



Financial Statements

Tourism Industry Association of Prince Edward Island

July 31, 2020



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Independent Auditor's Report

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To the members of the Tourism Industry Association of Prince Edward Island

Opinion

We have audited the financial statements of Tourism Industry Association of Prince Edward Island (“the Organization”), which comprise the statement of financial position as at July 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 Tourism Industry Association of Prince Edward Island as at July 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Tourism Industry Association of Prince Edward Island as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Charlottetown, Prince Edward Island

October 27, 2020

Grant Thornton LLP

Chartered Professional Accountants

Tourism Industry Association of Prince Edward Island

Statement of Operations

Year ended July 31

2020

2019

	Scholarship	Other	ACAT	TIAPEI		
Revenue						
Administration and overhead	\$ -	\$ -	\$ -	\$ 38,455	\$ 38,455	\$ 16,747
Association meetings	-	-	-	17,684	17,684	18,889
Membership fees	-	-	-	69,225	69,225	66,981
Training certification and other income	395	-	-	66,700	67,095	57,810
Sponsorship partners	-	-	-	23,250	23,250	26,167
Government grants	-	715,668	3,604,056	54,326	4,374,050	6,330,507
Wage subsidy	-	-	-	60,895	60,895	-
Industry contribution	-	-	695,012	-	695,012	1,104,469
	<u>395</u>	<u>715,668</u>	<u>4,299,068</u>	<u>330,535</u>	<u>5,345,666</u>	<u>7,621,570</u>
Expenses						
Advertising and promotions	-	-	-	4,442	4,442	18,996
Association meetings	-	-	-	24,307	24,307	31,286
Award	1,500	-	-	-	1,500	1,065
Bad debt	-	-	-	-	-	808
Bank and interest charges	-	-	-	5,009	5,009	5,676
Insurance	-	-	-	4,953	4,953	4,965
Memberships and publications	-	-	-	1,520	1,520	3,676
Miscellaneous	-	-	-	1,256	1,256	3,184
Office	-	-	-	25,450	25,450	28,483
Professional fees	-	-	-	14,699	14,699	11,697
Programs and marketing	-	656,330	4,214,510	-	4,870,840	7,205,461
Rent	-	-	-	32,921	32,921	44,344
Sponsorships and gifts	-	-	-	914	914	2,614
Telephone	-	-	-	8,812	8,812	11,484
Training	-	-	-	13,392	13,392	32,718
Travel and meals	-	-	-	2,822	2,822	6,896
Wages and benefits	-	-	-	350,788	350,788	270,753
	<u>1,500</u>	<u>656,330</u>	<u>4,214,510</u>	<u>491,285</u>	<u>5,363,625</u>	<u>7,684,106</u>
Net revenue (expenses) before interfund transfers	(1,105)	59,338	84,558	(160,750)	(17,959)	(62,536)
Inter-fund transfers (Note 7)	-	(60,550)	(90,937)	151,487	-	-
Change in net assets	<u>\$ (1,105)</u>	<u>\$ (1,212)</u>	<u>\$ (6,379)</u>	<u>\$ (9,263)</u>	<u>\$ (17,959)</u>	<u>\$ (62,536)</u>

See accompanying schedules and notes to the financial statements.

Tourism Industry Association of Prince Edward Island

Statement of Changes in Net Assets

Year ended July 31

2020

2019

	Invested in scholarship <u>fund</u>	Restricted for other <u>programs</u>	Restricted for ACAT <u>for ACAT</u>	<u>Unrestricted</u>		
Balance, beginning of year	\$ 21,410	\$ 39,015	\$ 49,479	\$ 286,360	\$ 396,264	\$ 458,800
Change in net assets	<u>(1,105)</u>	<u>(1,212)</u>	<u>(6,379)</u>	<u>(9,263)</u>	<u>(17,959)</u>	<u>(62,536)</u>
Balance, end of year	<u>\$ 20,305</u>	<u>\$ 37,803</u>	<u>\$ 43,100</u>	<u>\$ 277,097</u>	<u>\$ 378,305</u>	<u>\$ 396,264</u>

See accompanying schedules and notes to the financial statements.

