

Appendix 2.2 Annual Performance Report

Under the *Provincial Sales Tax Act*, all designated recipients, including designated recipients not subject to the renewal application requirement, must report back to the Province annually. As such, all designated recipients (or the designated recipient’s service provider), are required to complete the following Annual Performance Report as well as a Financial Report (refer to Appendix 2.1) **by April 30th of each year.**

All designated recipients are required to fill in the sections below.

Only those designated recipients that receive the three percent tax rate will be required to report out on additional metrics (as indicated below).

A description/instructions pertaining to each performance metric is provided in grey text as a guide only. Please delete the grey text and provide your response accordingly.

Designated Recipient: District of Tofino **Report Completed:** 30/03/2020

Designated Accommodation Area: District of Tofino **Reporting period:** Jan 1- Dec 31 – 2019

**or for first year of term, indicate accordingly*

1. Effective tourism marketing, programs and projects	
MRDT-funded tourism marketing, programs and projects maximize the potential for increased visitation and growth in tourism business activity, employment and incremental tourism revenue.	
Mandatory Metric	Designated Recipient Response
MRDT Revenue	2% = \$1,228,186 for Operations 0.8% = \$491,264 dedicated for new Visitor Centre capital project TOTAL MRDT = \$1,719,450
MRDT activities, tactics, investment efforts and outcomes (as per your One-Year Tactical Plan)	See Appendix A,B and C
Key Learnings	See Appendix A, B and C
2. Effective local-level stakeholder support and inter-community collaboration	
Designated recipients are responsible for engaging with key stakeholders, establishing local-level support, and seeking out efficiencies through collaborative activities to inform appropriate decision-making regarding investments.	
Mandatory Metric	Designated Recipient Response
Extent of Local-level Stakeholder Engagement	<ul style="list-style-type: none"> Minimum 3 times/month notifications through ‘Industry News’ member blog Member bulletins for time sensitive information In-person member meetings to inform planning Annual General Meeting – held each March Public presentations to District of Tofino to review the annual plan and results

Stakeholder Satisfaction	<ul style="list-style-type: none"> Member survey conducted March 2020 to assess the level of awareness of Tourism Tofino’s activities and to assess the level of satisfaction with the use of MRDT funds. Results in Appendix A. Utilized the template provided by Destination BC to create our survey questions.
Community Collaboration	<ul style="list-style-type: none"> Inter-Community collaboration: Pacific Coastal campaign partnered with Tourism Tofino and Tourism Ucluelet Fishing BC sector co-op partnership Member of the BC Visitor Services Network BC DMOA Tourism Vancouver Island DMO leadership group
Mandatory Metrics	Designated Recipient Response
Community Collaboration	<p>Stakeholder, Member and Community collaboration:</p> <ul style="list-style-type: none"> Member of the Tourism Master Plan working group for the District of Tofino Participant in the District of Tofino Events Strategy Participant on the Sustainable Tourism Advisory Group for the District of Tofino’s Multi-modal Transportation project Ran a robust social media program linked to most of our 200 tourism business members Planning aligns with the Tourism Master Plan, industry and community goals
<p>3. Marketing Efforts Are Coordinated and complementary to provincial marketing strategies and tactics: Designated recipients are responsible for ensuring their marketing efforts complement and do not duplicate those of Destination British Columbia to avoid overlap at the community level and dilution of BC’s marketing message in key domestic and international markets.</p>	
Mandatory Metric	Designated Recipient Response
Provincial Alignment	<ul style="list-style-type: none"> Utilize Destination British Columbia’s strategic plan and regional plans Participate on Tourism Vancouver Island’s DMO leadership group Liaise with TVI and DBC about participation in programs, we have particular interest in the social media and content activities Participated in DBC Crowdriff stories pilot project Attend TVI and TIABC conferences Tourism Tofino is a member of the British Columbia Destination Marketing Organization Association and regularly meets with DMOs from throughout BC We actively share content and assets with TVI, DBC, DC and members
Coordinated with Destination British Columbia on Travel Media and Travel Trade Activities	<ul style="list-style-type: none"> Tourism Tofino works closely with both TVI and DBC on media relations and travel trade activities. We regularly partner on itinerary and hosting co-ordination. We do not generate any of our own travel trade leads and so do not have any outcomes to report, however we support travel trade fams. Travel media outcomes and outputs are included in Appendix A and B.

