

**Northwest Territories Tourism**

**Financial Statements**

**March 31, 2018**

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# Northwest Territories Tourism

## Financial Statements

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For the period April 1, 2017 to March 31, 2018

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## 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, 2018, 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, 2018, 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 13, 2018



Chartered Professional Accountants

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## Northwest Territories Tourism

### Statement of Operations

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For the year ended March 31,	2018	2017
<b>Revenues</b>		
Marketing	\$ 3,199,712	\$ 3,328,598
Administration	1,031,455	1,031,455
Membership, fees, goods and services	201,855	223,801
Interest income	3,529	5,353
	<b>4,436,551</b>	<b>4,589,207</b>
<b>Expenses</b>		
Call centre (Schedule 2)	73,844	78,865
Consumer show program (Schedule 3)	59,027	65,801
Project management (Schedule 4)	218,952	217,167
Communications and public relations (Schedule 5)	206,392	169,010
General marketing (Schedule 6)	2,482,818	2,680,189
Board of directors (Schedule 7)	59,592	46,287
Conference (Schedule 8)	147,693	152,040
Wages and benefits (Schedule 9)	939,551	894,622
Administration (Schedule 10)	264,550	281,793
	<b>4,452,419</b>	<b>4,585,774</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (15,868)</b>	<b>\$ 3,433</b>

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## Northwest Territories Tourism

### Statement of Changes in Net Assets

For the year ended March 31, 2018

	Unrestricted net assets	Internally Restricted - Industry Fund	Scholarship Fund	Tangible Capital Assets Fund	Total 2018	Total 2017
<b>Balance, beginning of year</b>	\$ 67,443	\$ 311,389	\$ 1,500	\$ 13,314	\$ 393,646	\$ 390,213
Excess (deficiency) of revenues over expenses	(15,868)	-	-	-	(15,868)	3,433
Scholarships expensed	1,500	-	(1,500)	-	-	-
Amortization of tangible capital assets	4,609	-	-	(4,609)	-	-
Repayment of capital lease	(2,128)	-	-	2,128	-	-
<b>Balance, end of year</b>	<b>\$ 55,556</b>	<b>\$ 311,389</b>	<b>\$ -</b>	<b>\$ 10,833</b>	<b>\$ 377,778</b>	<b>\$ 393,646</b>

# Northwest Territories Tourism

## Statement of Financial Position

March 31, 2018 2017

### Assets

#### Current

Cash	\$ 314,153	\$ 526,243
Short term investments (note 3)	400,000	400,000
Accounts receivable (note 4)	65,828	59,045
Goods and services tax rebate recoverable	24,488	27,616
Inventory	10,312	13,970
Prepaid expenses	28,729	7,220

843,510

1,034,094

#### Tangible capital assets (note 5)

14,955

19,564

**\$ 858,465**

**\$ 1,053,658**

### Liabilities

#### Current

Accounts payable and accrued liabilities (note 6)	\$ 427,443	\$ 621,252
Salaries payable	24,772	21,710
Prepaid memberships	24,350	10,800

476,565

653,762

#### Capital lease obligation (note 7)

4,122

6,250

480,687

660,012

### Net Assets

Unrestricted Net Assets	55,556	61,193
Internally Restricted - Industry Fund	311,389	311,389
Scholarship Fund	-	1,500
Tangible Capital Assets Fund	10,833	19,564

377,778

393,646

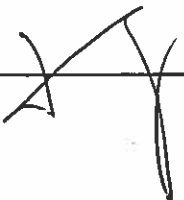
**\$ 858,465**

**\$ 1,053,658**

Commitments (note 8)

Contingency (note 9)

Approved on behalf of the board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

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## Northwest Territories Tourism

