

Northwest Territories Tourism

Financial Statements

March 31, 2020

Northwest Territories Tourism

Financial Statements

For the period April 1, 2019 to March 31, 2020

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Independent Auditors' Report

To the Board of Directors of Northwest Territories Tourism

Opinion

We have audited the financial statements of Northwest Territories Tourism, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2020, 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 organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Independent Auditors' Report

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 Organization's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Yellowknife, Canada
June 3, 2020

Crowe MacKay LLP

Chartered Professional Accountants

Northwest Territories Tourism

Statement of Operations

For the year ended March 31,	2020	2019
Revenues (Schedule 1)		
Membership, fees, goods and services	\$ 250,269	\$ 242,697
Interest income	7,129	3,093
Contributions to marketing	4,367,199	3,605,050
Contributions to administration	1,001,455	1,031,455
	5,626,052	4,882,295
Expenses		
Call centre (Schedule 2)	60,916	64,352
Consumer show program (Schedule 3)	54,205	52,267
Project management (Schedule 4)	349,010	330,994
Communications and public relations (Schedule 5)	165,827	209,300
General marketing (Schedule 6)	3,456,021	2,767,562
Board of directors (Schedule 7)	40,099	35,438
Conference (Schedule 8)	164,239	161,453
Wages and benefits (Schedule 9)	1,055,020	921,160
Administration (Schedule 10)	291,889	268,136
	5,637,226	4,810,662
Excess (deficiency) of revenues (schedule 1) over expenses	\$ (11,174)	\$ 71,633

Northwest Territories Tourism**Statement of Changes in Net Assets**

For the year ended March 31, 2020

	Unrestricted net assets	Internally Restricted - Industry Fund	Scholarship Fund	Tangible Capital Assets Fund	Total 2020	Total 2019
Balance, beginning of year	\$ 108,215	\$ 311,389	\$ 15,000	\$ 14,807	\$ 449,411	\$ 377,778
Excess (deficiency) of revenues (schedule 1) over expenses	(11,174)	-	-	-	(11,174)	71,633
Scholarships paid during the year	3,000	-	(3,000)	-	-	-
Funds received for scholarship fund	(19,600)	-	19,600	-	-	-
Purchase of tangible capital assets	(11,603)	-	-	11,603	-	-
Amortization of tangible capital assets	5,815	-	-	(5,815)	-	-
Repayment of capital lease	(1,995)	-	-	1,995	-	-
Balance, end of year	\$ 72,658	\$ 311,389	\$ 31,600	\$ 22,590	\$ 438,237	\$ 449,411

See accompanying notes

Northwest Territories Tourism

Statement of Financial Position

March 31, 2020 2019

Assets

Current

Cash	\$ 594,154	\$ 533,727
Short term investments (note 3)	400,000	400,000
Accounts receivable (note 4)	201,107	24,957
Inventory	6,831	9,310
Prepaid expenses	4,942	5,792
Goods and services tax rebate recoverable	24,311	22,436

1,231,345

996,222

Tangible capital assets (note 5)

22,590

16,802

\$ 1,253,935

\$ 1,013,024

Liabilities

Current

Accounts payable and accrued liabilities (note 6)	\$ 629,305	\$ 517,513
Salaries payable	24,841	20,430
Prepaid memberships	9,124	23,675
Deferred contributions (note 7)	152,428	-

815,698

561,618

Capital lease obligation

-

1,995

815,698

563,613

Net Assets

Unrestricted Net Assets	72,658	108,215
Internally Restricted - Industry Fund	311,389	311,389
Scholarship Fund	31,600	15,000
Tangible Capital Assets Fund	22,590	14,807

438,237

449,411

\$ 1,253,935

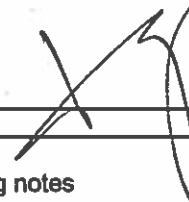
\$ 1,013,024

Commitments (note 8)

Contingency (note 9)

Approved on behalf of the board:

