December 31, 2023

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# 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, 2023, 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, 2023, 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.

## 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.

Victoria, Canada  
March 12, 2024

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

# Tofino Destination Management Association

## Statement of Operations

Year ended December 31	2023	2022
<b>Revenues</b>		
Municipal and Regional District Tax ("MRDT")	\$ 2,084,565	\$ 1,971,831
Provincial and federal government grants	49,323	46,510
Retail Sales (Note 6)	190,827	204,170
Other	6,693	13,885
Interest income	<u>36,225</u>	<u>114</u>
	<u>2,367,633</u>	<u>2,236,510</u>
<b>Expenditures</b>		
Advertising, promotion, and programs	1,025,782	653,152
Amortization on new visitor centre	90,791	92,395
Amortization on property and equipment	13,683	13,772
Bad debts	3,040	-
Bank and interest charges	8,509	11,458
General and administrative	182,505	158,478
Loan interest	-	14,536
Professional fees	27,904	14,878
Rent	23,044	21,672
Repairs and maintenance	45,474	30,869
Research and product development	64,067	11,290
Retail cost of good sold (Note 6)	85,073	88,662
Training and development	40,573	24,123
Wages and benefits	<u>694,878</u>	<u>535,705</u>
	<u>2,305,323</u>	<u>1,670,990</u>
Excess of revenues over expenditures	<u>\$ 62,310</u>	<u>\$ 565,520</u>

## 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 2023	Total 2022
Balance, beginning of year	\$ 691,502	\$ 730,326	\$ 203,226	\$ 100,188	<b>\$ 1,725,242</b>	\$ 1,159,722
Excess of revenues over expenditures	44,516	-	12,499	5,295	<b>62,310</b>	565,520
Transfers	(128,906)	(122,201)	181,107	70,000	-	-
Repayment of loan payable	(75,000)	75,000	-	-	-	-
Purchases of property and equipment	(7,259)	7,259	-	-	-	-
Amortization of property and equipment	13,683	(13,683)	-	-	-	-
Amortization of new visitor centre	90,791	(90,791)	-	-	-	-
Amortization of deferred capital contributions	(87,794)	87,794	-	-	-	-
Transfer of MRDT deferred for new visitor centre	<u>673,704</u>	<u>(673,704)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<b><u>\$ 1,215,237</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 396,832</u></b>	<b><u>\$ 175,483</u></b>	<b><u>\$ 1,787,552</u></b>	<b><u>\$ 1,725,242</u></b>

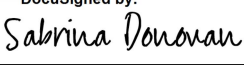
See accompanying notes to the financial statements.

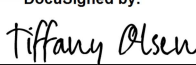
## Tofino Destination Management Association Statement of Financial Position

December 31	2023	2022
<b>Assets</b>		
Current		
Cash	\$ 1,287,395	\$ 1,972,560
Short term investment (Note 4)	516,459	-
Accounts receivable (Note 5)	163,719	177,646
GST receivable	24,342	19,482
Prepaid expenses	17,493	19,279
Inventory (Note 6)	<u>67,685</u>	<u>60,683</u>
	<u>2,077,093</u>	<u>2,249,650</u>
Long-term		
Restricted cash (Note 7)	-	303,424
New visitors centre (Note 8)	1,760,437	1,851,228
Restricted investments (Note 6)	572,315	-
Property and equipment (Note 9)	<u>29,956</u>	<u>36,380</u>
	<u>2,362,708</u>	<u>2,191,032</u>
	<u>\$ 4,439,801</u>	<u>\$ 4,440,682</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 184,662	\$ 97,506
Loan payable (Note 9)	<u>-</u>	<u>75,000</u>
	<u>184,662</u>	<u>172,506</u>
Long-term		
Deferred grant revenue (Note 10)	15,000	-
MRDT deferred for new visitor centre (Note 11)	598,704	673,704
Deferred capital contributions (Note 10)	<u>1,853,883</u>	<u>1,869,230</u>
	<u>2,467,587</u>	<u>2,542,934</u>
	<u>2,652,249</u>	<u>2,715,440</u>
<b>Fund balances</b>		
Operating Fund	1,215,237	691,502
Invested in property and equipment	-	730,326
Internally Restricted Operating Contingency Fund	396,832	203,226
Internally Restricted Building Fund	<u>175,483</u>	<u>100,188</u>
	<u>1,787,552</u>	<u>1,725,242</u>
	<u>\$ 4,439,801</u>	<u>\$ 4,440,682</u>

Commitment (Note 12)

On behalf of the board

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 Sabrina Donovan \_\_\_\_\_ Director  
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 Tiffany Olsen \_\_\_\_\_ Director  
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See accompanying notes to the financial statements.