4. Fiscal prudence and accountability

All designated recipients must be accountable, transparent, and make fiscally prudent investments in community tourism marketing.

Mandatory Metric	Designated Recipient Response
Effective Financial Management	<ul style="list-style-type: none"> See Appendix D and our 2019 Audited Financial Statement
Streamlined Administrative Costs	<ul style="list-style-type: none"> See Appendix D Administration & overhead costs are higher than budget due to increased costs associated with new Visitor Centre/ DMO office building.
Leveraging of Other Marketing Funds	<ul style="list-style-type: none"> Tourism Tofino participated in the Fishing BC sector co-op program in 2019. It did not participate in any open-pool co-op programs

By signing this form, you certify the accuracy and completeness of the information provided above.

Designated Recipient's Authorized Signing Authority Name	Designated Recipient's Authorized Signing Authority Title
Date	Designated Recipient's Authorized Signing Authority Signature

Appendix A

Section 1: MRDT activities, tactics, outcomes, key learnings

1. Effective tourism marketing, programs and projects - MRDT-funded tourism marketing, programs and projects maximize the potential for increased visitation and growth in tourism business activity, employment and incremental tourism revenue.

Major Category	2019-2022 Goals	2019 One-Year Tactical Plan Report						
		2019 Strategies	Tactics	2019 Objectives	2019 Results (Outputs & Outcomes)	Timeline/Audience	Key Learnings	
Governance & Corporate Responsibility	Financial stability and transparency	1	documentation available to members	utilize economic impact research	data dissemination	accurate visitor & economic stats, valuable assessment and planning information for District of Tofino, Tourism Tofino and tourism businesses	Timing: Jan - Dec Audience: Local	Accurate data is required to inform planning and activities of all tourism organizations, businesses and District of Tofino.
	Operational excellence	2	create member advertising opportunities	identify revenue generating opportunities	\$10,000 in new revenue	\$2,000 generated - did not meet target	Timing: Jan - Mar Audience: Members	We did not have the human resource capacity to develop and execute member partner programs as planned.
	Engaged Board of Directors	3	grow retail sales	increase retail in new visitor centre	30% revenue increase	230% revenue increase	Timing: Jan - Dec Audience: Visitors	Our new Visitor Centre generated more traffic/customers and this combined with a robust retail program resulted in strong sales. Revenue will offset increased operating costs of new Visitor Centre.
		4	utilize Canada accounting standards	conduct full audit	clean audit	clean audit	Timing: Feb - Mar Audience: Members, District of Tofino	
		5	annual report to members at AGM	review activities and results with members at AGM	20% members attending	23% of members attended	Timing: Mar Audience: Members	
		6	implement member communication platform	create real-time member 'Industry News' blog	30 posts 40% open rate	64 posts estimated 50% open rate	Timing: Jan - Dec Audience: Members	Our open rate is only an estimate as data has been difficult to pull from our blog platform, however this is being refined.
		7	annual member survey	conduct annually as per MRDT annual report requirements	45% response rate 70% satisfaction rate with MRDT spending 85% members value TT as important	46% response rate 54% of members are satisfied or extremely satisfied with how MRDT is invested, as per March 2020 survey 91% of members agree or strongly agree that Tourism Tofino is a valuable organization	Timing: Feb - Mar Audience: Members	We experienced a significant drop in the satisfaction rate with MRDT spending from 72% in 2019 to 54% in 2020. This is primarily attributed to an expectation within the community that MRDT can and should be used to help pay for infrastructure and of note, a new waste water treatment plant specifically. This is at odds with current regulations although this is not understood. This is a very concerning development requiring improved communication by Tourism Tofino and the District of Tofino. We are very pleased to see that Tourism Tofino continues to be a highly valued organization by our members.
		8	organized and productive Board	continue to support Board development	number of nominees	12 nominees for 11 positions	Timing: Jan Audience: Members	

