

Northwest Territories Tourism

Financial Statements

March 31, 2017

Northwest Territories Tourism

Financial Statements

For the period April 1, 2016 to March 31, 2017

Page

Independent Auditors' Report	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8-14
Schedule 1 – Revenue by Source	15
Schedule 2 – Call Centre	15
Schedule 3 – Consumer Show Program	15
Schedule 4 – Project Management	15
Schedule 5 – Communications and Public Relations	15
Schedule 6 – General Marketing	16
Schedule 7 – Board of Directors	16
Schedule 8 – Conference	16
Schedule 9 – Wages and Benefits	17
Schedule 10 – Administration	17

Independent Auditors' Report

To the Board of Directors of Northwest Territories Tourism

We have audited the accompanying financial statements of Northwest Territories Tourism, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northwest Territories Tourism as at March 31, 2017, 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.



Yellowknife, Canada
June 22, 2017

Chartered Professional Accountants

Northwest Territories Tourism

Statement of Operations

For the year ended March 31,	2017	2016
Revenues		
Marketing	\$ 3,328,598	\$ 3,647,115
Administration	1,031,455	1,031,455
Membership, fees, goods and services	223,801	181,163
Interest income	5,353	4,961
	4,589,207	4,864,694
Expenses		
Call centre (Schedule 2)	78,865	72,100
Consumer show program (Schedule 3)	65,801	81,189
Project management (Schedule 4)	217,167	277,461
Communications and public relations (Schedule 5)	169,010	196,942
General marketing (Schedule 6)	2,681,689	2,855,610
Board of directors (Schedule 7)	44,787	41,349
Conference (Schedule 8)	152,040	150,005
Wages and benefits (Schedule 9)	894,622	884,190
Administration (Schedule 10)	281,793	276,605
	4,585,774	4,835,451
Excess of revenues over expenses	\$ 3,433	\$ 29,243

Northwest Territories Tourism

Statement of Changes in Net Assets

For the year ended March 31, 2017

	Unrestricted net assets	Internally Restricted - Industry Fund	Scholarship Fund	Tangible Capital Assets Fund	Reserve Fund for 20th Anniversary AGM	Total 2017	Total 2016
Balance, beginning of year	\$ 60,381	\$ 291,389	\$ 1,500	\$ 16,943	\$ 20,000	\$ 390,213	\$ 360,970
Excess (deficiency) of revenues over expenses	4,933	-	(1,500)	-	-	3,433	29,243
Acquisition of tangible capital assets	(13,103)	-	-	13,103	-	-	-
Transfer to scholarship fund	(1,500)	-	1,500	-	-	-	-
Amortization of tangible capital assets	10,482	-	-	(10,482)	-	-	-
Transfer to industry fund	-	20,000	-	-	(20,000)	-	-
Balance, end of year	\$ 61,193	\$ 311,389	\$ 1,500	\$ 19,564	\$ -	\$ 393,646	\$ 390,213

Northwest Territories Tourism

Statement of Financial Position

March 31,	2017	2016
Assets		
Current		
Cash	\$ 526,243	\$ 509,021
Short term investments (note 3)	400,000	400,000
Accounts receivable (note 4)	59,045	105,182
Goods and services tax rebate recoverable	27,616	71,628
Inventory	13,970	32,337
Prepaid expenses	7,220	8,471
	1,034,094	1,126,639
Tangible capital assets (note 5)	19,564	16,943
	\$ 1,053,658	\$ 1,143,582

Liabilities

Current		
Accounts payable and accrued liabilities (note 6)	\$ 621,252	\$ 705,560
Salaries payable	21,710	31,428
Prepaid memberships	10,800	16,381
	653,762	753,369
Capital lease obligation (note 7)	6,250	-
	660,012	753,369

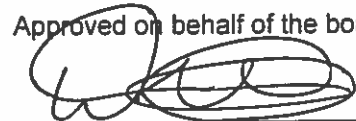
Net Assets

Unrestricted Net Assets	61,193	60,381
Internally Restricted - Industry Fund	311,389	291,389
Scholarship Fund	1,500	1,500
Tangible Capital Assets Fund	19,564	16,943
Reserve Fund for 20th Anniversary AGM	-	20,000
	393,646	390,213
	\$ 1,053,658	\$ 1,143,582

Commitments (note 8)

Contingency (note 9)