# Tofino Destination Management Association

## Statement of Cash Flows

Year ended December 31	2023	2022
Increase (decrease) in cash		
<b>Operating</b>		
Excess of revenues over expenditures	\$ 62,310	\$ 565,520
Items not affecting cash		
Amortization on new visitor centre	90,791	92,395
Amortization property and equipment	<u>13,683</u>	<u>13,772</u>
	<b>166,784</b>	671,687
Change in non-cash working capital items		
Accounts receivable	13,927	18,389
GST receivable	(4,860)	54,924
Prepaid expenses	1,786	(11,062)
Inventory	(7,002)	(11,830)
Accounts payable and accrued liabilities	87,156	28,072
Deferred grant revenue	<u>15,000</u>	<u>-</u>
	<u><b>272,791</b></u>	<u>750,180</u>
<b>Financing</b>		
Repayment of loan payable	<u>(75,000)</u>	<u>(300,000)</u>
<b>Investing</b>		
Increase in short term investments	(516,459)	-
Decrease (Increase) in restricted cash	303,424	(124)
Increase in restricted investments	(572,315)	-
New visitors centre	-	(48,257)
Purchase of property and equipment	(7,259)	(20,335)
MRDT deferred revenue for new visitor centre	(75,000)	388,127
Deferred capital contributions	<u>(15,347)</u>	<u>281,022</u>
	<u><b>(882,956)</b></u>	<u>600,433</u>
(Decrease) increase in cash	<b>(685,165)</b>	1,050,613
Cash		
Beginning of year	<u>1,972,560</u>	<u>921,947</u>
End of year	<u><b>\$ 1,287,395</b></u>	<u>\$ 1,972,560</u>



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# Tofino Destination Management Association

## Notes to the Financial Statements

December 31, 2023

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### 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, 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.

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### 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 the 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

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# **Tofino Destination Management Association**

## **Notes to the Financial Statements**

December 31, 2023

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### **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)(l) of the Income Tax Act (Canada).

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# **Tofino Destination Management Association**

## **Notes to the Financial Statements**

December 31, 2023

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### **2. Significant accounting policies (continued)**

#### **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.

#### **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 cash, short term investments, accounts receivable, restricted cash and restricted investments.

Financial liabilities measured at amortized cost include accounts payable.

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### **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.

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# Tofino Destination Management Association

## Notes to the Financial Statements

December 31, 2023

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### 3. Financial instruments (continued)

#### (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, accounts receivable, short term investments, and internally restricted investments. Credit risk related to unrestricted and restricted cash, short term investments, and internally restricted investments 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. 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.

#### (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 exposed to interest price risk on its investments.

(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 not exposed to interest rate cash flow risk.

The Association is exposed to interest rate price risk on its short-term investments and restricted investments. The short term and restricted investments are ordinary guaranteed investment certificates ("GIC") which are non-transferable which mitigates interest rate price risk.

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### 4. Short term investment

As at December 31, 2023, \$514,248 (2022 - \$nil) was invested in GIC's with an interest rate of 4.45% and matures April 5, 2024.

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# Tofino Destination Management Association

## Notes to the Financial Statements

December 31, 2023

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### 5. Accounts receivable

Included in accounts receivable are MRDT receivable of \$157,431 (2022 - \$167,861) and trade accounts receivable of \$6,228 (2022 - \$9,785).

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### 6. Inventory

During the year, \$85,073 (2022 - \$88,662) of inventory was recorded in expenses as retail cost of sales.

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### 7. Restricted investments

As at December 31, 2023, \$572,642 (2022 - \$303,424 of cash) of investments was restricted by the Board. Of that balance, \$396,891 (2022 - \$203,150) was restricted for the purpose of an operating contingency and \$175,751 (2022 - \$100,150) was restricted for the purpose of a building maintenance fund.

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### 8. New visitors centre

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2023</u> <b>Net Book Value</b>	<u>2022</u> Net Book Value
New visitors centre	\$ 2,179,011	\$ 418,574	<b>\$ 1,760,437</b>	\$ 1,851,228

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### 9. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2023</u> <b>Net Book Value</b>	<u>2022</u> Net Book Value
Furniture and fixtures	\$ 60,608	\$ 37,011	<b>\$ 23,597</b>	\$ 31,944
Computer equipment	47,810	41,451	<b>6,359</b>	2,436
Vehicles	-	-	-	2,000
	<u>\$ 108,418</u>	<u>\$ 78,462</u>	<u><b>\$ 29,956</b></u>	<u>\$ 36,380</u>

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# Tofino Destination Management Association

## Notes to the Financial Statements

December 31, 2023

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### 10. Credit Facilities

The Association has an available non-revolving term construction loan of \$nil (2022 - \$75,000) bearing interest at the bank's prime rate plus 0.87% (2022 - prime plus 0.87%) per annum with monthly payments of \$nil (2022 - \$75,000) plus interest, due December 31, 2022 and an operating line of credit of \$200,000 (2022 - \$200,000) bearing interest at the bank's prime rate plus 1.25% (2022 - 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, 2023, the Association has drawn \$nil (2022 - \$75,000) on the non-revolving term construction loan and \$nil (2022 - \$nil) on the operating line of credit.

The Association also has several Visa credit cards with a total authorized limit of \$40,500 (2022 - \$30,000). As at December 31, 2023 the Association has drawn \$14,057 (2022 - \$7,410). This balance is included in accounts payable and accrued liabilities.

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### 11. 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. Beginning on January 1, 2023, there will be no additional deferral of MRDT revenue to finance this project. 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 for repairs and maintenance for the visitors centre.

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.

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### 12. 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 \$23,044 and is adjusted in subsequent years by the previous year's rent of \$21,672, 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.

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# **Tofino Destination Management Association**

## **Notes to the Financial Statements**

December 31, 2023

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### **13. Economic Dependence**

The Association is economically dependent on the MRDT revenue received from the provincial government. The Association received 88% (2022 - 88%) of its total operating revenues from MRDT revenue.

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### **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.

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### **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 three (2022 - two) employees earning more than \$75,000 for a total of approximately \$299,000 (2022 - \$162,100). The Association does not provide remuneration to its Board of Directors.

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