Major Category	2019-2022 Goals	2019 One-Year Tactical Plan Report										
		2019 Strategies	Tactics	2019 Objectives	2019 Results (Outputs & Outcomes)	Timeline/Audience	Key Learnings					
Marketing	<p>Increase overnight visitation during the spring, fall and winter</p> <p>Protect current levels of summer business</p>	1	Infuse consistent brand positioning throughout all initiatives using 2018 Brand Framework	Paid Advertising:			Timing: Feb - May; Oct - Nov Market: BC/AB/WA	<p>We adopted 100% digital strategy in 2019 and increased advertising substantially over 2018. Results have been very strong with our primary metric now being impressions within our targeted audiences. We work with an agency and monitor results monthly.</p>				
				develop and implement integrated digital advertising, social media marketing, content, and paid and organic search strategy	25% increase in click-throughs 15% increase to unique visits	184% increase in impressions 15.4% increase						
				2	Utilize highly targeted and cost-effective methods to inspire new and return visitors, and longer stays	primary geographic markets as determined by road, non-stop air routing and audiences that align with brand framework and community values			2% Mar - Jun occupancy increase July-Aug occupancy stable 2% Sept - Nov occupancy increase	5% increase 0.4% increase 2.9% increase		<p>Our work contributed to strong spring and fall growth - as per our objectives.</p>
						content calendar development, content curation and distribution				ongoing		
						integrate brand framework and values throughout all initiatives				on-going		
				4	Facilitate the development of non-peak, mid-week experiences including adult learning	media plan development				completed	Timing: Jan	
						creative development				completed	Timing: Jan - Feb; Nov - Dec	
				5	Work with industry partners (TVI, DBC, DC) to expand reach and leverage funding	leverage partner relationships for increased reach				involved in DBC's Crowdriff stories pilot project; Pacific Coastal partnership	Timing: Jan - Dec	
						on-line travel guide content updated and controlled				on-going	Timing: Apr - May	
						e-dm's to consumer data-base				cancelled, replaced with social media channels and consumer-facing blog	Timing: monthly Audience: followers	
		Social media marketing:										
				increase engagement and amplify influencers	10% increase in social media followers & engagement (combined across all channels)	Instagram followers: 32.7% increase	Timing: Jan - Dec Market: BC/AB/WA	<p>Using a mix of paid and organic social media has been successful in reaching new audiences and generating new followers and increased engagement.</p>				
			cultivate content with brand ambassadors and niche experts	Instagram engagement: 29.7% increase								
			increase endorsements with crowd-sourced content	FB followers: 8.5% increase								
			integrate content into the website	FB engagement: 41.4% increase								
				Media Relations (earned advertising):								
				identify, pitch and host travel media that align with target	35 journalists hosted (only media pitched/secured by TT)	35 media hosted	Timing: Jan - Dec Audience: PNW travel media/influencers	<p>Our focus in 2019 was to create coverage in our primary markets of BC, AB, greater Seattle area. We also supported DBC and DC in the hosting of US and International travel media efforts to showcase BC and bolster Tofino's presence in these markets.</p>				
			augment media targeting with sales events: Go Media, CMM	55 placements	46 placements							
			collaborate with TVI, DBC, DC and members on media hosting	10% increase impressions (reach)	9.1% decrease in impressions							

2019 One-Year Tactical Plan Report								
Major Category	2019-2022 Goals	2019 Strategies	Tactics	2019 Objectives	2019 Results (Outputs & Outcomes)	Timeline/Audience	Key Learnings	
			Website:					
			website design and functionality improvements	increase time on site	10.1% decrease	Timing: Jan - Oct	More work is required on website functionality and content to increase time on site and reduce bounce rate.	
			optimization improvements	15% increase # pageviews	11.5% increase			
			website content reviewed, enhanced, and updated:	reduced bounce rate	9% increase			
			website content enhancements: meetings education/learning arts, culture & heritage		all sections completed and enhanced			
			Collateral Production and Distribution:					
			Discovery guide production/distribution		Used prior year excess stock - guide not produced		The need for collateral is diminishing year over year as tactics change and mobile use increases.	
			tear off map production/distribution		used existing commercially produced maps			
			rack card		rack card not produced			
			Welcome brochure		completed	Timing: Apr		
			Non-peak, mid-week experience development:					
			create meetings co-op marketing program	6 members participate	4 members participated	Timing: Jan - Feb Audience: Members	Website section and Adwords completed; We did not have the bandwidth in-house to fully develop and sell this program.	
			facilitate mid-week adult educational programs - collaborate with members, CBT-The Nest, and other local organizations	1 mid-week program developed	supported development of Seaweed Festival with CBT-The Nest	Timing: Jan - Mar; Oct - Dec Audience: Members	Local capacity to develop educational programs is limited. The RainCoast Education Society is a provider of outdoor education programs however they are not interested in expansion at this time.	
			Festivals/Events:					
			provide marketing grants to festivals that fulfill application requirements	100% of grant funds distributed	97% of funds distributed	Timing: May - Oct		
Visitor Services	Increase visitor spending, longer stays and repeat visits	1	improve VC staff retention year over year	outreach with local students, seniors, First Nations	70% local staff	83% local staff	Timing: Feb - July	
		2	increase product knowledge training	increase member FAMS	40 member FAMS	42 member FAMS held	Timing: May - Jul	
		3	activate and program new Visitor Centre to draw more visitors	showcase local culture, history and artisans	15% increase in visitors	57.3% increase in visitors	Timing: June - Oct	Increase is result of new, more attractive and more visible Visitor Centre.
		4	use mobile & social media visitor outreach	activate ChesterVan in high volume areas and at events	10% increase in inquiries/interactions	0% increase	Timing: July - Aug	Did not use ChesterVan in 2019 as all manpower allocated to opening of new Visitor Centre.