### Statement of Cash Flows

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For the year ended March 31,	2018	2017
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ (15,868)	\$ 3,433
Items not affecting cash		
Amortization	4,609	10,482
Contribution in-kind	-	(4,800)
	<b>(11,259)</b>	<b>9,115</b>
Change in non-cash working capital items		
Accounts receivable	(6,783)	46,137
Goods and services tax rebate recoverable	3,128	44,012
Inventory	3,658	18,367
Prepaid expenses	(21,509)	1,251
Accounts payable and accrued liabilities	(193,809)	(84,308)
Salaries payable	3,062	(9,718)
Prepaid memberships	13,550	(5,581)
	<b>(209,962)</b>	<b>19,275</b>
<b>Financing activity</b>		
Repayment of capital lease obligation	(2,128)	(2,053)
<b>Increase (decrease) in cash</b>	<b>(212,090)</b>	<b>17,222</b>
<b>Cash, beginning of year</b>	<b>526,243</b>	<b>509,021</b>
<b>Cash, end of year</b>	<b>\$ 314,153</b>	<b>\$ 526,243</b>

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# Northwest Territories Tourism

## Notes to the Financial Statements

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March 31, 2018

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### 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.



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## Northwest Territories Tourism

### Notes to the Financial Statements

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March 31, 2018

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#### 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 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 internally 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 internally 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, 2018**

**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**

	2018	2017
Guaranteed investment certificates, bearing interest at 0.65% maturing February 26, 2019	\$ 400,000	\$ 400,000

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## Northwest Territories Tourism

### Notes to the Financial Statements

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March 31, 2018

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#### 4. Accounts receivable

	2018	2017
Membership and other receivables	\$ 37,113	\$ 16,772
Holdback receivable (note 8)	30,001	43,376
	67,114	60,148
Less: Allowance for doubtful accounts	1,286	1,103
	\$ 65,828	\$ 59,045

#### 5. Tangible capital assets

			2018	2017	
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	30%	\$ 6,490	\$ 3,289	\$ 3,201	\$ 4,572
Computer equipment	30%	24,424	18,669	5,755	7,934
		30,914	21,958	8,956	12,506
Asset under capital lease - phone system	30%	8,303	2,304	5,999	7,058
		\$ 39,217	\$ 24,262	\$ 14,955	\$ 19,564

#### 6. Accounts payable and accrued liabilities

	2018	2017
Trade payables	\$ 391,477	\$ 589,644
Government remittances	35,966	31,608
	\$ 427,443	\$ 621,252

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## Northwest Territories Tourism

### Notes to the Financial Statements

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March 31, 2018

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#### 7. Capital lease obligation

	2018	2017
RCAP Leasing telephone system with monthly payments of \$173 plus taxes, bearing no interest, secured by assets with a net book value of \$5,999 (2017 - \$7,058). Expires April 2020 with a bargain purchase option of \$10.	\$ 4,122	\$ 6,250
Estimated principal repayments are as follows:		
2019	\$ 2,061	
2020	2,061	
	\$ 4,122	

#### 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.

The Organization's total commitments for leases listed above is as follows:

Year	Amount
2019	\$ 145,575
2020	145,126
2021	143,777
2022	31,325
Total	\$ 465,803

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## Northwest Territories Tourism

### Notes to the Financial Statements

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March 31, 2018

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**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, 2017. Management expects that all recoveries in the amount of \$30,001 will be made for the year ended March 31, 2018.

**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 by 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 \$59,800 (2017 - \$58,560).

**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.

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## Northwest Territories Tourism

### Notes to the Financial Statements

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March 31, 2018

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#### 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 \$779,981 (2017 - \$985,288). 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 \$452,216 (2017 - \$588,337). 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, 2018 2017

### Schedule 1 - Revenue by source

Contributions - Government of Canada - CanNor	\$ 300,010	\$ 433,758
Contributions - Government of the Northwest Territories	3,931,157	3,926,295
Memberships, Fees, Sale of Goods and Services	143,901	159,726
Co-op advertising	57,954	64,075
Interest	3,529	5,353