Approved on behalf of the board:



Director



Director

Northwest Territories Tourism

Statement of Cash Flows

For the year ended March 31,	2017	2016
Cash provided by (used for)		
Operating activities		
Excess of revenues over expenses	\$ 3,433	\$ 29,243
Items not affecting cash		
Amortization	10,482	9,358
Contribution in-kind	(4,800)	-
	9,115	38,601
Change in non-cash working capital items		
Accounts receivable	46,137	(1,150)
Goods and services tax rebate recoverable	44,012	7,954
Inventory	18,367	(2,050)
Prepaid expenses	1,251	17,821
Accounts payable and accrued liabilities	(84,308)	32,025
Salaries payable	(9,718)	1,053
Prepaid memberships	(5,581)	2,881
	19,275	97,135
Financing activity		
Repayment of capital lease obligation	(2,053)	-
Investing activity		
Purchase of tangible capital assets	-	(9,765)
Increase in cash	17,222	87,370
Cash, beginning of year	509,021	421,651
Cash, end of year	\$ 526,243	\$ 509,021

The Organization received office furniture as a contribution in-kind during the year. While no cash was exchanged in this transaction, management has recorded the furniture and corresponding contribution in-kind at its estimated value of \$4,800.

The Organization also directly financed the acquisition of telecommunications equipment for its offices valued at \$8,303 through capital lease obligations.

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2017

1. Nature of operations

Northwest Territories Tourism (the "Organization") is a not-for-profit organization under the *Societies Act* of the Northwest Territories. The mission of the Organization is to support the development of a strong tourism industry in the Northwest Territories. The Organization is exempt from incomes tax under Section 149 (1)(l) of the *Income Tax Act*.

The objectives of Northwest Territories Tourism are:

1. To ensure equal and equitable representation, support and promotion of the tourism industry throughout the Northwest Territories.
2. To represent the tourism industry's direction, priorities and strategies on tourism marketing in the Northwest Territories.
3. To ensure the issues, needs and concerns of the tourism industry are represented and communicated to the appropriate bodies.
4. To ensure the industry is represented in the development or monitoring and enforcement of industry standards, legislation and regulations.
5. To ensure related tourism reflects the needs and priorities of the tourism industry and make any relevant appointments to specific training authorities established to undertake training.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition

Membership fees are recognized as revenue in the fiscal year in which the membership fee applies.

Revenue from the sale of goods and provision of services, including co-op advertising is recognized upon delivery of items sold to the purchaser.

Revenue from fundraising activities are recognized in operations at the conclusion of the fundraising event.

Interest revenues are recorded as they are earned.

Government contracts and contribution agreements

The Organization follows the deferral method of accounting for contributions. Government assistance and government contributions are recognized as revenue in the year in which the related expenditures occur. Conditional government contributions are recognized as revenue in the year in which the defined program is complete and collection in full is reasonably assured.

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2017

2. Significant accounting policies (continued)

(b) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs. The costs of purchase comprise the purchase price, import duties, non-recoverable taxes and transport, handling and other costs directly attributable to the acquisition and inbound delivery of the inventory. Costs are determined using the weighted average method.

(c) Tangible capital assets

Tangible capital assets are recorded at cost. The Organization provides for amortization using the declining balance and straight-line methods at rates designed to amortize the cost of the assets over their estimated useful lives, as set out in note 5.

When tangible capital assets are sold or retired, the related cost and accumulated amortization are removed from the accounts and any gain or loss is charged against earnings in the period.

One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

(d) Assets under capital lease

Leases that transfer substantially all the benefits and risks incidental to the ownership of property are recorded as capital leases. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Amortization is based upon the assets estimated useful life using the methods and rates described in Note 5. All other leases are accounted for as operating leases and payments are expensed as incurred.

(e) Fund accounting

The Organization uses fund accounting to segregate transactions between its unrestricted net assets, tangible capital asset fund, industry fund, and scholarship fund. The unrestricted net assets fund accounts for the Organization's operating and administrative activities. The tangible capital asset fund reports the assets, liabilities, revenues and expenses related to capital assets. The industry fund is restricted and accounts for funds to be used for specific projects or may be allocated to on-going operations and is internally restricted. The scholarship fund is restricted and accounts for funds to be used as a scholarship for a Northwest Territories Tourism tourism and hospitality scholarship.