Major Category	2019-2022 Goals	2019 One-Year Tactical Plan Report						
		2019 Strategies	Tactics	2019 Objectives	2019 Results (Outputs & Outcomes)	Timeline/Audience	Key Learnings	
Destination & Visitor Experience Management	PROJECT: Construct an inspiring and productive Visitor Centre	1	PROJECT: Replace aging Visitor Centre with one that reflects sense of place and culture	co-ordinate construction of Visitor Centre and marketing/admin offices	open June 2019	opened June 16, 2019	Timing: Jan - May	This was a very significant project and we are very pleased with the outcome. It was built on time and on budget and is a tremendous new tourism asset for Tofino.
		1	PROGRAM: Sponsor the TLBCC's TAP	support with funding	confirmed	completed	Timing: May - Jun	We sponsor the Tofino-Long Beach Chamber of Commerce 'Tourism Ambassador Program' which provides seasonal staff with knowledge about Tofino, local First Nations and the surrounding natural environment that they pass on to visitors.
		2	PROGRAM: Build and provide easy-to-use seasonal staff on-boarding tools	work with members to create tools - videos an option	40% of members using	completion delayed to 2020	Timing: Apr - May	Staff resources for this project were over-extended due to new Visitor Centre project - program delayed.
		3	PROGRAM: Educate visitors on destination values, behaviors and Tofino regulations	Welcome brochure and Tips/regulations flat sheet; Every Drop of Water Counts	40% of members using	implements but not tracked	Timing: Apr	Members are provided with tools to promote responsible tourism and elevate awareness of need for greater sustainability. We did not track usage in 2019, but will be implementing this in 2020.
	PROGRAM: Support experience enhancement and development	1	PROGRAM: Support festivals/events/arts/cultural product development in partnership with DoT	provide funding for capacity building, development and administration	successful events, as determined by events	partnership in place with the District of Tofino to pay 1/3 salary of full-time Culture and Events Programmer	Timing: Jan - Dec	We collaborate with the District of Tofino to support and nurture the development of events and arts, culture and heritage experiences.
		2	PROGRAM: Support shuttle bus service	provide funding for shuttle bus branding, bus stop signs and schedule communication	visible and well used service	completed	Timing: June	The season shuttle service is so popular that service was expanded in frequency and duration. We fund the bus branding, schedule creation and advertising. This is another example of collaboration with our municipality to deliver an important service that reduces the stress on our community.
		3	Conduct tourism research to inform member, DMO, DoT and resident decision-making	collect and disseminate industry research to members	informed industry	Economic Impact study & Visitor Intercept completed and distributed; placed on website for open access	Timing: report distributed Feb	The data collected from these studies is used frequently to demonstrate the value of tourism and to inform decision-making.
		4	Communicate value of tourism					

2019 One-Year Tactical Plan Report							
Major Category	2019-2022 Goals	2019 Strategies	Tactics	2019 Objectives	2019 Results (Outputs & Outcomes)	Timeline/Audience	Key Learnings
Collaboration & Strategic Alliances	Collaborate and co-ordinate tourism development and management with DoT and members	1	Participate in Tourism Master Plan, CEDAC, and other tourism related initiatives	as needed	n/a	on-going	Tofino is a resort community and there are many entities involved in the success of tourism. It is necessary for Tourism Tofino to collaborate and co-operate with these organizations and the municipality, while remaining focused on fulfilling our role by executing our plans.
		2	Engage on issues and respond to requests for support	as needed	n/a	on-going	
	3	Work together for greatest positive results	share content and tactics	n/a	on-going		
	Support TIABC, TLBCC and TBA on tourism advocacy issues						