 Director

 Director

See accompanying notes

Northwest Territories Tourism

Statement of Cash Flows

For the year ended March 31,	2020	2019
Cash provided by (used for)		
Operating activities		
Excess (deficiency) of revenues (schedule 1) over expenses	\$ (11,174)	\$ 71,633
Item not affecting cash		
Amortization	5,815	5,151
	(5,359)	76,784
Change in non-cash working capital items		
Accounts receivable	(176,150)	40,871
Inventory	2,479	1,002
Prepaid expenses	850	22,937
Goods and services tax rebate recoverable	(1,875)	2,052
Accounts payable and accrued liabilities	111,792	90,070
Salaries payable	4,411	(4,342)
Prepaid memberships	(14,551)	(675)
Deferred contributions	152,428	-
	74,025	228,699
Financing activity		
Repayment of capital lease obligation	(1,995)	(2,127)
Investing activity		
Purchase of tangible capital assets	(11,603)	(6,998)
Increase in cash	60,427	219,574
Cash, beginning of year	533,727	314,153
Cash, end of year	\$ 594,154	\$ 533,727

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2020

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 accounting 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 revenue is recognized over time as earned.

Government contracts and contribution agreements

The Organization follows the deferral method of accounting for contributions. Government contributions are recognized as revenue in the year in which the related expenses 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, 2020

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 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 Northwest Territories students studying in tourism and hospitality.

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2020

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

	2020	2019
Guaranteed investment certificates, bearing interest at 1.20% maturing December 3, 2020	\$ 400,000	\$ 400,000

Northwest Territories Tourism**Notes to the Financial Statements**

March 31, 2020

4. Accounts receivable

	2020	2019
Receivables	\$ 24,707	\$ 14,957
Holdback receivable (note 9)	176,400	10,000
	201,107	24,957
Less: Allowance for doubtful accounts	-	-
	<u>\$ 201,107</u>	<u>\$ 24,957</u>

5. Tangible capital assets

			2020	2019	
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	30%	\$ 16,046	\$ 6,524	\$ 9,522	\$ 1,999
Computer equipment	30%	33,468	24,734	8,734	9,704
		49,514	31,258	18,256	11,703
Asset under capital lease - phone system		8,303	3,969	4,334	5,099
		<u>\$ 57,817</u>	<u>\$ 35,227</u>	<u>\$ 22,590</u>	<u>\$ 16,802</u>

6. Accounts payable and accrued liabilities

	2020	2019
Trade payables	\$ 606,018	\$ 479,155
Government remittances	23,287	38,358
	<u>\$ 629,305</u>	<u>\$ 517,513</u>

7. Deferred contributions

	2020	2019
Government of the Northwest Territories	\$ 152,428	\$ -

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2020

8. Commitments

The Organization has a premises lease contract that requires fixed monthly payments of \$11,460 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, 2020.

The Organization has a lease for mailing equipment which requires fixed quarterly payments of \$316 expiring August 31, 2023.

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

2021	\$ 148,516
2022	29,050
2023	1,264
2024	632

\$ 179,462

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, 2019. Management expects that all recoveries in the amount of \$176,400 will be made for the year ended March 31, 2020.

Northwest Territories Tourism

Notes to the Financial Statements

March 31, 2020

10. COVID-19 Events

Just prior to year end, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. In the Northwest Territories, on March 22, 2020, the Chief Public Health Officer ordered all travel into the Northwest Territories prohibited with limited exceptions to combat COVID-19 in the territory and ordered self-isolation for those entering the Northwest Territories. These measures globally caused disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. For NWT Tourism, a number of events and activities that were planned were cancelled. This included Consumer Shows, Media Familiarization Tours and Trade Familiarization Tours. As a result, funds that could not be spent were deferred to be used in the next year. (Note 7)

Central banks and governments, including Canadian federal, provincial and territorial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Organization and its operations in future periods.

To mitigate the impact on members, the Organization has approved a vacation on annual membership fees for the 2020-21 period.

11. 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 \$64,955 (2019 - \$58,110).

12. 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.