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2017

2. Significant accounting policies (continued)

(f) Financial instruments

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

The Organization subsequently measures the following financial assets and financial liabilities at amortized cost:

Financial assets measured at amortized cost include cash, short term investments, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and salaries payable.

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

(g) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. Short term investments

	2017	2016
Guaranteed investment certificates, bearing interest at 0.65% maturing February 20, 2018	\$ 400,000	\$ 400,000

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2017

4. Accounts receivable

	2017	2016
Membership and other receivables	\$ 16,772	\$ 35,182
Holdback receivable (note 8)	43,376	80,000
	60,148	115,182
Less: Allowance for doubtful accounts	1,103	10,000
	\$ 59,045	\$ 105,182

5. Tangible capital assets

		2017	2016		
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	30% Declining balance	\$ 6,490	\$ 1,918	\$ 4,572	\$ 703
Computer equipment	30% Declining balance	24,424	16,490	7,934	11,045
Leasehold improvements	SL 5 years	28,171	28,171	-	5,195
		59,085	46,579	12,506	16,943
Asset under capital lease - phone system	30% declining balance	8,303	1,245	7,058	-
		\$ 67,388	\$ 47,824	\$ 19,564	\$ 16,943

The Organization received office furniture as a contribution in-kind during the year. Management has recorded the furniture and corresponding contribution in-kind at its estimated value of \$4,800.

6. Accounts payable and accrued liabilities

	2017	2016
Trade payables	\$ 589,644	\$ 676,776
Government remittances	31,608	28,784
	\$ 621,252	\$ 705,560

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2017

7. Capital lease obligation

	2017	2016
RCAP Leasing telephone system with monthly payments of \$173 plus taxes, bearing no interest, secured by assets with a netbook value of \$7,058. Expires April 2020 with a bargain purchase option of \$10.	\$ 6,250	\$ -
Estimated principal repayments are as follows:		
2018	\$ 2,083	
2019	2,083	
2020	2,084	
	\$ 6,250	

8. Commitments

The Organization has a premises lease contract that requires fixed monthly payments of \$11,002 and expires May 31, 2021. The lease contract contains contributions toward the estimated costs of common costs including heating fuel and property tax.

The Organization has a photocopier lease contract which requires fixed quarterly payments of \$2,433 expiring October 31, 2021.

The Organization has a lease for mailing equipment which requires fixed quarterly payments of \$450 expiring January 31, 2019.

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2017

9. Contingency

Holdback receivable

Contributions from the Government of Canada are subject to operational evaluation and to a set of conditions which are normal to operations and which include the preparation of audited financial statements. The Organization has earned and recovered all holdback amounts from the year ended March 31, 2016 except for \$6,636 for ineligible training expenditures. No demands for refund have occurred. Management expects that all recoveries in the amount of \$43,376 will be made for the year ended March 31, 2017.

10. Pension Plan

The Organization participates in the Manulife Security Investment Services group pension plan which is a defined contribution plan. All employees are eligible to participate upon hiring at the Organization.

The contribution percentage to the plan is between 6% and 10% of each employee's salary from the employer. The employee is also able to contribute at their discretion.

During the year contributions made by the Organization to the Manulife Security Investment Services pension plan totaled \$58,560 (2016 - \$55,378).

11. Internally restricted – industry funds

The industry fund includes funds generated by the Organization. These funds may be used for specific projects or may be allocated to ongoing operations at the discretion of the Northwest Territories Tourism Board of Directors.

12. Economic dependence

The Organization receives its funding primarily from the Government of the Northwest Territories - Industry, Tourism & Investment. If the funding arrangements were to change, management is of the opinion that the Organization's operations would be significantly affected.

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2017

13. 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

The Organization does have credit risk in cash, short term investments, and accounts receivable of \$985,288 (2016 - \$1,014,203). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. This risk has not changed from the prior year.

The Organization has concentration of credit risk in its cash because it holds its cash with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Organization's cash is insured up to \$100,000. This risk has not changed from the prior year.

(b) Liquidity risk

The Organization does have a liquidity risk in the accounts payable and accrued liabilities and salaries payable of \$588,337 (2016 - \$736,988). Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. This risk has not changed from the prior year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization's interest-bearing financial instruments include fixed rate guaranteed investment certificates. This risk has not changed from the prior year.