Appendix B:

Section 1: MRDT Outputs

Tourism Tofino 2019 Performance Output Measures	
	2019 Year-end
Earned Media	
Journalists hosted: Tourism Tofino generated	35
Placements: Tourism Tofino generated	46
Journalists hosted: partner-generated (DBC, DC, members), Tourism Tofino supported	42
Placements: partner-generated (DBC, DC, members), Tourism Tofino supported	34
Total Placements	80
Advertising & Promotion	
Advertising impressions	41,235,278
Website	
Users	458,264
Sessions (visits)	597,146
Number page views	1,886,700
Average session duration	2.15
% Organic search	64.74%
% Paid search	9.92%
% Other	
Direct	12.28%
Referral	4.66%
Social	7.15%
Display	1.24%
Other	0.01%
Engagement	
Instagram followers	81,799
Instagram engagement (likes, comments, shares)	408,029
Twitter followers	12,245
Facebook followers	32,747
Facebook engagement (likes, comments, shares)	65,586
Visitor Centre Interactions	
# visitors	58,155
Inquiries (phone, e-mail, social media)	3,973
MRDT Revenue	
MRDT Revenue - 2%	\$ 1,228,187
MRDT Revenue - 0.8% (Deferred for new Visitor Centre)	\$ 491,264
Total MRDT	\$ 1,719,451

Appendix C

Section 1: Actual Spending by Market (media buy only)

Geographic Market	MRDT \$ by Market	% of Total \$ by Market
BC	\$ 255,696	70.0%
Alberta	\$ 73,056	30.0%
Ontario		
Other Canada		
Washington	\$ 36,528	10.0%
California		
Other USA		
Japan		
Other International <i>(Please specify)</i>		
Total	365,280	100.00%

Appendix D

Section 4: Fiscal prudence and accountability

2019 Budget				
Revenues	2019 Budget	Actual	Variance	Notes
MRDT - 2% (Tourism Tofino operating revenue)	1,124,558	1,228,186	103,628	
MRDT - 0.8% (to offset loan interest and building amortization)		77,044	77,044	
MRDT - 0.8% (capital project deferred revenue)	449,823	441,570	-8,253	
Tourism Tofino Subtotal	1,574,381	1,746,800	172,419	
MRDT - 2.8% OAP (District of Tofino affordable housing revenue)	187,500	274,173	86,673	
District of Tofino Subtotal	187,500	274,173	86,673	
MRDT Total	1,761,881	2,020,973	259,092	
Member/Partner co-op advertising	15,000	2,000	-13,000	
Grants – Federal	10,000	18,282	8,282	
Grants – Provincial	25,000	25,000	0	
Retail Sales	40,400	80,903	40,503	
Other Revenue (interest)	4,342	5,596	1,254	
Total Revenues	1,856,623	2,152,754	296,131	
Expenses	2019 Budget	Actual	Variance	Notes
Marketing				
Wages and benefits	221,917	221,545	-372	
Media Advertising and Production (digital media, creative, keyword/adword buying, print)	215,178	267,157	51,979	advertising increased with higher MRDT revenue
Website - hosting, development, maintenance	16,948	18,608	1,660	
Social media	80,000	98,124	18,124	
Collateral production and distribution	1,200	4,175	2,975	
Travel media relations	27,800	25,915	-1,885	
Industry Meetings and Events	2,000	0	-2,000	
Travel trade	1,000	932	-68	
Consumer-focused asset development	22,600	19,713	-2,887	Crowdriff, video, photography
Training and Professional Development	0	3,093	3,093	
Festivals & Events sponsorships	30,000	27,800	-2,200	
Other (promotional items, travel)	1,000	8,651	7,651	
Subtotal	619,643	695,713	76,070	
Destination & Visitor Experience Management				
Wages and benefits	33,136	35,093	1,957	
Industry development and training	0	3,440	3,440	SuperHost
Product experience enhancement and training	23,910	16,841	-7,069	TAP, \$6,841 in Shuttle advertising
Research	1,200	10,415	9,215	
Collateral production and distribution	0	19,550	19,550	Educational videos started in Dec
Consulting Services	0	3,735	3,735	
Subtotal	58,246	89,074	30,828	
Visitor Services				
Wages and benefits	166,645	173,126	6,481	
General operating expenses	52,320	46,351	-5,969	
Information technology	12,920	10,469	-2,451	
DoT Land Lease & office rent	23,400	8,593	-14,807	
Retail	17,400	39,230	21,830	
Other	4,860	3,259	-1,601	
Industry Meetings and Events	4,000	2,407	-1,593	
Training and Professional Development	0	2,622	2,622	
Loan Interest and Amortization (60%)	0	52,597	52,597	New Visitor Centre building
Subtotal	281,545	338,654	57,109	
Administration				
Wages and benefits	118,841	116,778	-2,063	
Board of Directors	8,150	4,121	-4,029	
Professional fees	13,700	10,425	-3,275	
Information technology	37,143	31,038	-6,105	