Tourism Industry Association of Prince Edward Island

Statement of Financial Position

July 31 2020 2019

Assets

Current

Cash and cash equivalents		
Restricted for the scholarship fund	\$ 21,014	\$ 20,619
Unrestricted	1,243,243	731,721
Receivables (Note 3)	93,916	712,534
Prepays	<u>12,217</u>	<u>93,008</u>
	<u>\$ 1,370,390</u>	<u>\$ 1,557,882</u>

Liabilities

Current

Payables and accruals (Note 4)	\$ 99,271	\$ 834,807
Deferred revenue (Note 5)	<u>862,806</u>	<u>334,312</u>
	962,077	1,169,119

Note payable (Note 8)	<u>30,008</u>	<u>-</u>
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	<u>992,085</u>	<u>1,169,119</u>
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Net assets

Net assets invested in scholarship fund	20,305	21,410
Net assets restricted for other programs	37,803	39,015
Net assets restricted for ACAT	43,100	49,479
Unrestricted net assets	<u>277,097</u>	<u>278,859</u>
	<u>378,305</u>	<u>388,763</u>
	<u>\$ 1,370,390</u>	<u>\$ 1,557,882</u>

Commitments and contingencies (Note 10)

Approved on behalf of the Association

_____ Director _____ CEO

See accompanying schedules and notes to the financial statements.

Tourism Industry Association of Prince Edward Island Statement of Cash Flows

Year ended July 31

2020

2019

Increase (decrease) in cash and cash equivalents

Operating

Cash received from customers – grants	\$ 6,128,015	\$ 6,424,212
Cash received from customers – other	536,490	301,984
Cash paid to suppliers	(5,729,853)	(7,562,475)
Cash paid to employees	<u>(422,735)</u>	<u>(633,010)</u>
Net increase (decrease) in cash and cash equivalents	511,917	(1,469,289)
Cash and cash equivalents		
Beginning of year	<u>752,340</u>	<u>2,221,629</u>
End of year	<u>\$ 1,264,257</u>	<u>\$ 752,340</u>

Components of cash and cash equivalents:

Restricted for scholarship fund	\$ 18,885	\$ 20,619
Unrestricted	<u>1,245,372</u>	<u>731,721</u>
	<u>\$ 1,264,257</u>	<u>\$ 752,340</u>

See accompanying schedules and notes to the financial statements.

Tourism Industry Association of Prince Edward Island

Notes to the Financial Statements

July 31, 2020

1. Nature of operations

The Tourism Industry Association of Prince Edward Island is a non-profit, membership based organization dedicated to the advancement of the tourism industry.

The objectives of the Association are:

- To provide and advance the tourism industry in Prince Edward Island;
- To strive for continued development and improvement of tourism facilities and services offered to the public; and
- To create a wider interest in the tourism industry among the general public in Prince Edward Island.

The Association provides marketing and training programs and services to the tourism industry in Atlantic Canada. The Association administers programs on behalf of various government agencies, the terms and conditions of which are set out in agreements with these agencies.

2. Summary of significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and other institutions, net of bank overdrafts and short term deposits that mature within the next year. Temporary short term borrowings are considered to be financing activities.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and reasonably assured.

Atlantic Canada Agreement on Tourism (ACAT), previously known as Atlantic Canada Tourism Partnership (ACTP), Tourism International Markets Expansion Program (TIME) and other program contract revenues are recorded when the related expenditures are recognized. Expenditures are recorded at the date of billing from the contract supplier.

Human resource program revenues from industry are recorded as the related products/services are provided and human resource program grant revenues are recorded when the related expenditures are recorded.

Revenues that are generated from activities not specifically related to expense reimbursement are recorded in the period the revenues are received or receivable if collection is reasonably assured.

Tourism Industry Association of Prince Edward Island

Notes to the Financial Statements

July 31, 2020

2. Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

Membership, meeting and sponsorship partner revenues are recorded as the fees are collected from the members. Billings are made based on prior year and membership in the Association is voluntary; therefore, recording at the time of receipt is considered to be the date memberships are effective or meetings and sponsorship have taken place.

Capital expenditures

All capital assets are expensed in year of acquisition. Capital assets include furniture, office and computer equipment.

Contributions in kind

Contributions in kind, of goods and services, are recognized only when a fair value can be reasonably estimated and when the goods and services are used in the normal course of the Association's operations.

Deferred revenue

Deferred revenue represents unexpended proceeds received from various government contracts and sponsorship partner revenues. The funds are recognized as revenue in the periods the related expenditures are incurred.

Financial instruments

The Association considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Association accounts for the following as financial instruments:

- Cash and cash equivalents
- Receivables
- Payables and accruals

A financial asset or liability is recognized when the Association becomes party to contractual provisions of the instrument.

Upon initial measurement, the Association's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument

Cash and cash equivalents
Receivables
Payables and accruals

Subsequent measurement

Amortized cost
Amortized cost
Amortized cost

Tourism Industry Association of Prince Edward Island

Notes to the Financial Statements

July 31, 2020

2. Summary of significant accounting policies (cont'd)

The Association removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of write-downs or reversals are recognized in net income.