13. 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, 2020

14. 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 \$1,195,163 (2019 - \$958,684). 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 and short term investments 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 \$654,146 (2019 - \$537,943). 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,	2020	2019
Schedule 1 - Revenue by source		
Contributions - Government of Canada - CanNor	\$ 864,082	\$ 700,562
Contributions - Government of the Northwest Territories	4,657,000	3,935,943
Memberships, Fees, Sale of Goods and Services	183,117	205,897
Co-op advertising	67,152	36,800
Interest	7,129	3,093
Deferred contribution	(152,428)	-
	\$ 5,626,052	\$ 4,882,295
Schedule 2 - Call centre		
Mail and delivery	\$ 41,314	\$ 44,446
Service supplies	1,005	1,591
Toll free Telephone	6,970	6,489
Upgrades to system	11,627	11,826
	\$ 60,916	\$ 64,352
Schedule 3 - Consumer show program		
Shipping freight and courier	\$ 1,390	\$ 1,713
Show fees and services	45,347	38,053
Supplies and materials	735	494
Travel	6,733	12,007
	\$ 54,205	\$ 52,267
Schedule 4 - Project management		
Asia-Pacific	\$ 114,000	\$ 134,018
Europe	70,000	70,000
North America	79,994	71,803
Social media management	85,016	55,173
	\$ 349,010	\$ 330,994
Schedule 5 - Communications and public relations		
Media events and promotion	\$ 3,166	\$ 175
Media familiarization	64,469	59,821
Media shows	3,684	11,111
Newsletters and publications	460	5,513
Photography	71,263	110,235
Supplies and materials	15,039	14,652
Travel	7,746	7,793
	\$ 165,827	\$ 209,300

Northwest Territories Tourism

Schedules of Statement of Operations

For the year ended March 31, 2020 2019

Schedule 6 - General marketing

Advertising general	\$ 1,980,136	\$ 1,477,902
Advertising regional	319,708	320,303
Advertising special	237,190	205,838
Brochure development	93,202	112,913
Business meeting	2,974	4,082
Promotional materials	25,863	20,119
Research	139,560	36,421
Travel	70,040	109,325
Travel tradeshows and marketplaces	69,055	60,061
Travel trade familiarization	112,832	33,924
Website upgrade and maintenance	405,461	386,674
	\$ 3,456,021	\$ 2,767,562

Schedule 7 - Board of Directors

Administration	\$ 739	\$ 800
Events	4,609	3,376
Insurance	3,227	2,751
Meetings	5,045	6,092
Scholarships	3,000	1,500
Special projects	6,748	-
Travel	16,731	20,919
	\$ 40,099	\$ 35,438

Schedule 8 - Conference

Advertising	\$ 1,841	\$ 5,239
Awards	911	355
Logistics	38,159	35,082
Speaker fees	24,952	32,675
Speaker travel	8,238	5,344
Travel	25,227	29,324
Venue conference and trade show	64,911	53,434
	\$ 164,239	\$ 161,453

Northwest Territories Tourism

Schedules of Statement of Operations

For the year ended March 31,	2020	2019
Schedule 9 - Wages and benefits		
Canada pension plan - employer portion	\$ 32,570	\$ 24,571
Employment insurance	11,918	9,453
Group retirement savings plan	64,955	58,110
Travel allowance	29,916	25,162
Wages and salaries	886,869	772,938
Workers' Safety and Compensation Commission	6,606	4,383
	1,032,834	894,617
Employee benefits	22,186	26,543
	\$ 1,055,020	\$ 921,160

Schedule 10 - Administration

Advertising and promotion	\$ 2,544	\$ 854
Amortization	5,815	5,151
Bank charges and interest	4,545	3,811
Casual labour	2,614	2,296
Courier and postage	1,215	2,058
Credit card charges	3,477	3,921
Donations	-	488
Equipment lease	11,270	11,086
Insurance	1,370	1,286
Internet support	20,890	15,820
Memberships and licences	5,324	5,206
Office lease	134,593	138,640
Office supplies	12,767	8,502
Professional development	7,127	1,559
Professional fees - audit	13,350	13,000
Professional fees - legal	4,723	1,934
Recruiting and relocation	7,974	9,254
Repairs and maintenance	7,779	3,039
Telephone	9,348	9,371
Travel	20,482	17,373
Webstore	14,682	13,487
	\$ 291,889	\$ 268,136