Expenses	2019 Budget	Actual	Variance	Notes
Office lease/rent	17,981	15,062	-2,919	
General office expenses (office supplies, repair & maintenance, insurance, postage, bank charges)	17,325	29,384	12,059	set up of new office space
Corporate Communication	3,000	1,936	-1,064	
Research	3,000	2,400	-600	
Industry Meetings and Events	5,000	9,881	4,881	First Nation sponsorship for Int'l conference
Other (community partnerships, event hosting, membership dues, recruiting, staff recognition, travel)	9,650	17,120	7,470	
Training and Professional Development	3,500	570	-2,930	
Loan Interest and Amortization (40%)	0	24,447	24,447	New Visitor Centre building
Subtotal	237,290	263,162	25,872	
Capital Budget				
New visitor centre deferred expenses	449,823	441,570	-8,253	
Subtotal	449,823	441,570	-8,253	
Tourism Tofino Total Expenses	1,646,547	1,828,173	181,626	
Affordable Housing				
Expenses paid with MRDT derived from OAP	187,500	274,173	86,673	
Subtotal	187,500	274,173	86,673	
District of Tofino Total Expenses	187,500	274,173	86,673	
Total Expenses	1,834,047	2,102,346	268,299	
Net Profit/Loss	22,576	50,408		



TOFINO DESTINATION MANAGEMENT ASSOCIATION

**Financial Statements
December 31, 2019**

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF TOFINO DESTINATION MANAGEMENT ASSOCIATION

Opinion

We have audited the financial statements of Tofino Destination Management Association (the "Society"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the 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 Society as at December 31, 2019, and its results of 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society 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 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Society 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.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 27, 2020

TOFINO DESTINATION MANAGEMENT ASSOCIATION
Statement of Financial Position
December 31

	2019	2018
Assets (note 4)		
Current		
Cash	\$ 419,979	\$ 510,068
Accounts receivable (note 5)	107,573	110,390
GST receivable	59,824	65,845
Prepays and deposits	17,737	21,628
Inventory (note 6)	31,554	7,683
	636,667	715,614
Restricted cash (note 7)	131,645	100,909
New visitors centre (note 8)	2,076,754	572,318
Property and equipment (note 9)	62,623	61,397
	\$ 2,907,689	\$ 1,450,238
Liabilities		
Current		
Accounts payable and accrued liabilities (note 4)	\$ 198,609	\$ 330,797
Loan payable (note 4)	1,125,000	-
	1,323,609	330,797
MRDT deferred for new visitors centre (note 10)	186,843	152,048
Deferred capital contributions (note 10)	951,753	572,318
	2,462,205	1,055,163
Net Assets		
Operating fund	251,216	232,769
Invested in property and equipment	62,623	61,397
Internally restricted operating contingency fund	101,645	100,909
Internally restricted building maintenance fund	30,000	-
	445,484	395,075
	\$ 2,907,689	\$ 1,450,238

Approved by the Board:


 _____ Director


 _____ Director

See notes to financial statements

TOFINO DESTINATION MANAGEMENT ASSOCIATION
Statement of Operations
Year Ended December 31

	2019	2018
Revenues		
Municipal and Regional District Tax	\$ 1,305,230	\$ 1,131,708
Advertising	2,000	41,046
Provincial and federal government grants	43,282	39,382
Retail sales (note 6)	80,903	24,681
Other	4,303	12,722
Interest	1,293	469
	1,437,011	1,250,008
Expenses		
Advertising, promotion and programs	493,277	385,618
Wages and benefits	481,676	458,465
General and administrative	111,241	85,565
Professional fees	79,127	84,355
Retail cost of goods sold (note 6)	41,961	12,361
Loan interest	28,980	-
Training and development	22,110	14,050
Rent	17,434	40,524
Repairs and maintenance	16,907	18,225
Research	12,815	83,402
Bank and interest charges	6,201	3,378
Amortization on new visitors centre	48,065	-
Amortization on property and equipment	26,808	22,144
	1,386,602	1,208,087
Excess of revenues over expenses for year	\$ 50,409	\$ 41,921