3. Receivables	<u>2020</u>	<u>2019</u>
Atlantic Canada Agreement on Tourism	\$ -	\$ 474,882
Tourism International Markets Expansion	4,940	-
Trade	83,668	120,096
HST	5,308	117,556
	<u>\$ 93,916</u>	<u>\$ 712,534</u>

4. Payables and accruals	<u>2020</u>	<u>2019</u>
Atlantic Canada Agreement on Tourism	\$ 80,244	\$ 833,369
Other programs	<u>111</u>	<u>111</u>
	80,355	833,480
Trade	<u>18,916</u>	<u>1,327</u>
	<u>\$ 99,271</u>	<u>\$ 834,807</u>

Tourism Industry Association of Prince Edward Island

Notes to the Financial Statements

July 31, 2020

5. Deferred revenue

Deferred revenue represents unspent externally restricted grants for programs at the Association. The revenue is being recognized evenly over the terms of the individual projects.

	<u>2020</u>	<u>2019</u>
TIAPEI	\$ 102,267	\$ 67,107
Other	564,615	267,205
Atlantic Canada Agreement on Tourism	<u>195,924</u>	<u>-</u>
	<u>\$ 862,806</u>	<u>\$ 334,312</u>
Balance, beginning of year	\$ 334,312	\$ 917,078
Amount received during the year	864,672	185,649
Amount recognized as revenue during the year	<u>(336,178)</u>	<u>(768,415)</u>
Balance, end of year	<u>\$ 862,806</u>	<u>\$ 334,312</u>

6. Bank indebtedness

The Association has an operating line of credit of \$215,000 of which all was unused at July 31, 2020.

7. Inter-fund transfers

	<u>Other</u>	<u>ACAT</u>	<u>TIAPEI</u>
Administration and overhead	\$ (57,902)	\$ (69,585)	\$ 127,487
Photocopy and postage	(649)	(4,378)	5,027
Rent	(1,650)	(12,790)	14,440
Telephone	<u>(349)</u>	<u>(4,184)</u>	<u>4,533</u>
	<u>\$ (60,550)</u>	<u>\$ (90,937)</u>	<u>\$ 151,487</u>

8. Note payable

The Association was granted the Canadian Emergency Business Account (CEBA) during the year. CEBA is a Federal Government initiative that provides interest-free loans of up to \$40,000 to small businesses and not-for-profit organizations to help cover operating costs. The Association was granted \$40,000, of which, \$10,000 is forgivable and has been recognized as a government grant on the statement of operations. The remaining \$30,000 balance is due December 31, 2022 and has been recognized as a long-term note payable on the statement of financial position.

Tourism Industry Association of Prince Edward Island

Notes to the Financial Statements

July 31, 2020

9. Financial instruments

The Association's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities.

Financial risk factors

The following sections describe the Association's financial risk exposure and related mitigation strategies:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Association is subject to credit risk through trade receivables. The Association generally considers the credit quality of its financial assets that are neither past due nor impaired to be solid. Credit risk is mitigated due to the fact that most receivables are related to funding agreements with various provincial and federal government agencies. Allowance for doubtful accounts is reviewed at each balance sheet date. The Association updates its estimates of allowances for doubtful accounts based on customer history.

Liquidity risk

Liquidity risk is the risk that the Association may not have cash available to satisfy financial liabilities as they come due. The Association actively maintains a committed operating line of credit to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

10. Commitments and contingencies

The Association is party to various agreements to provide secretariat services for projects. The projects are based on specific periods of time and subject to terms and conditions as outlined in the agreements.

The Association has also entered into agreements to lease photocopying and mailing equipment through to March 2023. Minimum rent payable is \$959 per quarter, for the duration of these leases.

11. Comparative figures

Some prior period balances have been adjusted to improve the comparability of the financial statements.

Tourism Industry Association of Prince Edward Island

Notes to the Financial Statements

July 31, 2020

12. COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Association for future periods.

The COVID-19 pandemic has caused a significant disruption to the tourism industry. As a result, the Association has not invoiced members for fiscal 2021 membership fees. The Association has received the Canadian Emergency Business Account interest-free loan as well as the Canadian Emergency Wage Subsidy to support ongoing operation. Management is currently working with other funding partners to access other programs to support operations for the next fiscal year end. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Association in future periods.