**\$ 4,436,551 \$ 4,589,207**

### Schedule 2 - Call centre

Mail and delivery	\$ 53,842	\$ 62,642
Service supplies	777	536
Toll free Telephone	7,436	8,311
Upgrades to system	11,789	7,376

**\$ 73,844 \$ 78,865**

### Schedule 3 - Consumer show program

Shipping freight and courier	\$ 1,752	\$ 2,715
Show fees and services	38,444	39,174
Supplies and materials	4,684	328
Travel	14,146	23,584

**\$ 59,026 \$ 65,801**

### Schedule 4 - Project management

Asia-Pacific	\$ 64,727	\$ 67,713
Europe	70,000	70,000
North America	84,224	79,454

**\$ 218,951 \$ 217,167**

### Schedule 5 - Communications and public relations

Media events and promotion	\$ 2,930	\$ 192
Media familiarization	104,096	76,219
Media shows	6,965	6,263
Newsletters and publications	1,847	2,003
Photography	69,373	62,913
Supplies and materials	15,543	15,646
Travel	5,639	5,774

**\$ 206,393 \$ 169,010**

# Northwest Territories Tourism

## Schedules of Statement of Operations

For the year ended March 31, 2018 2017

### Schedule 6 - General marketing

Advertising general	\$ 1,163,293	\$ 1,460,052
Advertising regional	327,929	320,346
Advertising special	217,458	216,774
Brochure development	118,034	115,815
Business meeting	3,746	1,846
Promotional materials	24,406	20,647
Research and exit survey	106,829	109,561
Travel	75,061	84,046
Travel tradeshows and marketplaces	58,493	50,795
Travel trade familiarization	71,115	57,801
Website upgrade and maintenance	316,454	242,506
	<b>\$ 2,482,818</b>	<b>\$ 2,680,189</b>

### Schedule 7 - Board of directors

Administration	\$ 607	\$ 708
Events	5,831	2,288
Insurance	2,751	2,751
Meetings	3,265	4,742
Scholarships	1,500	1,500
Special projects	37,054	-
Travel	8,584	34,298
	<b>\$ 59,592</b>	<b>\$ 46,287</b>

### Schedule 8 - Conference

Advertising	\$ 3,232	\$ 3,121
Awards	254	593
Logistics	34,408	39,261
Speaker fees	16,163	15,422
Speaker travel	6,009	2,031
Travel	36,605	13,316
Venue conference and trade show	51,022	78,296
	<b>\$ 147,693</b>	<b>\$ 152,040</b>



## Northwest Territories Tourism

### Schedules of Statement of Operations

For the year ended March 31,	2018	2017
<b>Schedule 9 - Wages and benefits</b>		
Canada pension - employer portion	\$ 23,324	\$ 26,961
Employment Insurance	9,098	11,678
Group retirement savings plan	59,800	58,560
Travel allowance	26,999	27,161
Wages and salaries	784,729	735,797
Workers' Safety and Compensation Commission	4,256	4,269
	<b>908,206</b>	<b>864,426</b>
Employee benefits	31,345	30,196
	<b>\$ 939,551</b>	<b>\$ 894,622</b>

### Schedule 10 - Administration

Advertising and promotion	\$ 156	\$ 1,742
Amortization	4,609	10,482
Bad debts	1,286	7,739
Bank charges and interest	3,360	3,225
Casual labour	352	6,491
Courier and postage	936	1,010
Credit card charges	2,841	3,565
Donations	36	154
Equipment lease	11,829	11,829
Insurance	1,252	1,252
Internet support	15,356	14,282
Memberships and licences	3,239	2,650
Office lease	142,681	135,234
Office supplies	8,260	8,787
Professional development	728	-
Professional fees - audit	13,000	13,045
Professional fees - legal	6,469	3,718
Recruiting and relocation	3,262	8,452
Repairs and maintenance	2,778	2,460
Telephone	11,360	10,978
Travel	14,871	13,394
Webstore	15,890	21,304
	<b>\$ 264,551</b>	<b>\$ 281,793</b>