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 Maintenance Fund	Total 2019	Total 2018
Balance, beginning of year	\$ 232,769	\$ 61,397	\$ 100,909	\$ -	\$ 395,075	\$ 353,154
Excess of revenues over expenses	49,673	-	736	-	50,409	41,921
Transfer	(30,000)	-	-	30,000	-	-
Construction of new visitors centre	(2,124,819)	2,124,819	-	-	-	-
Purchases of property and equipment	(28,033)	28,033	-	-	-	-
Utilization of MRDT deferred for new visitors centre	951,753	(951,753)	-	-	-	-
Loan payable	1,125,000	(1,125,000)	-	-	-	-
Amortization	74,873	(74,873)	-	-	-	-
Balance, end of year	\$ 251,216	\$ 62,623	\$ 101,645	\$ 30,000	\$ 445,484	\$ 395,075

See notes to financial statements

TOFINO DESTINATION MANAGEMENT ASSOCIATION
Statement of Cash Flows
Year Ended December 31

	2019	2018
Operating activities		
Excess of revenues over expenses	\$ 50,409	\$ 41,921
Items not involving cash		
Amortization on new visitors centre	48,065	-
Amortization on property and equipment	26,808	22,144
	125,282	64,065
Changes in non-cash working capital		
Accounts receivable	2,817	43,640
GST receivable	6,021	(42,009)
Prepays and deposits	3,891	(3,203)
Inventory	(23,871)	(3,742)
Accounts payable and accrued liabilities	(132,188)	214,690
	(143,330)	209,376
Cash provided by (used in) operating activities	(18,048)	273,441
Investing activities		
Construction of new visitors centre	(1,552,501)	(572,318)
Purchase of property and equipment	(28,034)	(23,174)
Increase in deferred capital contributions	379,447	572,318
Increase in restricted cash	(30,736)	(465)
Increase (decrease) in MRDT deferred revenue for new visitors centre	34,783	(119,634)
Cash used in investing activities	(1,197,041)	(143,273)
Financing activities		
Advances from loan payable	1,500,000	-
Repayments of loan payable	(375,000)	-
Cash provided by financing activities	1,125,000	-
Inflow (outflow) of cash	(90,089)	130,168
Cash, beginning of year	510,068	379,900
Cash, end of year	\$ 419,979	\$ 510,068

See notes to financial statements

TOFINO DESTINATION MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

1. NATURE OF OPERATIONS

Tofino Destination Management Association (the "Society") is a not-for-profit organization incorporated under the *Societies Act* (British Columbia). The principal business of the Society 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 of the Society were prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

(a) Net assets

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

- (i) Operating fund – Contains the operating costs related to the Society.
- (ii) Invested in property and equipment – Contains the Society'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 Society 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.

(b) Inventory

Inventories are measured at the lower of cost and net realizable value, with cost being 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.

(c) 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 equipment	20% declining balance
Vehicle	5 years straight-line
Computer equipment	55% declining balance
Computer software	100% declining balance
Leasehold improvement	5 years straight-line

TOFINO DESTINATION MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(d) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset 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 assets exceeds its fair value.

(e) Revenue recognition

The Society 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 Society recognizes 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 as revenue when received and grant conditions have been fulfilled.

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

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

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

(f) Income taxes

The Society 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).

(g) Accounting estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the recoverability of accounts receivable, valuation of inventory, useful life of the new visitors centre and the balance of the related obligations', useful lives of property and equipment and the balance of accrued liabilities. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

TOFINO DESTINATION MANAGEMENT ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(h) 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 Society's operations and would otherwise have been purchased.

(i) Financial instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

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.

The Society has not designated any financial asset or financial liability to be measured at fair value.

3. FINANCIAL INSTRUMENTS

(a) Liquidity risk

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

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

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Society is exposed to credit risk with respect to its unrestricted and internally restricted cash and accounts receivable. Credit risk related to cash 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 Society enters into credit agreements with credit worthy counterparts including the District.