Tourism Industry Association of Prince Edward Island Schedule of Operations – TIAPEI

Year ended July 31	2020	2019
Revenues		
Administration and overhead	\$ 165,566	\$ 91,371
Association meetings	17,684	18,889
Grant revenues	54,326	95,288
Membership fees	69,225	66,981
Training certification and other income	66,677	56,397
Sponsorship partners	23,250	26,167
Recoveries		
Equipment	1,355	1,589
Photocopy	4,912	10,133
Postage	641	797
Rent	13,460	18,669
Telephone	4,030	5,859
Wage subsidy	<u>60,895</u>	<u>-</u>
	<u>482,021</u>	<u>392,140</u>
Expenditures		
Administration	-	275
Advertising and promotion	4,442	18,996
Association meetings	24,307	31,286
Bad debt	-	808
Bank and interest charges	5,009	5,676
Insurance	4,953	4,965
Memberships and publications	1,520	3,676
Miscellaneous	1,256	3,184
Office		
Equipment	11,404	8,215
Postage	572	520
Supplies	13,474	19,471
Professional fees	14,699	11,697
Rent	32,921	44,344
Sponsorship	914	2,614
Telephone	8,812	11,484
Training	13,392	32,718
Travel and meals	2,820	6,896
Wages and benefits	350,789	270,756
Workshops and seminars	<u>-</u>	<u>1,766</u>
	<u>491,284</u>	<u>479,347</u>
Excess expenditures	<u>\$ (9,263)</u>	<u>\$ (87,207)</u>

Tourism Industry Association of Prince Edward Island Schedule of Operations – Scholarship Fund

Year ended July 31	2020	2019
Revenues		
Interest	\$ 395	\$ 733
Member donations	<u>-</u>	<u>680</u>
	395	1,413
Expenditures		
Award	1,500	1,000
Supplies	<u>-</u>	<u>65</u>
Excess revenues (expenditures)	<u>\$ (1,105)</u>	<u>\$ 348</u>

**Tourism Industry Association of Prince Edward Island
Schedule of Operations – Tourism International Markets
Expansion Program (TIME)**

Year ended July 31	2020	2019
Revenues		
ACOIA	\$ 167,635	\$ 533,955
Provinces	<u>108,041</u>	<u>283,218</u>
	275,676	817,173
Expenditures		
Advertising and promotions	251,911	792,502
Management fee	7,808	9,010
Travel	1,302	1,854
Wages and benefits	<u>13,797</u>	<u>13,807</u>
	<u>274,818</u>	<u>817,173</u>
Excess revenues	<u>\$ 858</u>	<u>\$ -</u>

Tourism Industry Association of Prince Edward Island Schedule of Operations – Other Programs

Year ended July 31	2020	2019
Revenues		
ACOA Research	\$ 40,119	\$ -
Arts & Heritage	-	12,426
Illegal Operators	-	2,486
Entry level cook	83,540	155,059
Other income	2,725	12,504
Return to work	8,365	117,313
Shoulder Season	107,800	-
Skills PEI programs	173,387	193,739
Tourism Research	<u>24,056</u>	<u>132,613</u>
	<u>439,992</u>	<u>626,140</u>
Expenditures		
ACOA Research	40,119	-
Arts & Heritage	-	10,332
Campground best practices	4,168	-
Illegal Operators	-	2,486
Entry level cook	83,540	155,059
Other income	2,725	12,504
Return to work	8,365	117,313
Shoulder Season	107,800	-
Skills PEI programs	173,387	193,739
Tourism Research	<u>21,958</u>	<u>134,760</u>
	<u>442,062</u>	<u>626,193</u>
Excess expenditures	<u>\$ (2,070)</u>	<u>\$ (53)</u>

Tourism Industry Association of Prince Edward Island Schedule of Operations – Atlantic Canada Agreement on Tourism (ACAT) 2017 - 2020

Year ended July 31	2020	2019
Revenues		
ACOA	\$ 2,167,662	\$ 2,882,307
Provinces	1,436,394	1,909,600
Industry contributions	<u>695,012</u>	<u>1,104,469</u>
	<u>4,299,068</u>	<u>5,896,376</u>
Expenditures		
Administration	186,785	191,471
Agreement evaluation	65,661	4,392
Atlantic Canada showcase	698,325	-
Communication	809	2,626
Rendez-vous Canada	-	28,373
Research strategy	33,072	70,541
UK administration	94,831	98,757
UK media relations	191,082	240,056
UK travel trade	293,319	263,437
US administration	98,673	99,940
US consumer	2,266,186	4,497,428
US media relations	147,435	172,901
US travel trade	<u>229,269</u>	<u>202,077</u>
	<u>4,305,447</u>	<u>5,871,999</u>
Excess revenues (expenditures)	<u>\$ (6,379)</u>	<u>\$ 24,377</u>