Northwest Territories Tourism

Schedules of Statement of Operations

For the year ended March 31, 2017 2016

Schedule 1 - Revenue by source

Contributions - Government of Canada	\$ 433,758	\$ 700,000
Contributions - Government of the Northwest Territories	3,926,295	3,978,570
Memberships, Fees, Sale of Goods and Services	159,726	130,878
Co-op advertising	64,075	50,285
Interest	5,353	4,961
	\$ 4,589,207	\$ 4,864,694

Schedule 2 - Call centre

Mail and delivery	\$ 62,642	\$ 58,380
Service supplies	536	-
Toll free Telephone	8,311	8,130
Upgrades to system	7,376	5,590
	\$ 78,865	\$ 72,100

Schedule 3 - Consumer show program

Shipping freight and courier	\$ 2,715	\$ 3,126
Show fees and services	39,174	52,823
Supplies and materials	328	1,525
Travel	23,584	23,715
	\$ 65,801	\$ 81,189

Schedule 4 - Project management

Asia-Pacific	\$ 67,713	\$ 101,317
Europe	70,000	70,346
North America	79,454	105,798
	\$ 217,167	\$ 277,461

Schedule 5 - Communications and public relations

Media events and promotion	\$ 192	\$ 4,217
Media familiarization	76,219	140,120
Media shows	6,263	4,905
Newsletters and publications	2,003	1,587
Photography	62,913	29,593
Supplies and materials	15,646	12,252
Travel	5,774	4,268
	\$ 169,010	\$ 196,942

Northwest Territories Tourism

Schedules of Statement of Operations

For the year ended March 31, 2017 2016

Schedule 6 - General marketing

Advertising print	\$ -	\$ 433,953
Advertising promotional	-	1,180,371
Advertising web	-	379,524
Advertising general	1,460,052	-
Advertising regional	320,346	-
Advertising special	216,774	-
Brochure development	115,815	214,805
Business meeting	1,846	2,426
Promotional materials	20,647	31,428
Research and exit survey	109,561	122,665
Scholarships	1,500	1,500
Travel	84,046	110,945
Travel tradeshows and marketplaces	50,795	73,089
Travel trade familiarization	57,801	71,447
Website upgrade and maintenance	242,506	233,457
	\$ 2,681,689	\$ 2,855,610

Schedule 7 - Board of directors

Administration	\$ 708	\$ 189
Business planning	-	-
Events	2,288	5,915
Insurance	2,751	2,862
Meetings	4,742	6,914
Special projects	-	5,699
Travel	34,298	19,770
	\$ 44,787	\$ 41,349

Schedule 8 - Conference

Advertising	\$ 3,121	\$ 5,135
Awards	593	1,487
Logistics	39,261	37,090
Speaker fees	15,422	18,994
Speaker travel	2,031	16,056
Travel	13,316	17,469
Venue conference and trade show	78,296	53,774
	\$ 152,040	\$ 150,005

Northwest Territories Tourism

Schedules of Statement of Operations

For the year ended March 31, 2017 2016

Schedule 9 - Wages and benefits

Canada pension - employer portion	\$ 26,961	\$ 23,050
Employment Insurance	11,678	10,581
Group retirement savings plan	58,560	55,378
Travel allowance	27,161	26,190
Wages and salaries	735,797	734,620
Workers' Safety and Compensation Commission	4,269	4,024
	864,426	853,843
Employee benefits	30,196	30,347
	\$ 894,622	\$ 884,190

Schedule 10 - Administration

Advertising and promotion	\$ 1,742	\$ 535
Amortization	10,482	9,358
Bad debts	7,739	-
Bank charges and interest	3,225	3,461
Casual labour	6,491	1,033
Courier and postage	1,010	2,577
Credit card charges	3,565	3,881
Donations	154	-
Equipment lease	11,829	14,486
Insurance	1,252	1,527
Internet support	14,282	15,822
Memberships and licences	2,650	3,704
Office lease	135,234	129,582
Office supplies	8,787	9,962
Professional development	-	4,637
Professional fees - audit	13,045	14,992
Professional fees - legal	3,718	2,447
Recruiting and relocation	8,452	4,194
Repairs and maintenance	2,460	2,733
Telephone	10,978	13,880
Travel	13,394	7,677
Webstore	21,304	30,117
	\$ 281,793	\$ 276,605