TOFINO DESTINATION MANAGEMENT ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2019

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 consist of two components:

- (i) To the extent that prevailing market interest rates differ from the interest rate on the Society's monetary assets and liabilities, the Society is not exposed to interest rate price risk.
- (ii) To the extent that payments made or received on the Society's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Society is exposed to interest rate cashflow risk.

The Society is exposed to interest rate cash flow risk on its variable rate loan payable and overdraft facility which is subject to a floating interest rate linked to the lenders prime rate.

4. CREDIT FACILITIES

The Society has an available non-revolving one-year term loan of \$1,500,000 (2018- \$1,500,000) bearing interest at the bank's prime plus 0.87% (2018 - prime plus 0.87%) per annum and an operating line of credit of \$200,000 (2018 - \$200,000) bearing interest at the bank's prime plus 1.25% (2018 - prime plus 1.25%) per annum. The aggregate funds drawn on the above facilities shall not exceed \$1,500,000. The facilities are secured by a general security agreement over the assets of the Society. As at December 31, 2019, the Society has drawn \$1,125,000 (2018 - \$nil) on the non-revolving term construction loan and \$nil (2018 - \$nil) on the operating line of credit.

The Society also has a Visa credit card authorized to \$30,000. As at December 31, 2019 the Society has drawn \$8,036 (2018 - \$4,643). This balance is included in accounts payable and accrued liabilities.

5. ACCOUNTS RECEIVABLE

Included in accounts receivable are MRDT grants receivable of \$107,443 (2018 - \$107,690) and trade accounts receivable of \$130 (2018 - \$2,700).

6. INVENTORY

During the year, \$41,961 (2018 - \$12,361) of inventory was recorded in expenses as retail cost of sales.

7. INTERNALLY RESTRICTED FUND

As at December 31, 2019, \$131,645 (2018 - \$100,909) of cash was restricted by the Board. Of that balance, \$101,645 (2018 - \$100,909) was restricted for the purpose of an operating contingency and \$30,000 (2018 - \$nil) was restricted for the purpose of a building maintenance fund.

The internally restricted building maintenance fund will not include any MRDT funds.

TOFINO DESTINATION MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

8. NEW VISITORS CENTRE

	2019		2018	
	Cost	Accumulated amortization	Net	Net
New visitors centre	\$ 2,124,819	\$ 48,065	\$ 2,076,754	\$ 572,318

9. PROPERTY AND EQUIPMENT

	2019		2018	
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	\$ 38,914	\$ 9,850	\$ 29,064	\$ 13,492
Vehicle	38,026	18,013	20,013	27,218
Computer equipment	37,950	24,404	13,546	17,643
Computer software	3,151	3,151	-	1,575
Leasehold improvements	2,098	2,098	-	1,469
	\$ 120,139	\$ 57,516	\$ 62,623	\$ 61,397

10. MRDT DEFERRED FOR NEW VISITOR CENTRE

The deferred capital contribution consists of 0.8% of the total MRDT revenues that is restricted for the purpose of building a new visitor centre in Tofino.

The total MRDT revenue was \$951,753 (2018 - \$572,318) which was used for the construction of the new visitor centre, completed during the year. The amount was transferred to deferred capital contributions. The amount is being recognized as revenue at the same rate as the new visitor centre is being amortized.

*Of the 3% MRDT collected from the guests of fixed roof accommodations, the Society 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

During the year the Society entered into a 25-year land lease with the District beginning June 1, 2019 ending on May 30, 2044. The annual rents in the first year is \$20,000 and is adjusted in subsequent years by the previous year's rent multiplied by the cumulative increase in Core Consumer Price Index of the previous 12 months. Rent payable in the first year is reduced by 50% of the amount spent to developing the new visitors centre.

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

TOFINO DESTINATION MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

12. ECONOMIC DEPENDENCE

The Society is economically dependent on the MRDT revenue received from the provincial government. The Society receives 90.8% (2018 - 90.5%) of its total operating revenues and 100% of the MRDT deferred for the new visitor centre from the MRDT revenue.

13. 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 Society. In return, the Society will provide tourism marketing, programs and projects on behalf of the District. Under the terms of the Agreement, the Society is to expend all of the funds by May 31, 2022. Any funds unspent at that time will be remitted to the District, except in the event the Agreement is renewed.

14. 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 Society had one employee earning more than \$75,000 for a total of approximately \$120,000 (2018 - \$120,000). The Society does not provide remuneration to its Board of Directors.