

**Regional Tourism Organization 12  
Parry Sound/Muskoka  
O/A Explorers' Edge**

**Financial Statements  
For the year ended March 31, 2020**

**Regional Tourism Organization 12 Parry Sound/Muskoka  
O/A Explorers' Edge**

**Financial Statements  
For the year ended March 31, 2020**

---

|   | <b>Contents</b> |
|---|-----------------|
| <b>Independent Auditors' Report</b>               | <b>2</b>        |
| <b>Financial Statements</b>                       |                 |
| Statement of Financial Position                   | 4               |
| Statement of Operations and Changes in Net Assets | 5               |
| Statement of Cash Flows                           | 6               |
| Summary of Significant Accounting Policies        | 7               |
| Notes to Financial Statements                     | 9               |

# GINGRICH & HARRIS Chartered Professional Accountants

---

1-7 William Street  
Parry Sound ON  
P2A 1V2

STEPHEN L. GINGRICH, CPA, CA, CFP  
BRANDY L. HARRIS-GREEN, CPA, CA

TELEPHONE: (705) 746-5828  
FAX: (705) 746-9693  
E-MAIL: ghcpa@vianet.ca  
WEBSITE: www.ghcpa.ca

---

## Independent Auditors' Report

---

### To the Members of Regional Tourism Organization 12 Parry Sound/Muskoka

#### Opinion

We have audited the accompanying financial statements of Regional Tourism Organization 12 Parry Sound/Muskoka (the "entity"), 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 entity as at March 31, 2020, and its financial performance 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 entity 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 entity'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 entity or to cease operations, or has no realistic alternative but to do so.

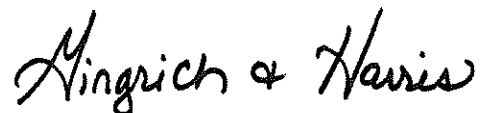
Those charged with governance are responsible for overseeing the entity's financial reporting process.

### **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 entity'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 entity'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 auditors' report. However, future events or conditions may cause the entity 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.



Parry Sound, Ontario  
June 30, 2020

Chartered Professional Accountants  
Licensed Public Accountants

**Regional Tourism Organization 12 Parry Sound/Muskoka  
Statement of Financial Position**

**March 31** **2020** **2019**

**Assets**

**Current**

|                              |           |         |  |
|------------------------------|-----------|---------|--|
| Cash                         | \$ 80,527 | \$ -    |  |
| Accounts receivable (Note 1) | 91,544    | 175,931 |  |
| Prepaid expenses             | 22,053    | 15,595  |  |
|                              | 194,124   | 191,526 |  |

|                         |            |            |  |
|-------------------------|------------|------------|--|
| Capital assets (Note 2) | 3,874      | 5,104      |  |
|                         | \$ 197,998 | \$ 196,630 |  |

**Liabilities and Net Assets**

**Current**

|   |         |          |  |
|---|---------|----------|--|
| Bank indebtedness                                 | \$ -    | \$ 1,074 |  |
| Short-term debt (Note 3)                          | 100,000 | -        |  |
| Accounts payable and accrued liabilities (Note 5) | 99,925  | 197,403  |  |
|   | 199,925 | 198,477  |  |

**Net Assets**

|              |            |            |  |
|--------------|------------|------------|--|
| Fund balance | (1,927)    | (1,847)    |  |
|              | \$ 197,998 | \$ 196,630 |  |

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Regional Tourism Organization 12 Parry Sound/Muskoka Statement of Operations and Changes in Net Assets

| <b>For the year ended March 31</b>             | <b>Budget</b>      | <b>2020</b>       | <b>2019</b>       |
|--|--------------------|-------------------|-------------------|
|  | <b>(Unaudited)</b> |                   |                   |
| <b>Revenue</b>                                 |                    |                   |                   |
| Ministry of Tourism                            | \$ 1,148,107       | \$ 1,148,107      | \$ 1,423,849      |
| FedNor funding                                 | 57,800             | 57,791            | 97,362            |
| Partnership income                             | 116,000            | 123,225           | 93,415            |
| Advertising partners                           | 26,500             | 12,335            | 4,484             |
| Interest income                                | 20                 | 631               | 16                |
| Membership fees                                | 170                | 230               | 161               |
|  | <u>1,348,597</u>   | <u>1,342,319</u>  | <u>1,619,287</u>  |
| <b>Expenses</b>                                |                    |                   |                   |
| Administration and overhead                    |                    |                   |                   |
| Amortization                                   | -                  | 1,230             | 1,122             |
| Interest on obligation under capital lease     | -                  | -                 | 28                |
| Salaries and benefits                          | 329,268            | 365,798           | 389,483           |
| Professional fees                              | 7,449              | 7,568             | 8,235             |
| Office and general administration              | 53,500             | 60,024            | 68,429            |
| Travel and general expenses                    | 35,000             | 42,819            | 42,383            |
| Governance and industry relations              |                    |                   |                   |
| Committee meetings                             | 2,000              | 2,600             | 3,631             |
| Governance, policy, communications etc.        | 10,000             | 8,296             | 9,355             |
| Website and memberships                        | 11,000             | 13,595            | 20,249            |
| Marketing and promotion                        |                    |                   |                   |
| Marketing and social media                     | 458,500            | 428,999           | 502,859           |
| Transacting                                    | 25,000             | 20,397            | 112,040           |
| Media / PR                                     | -                  | -                 | 12,044            |
| Photo / image bank                             | -                  | -                 | 15,152            |
| Product development and innovation             |                    |                   |                   |
| Product development                            | 47,600             | 51,495            | 47,329            |
| Research                                       | 3,000              | 3,409             | 17,411            |
| Other  |                    |                   |                   |
| Investment attraction                          | 500                | 635               | 10,207            |
| Workforce training                             | 2,500              | 1,452             | 33,253            |
| Partnership program                            | 332,000            | 334,082           | 323,513           |
|  | <u>1,317,317</u>   | <u>1,342,399</u>  | <u>1,616,723</u>  |
| <b>Excess of revenue over expenditure</b>      |                    |                   |                   |
| <b>(Expenditure over revenue) for the year</b> | 31,280             | (80)              | 2,564             |
| <b>Fund balance, beginning of year</b>         | (1,847)            | (1,847)           | (4,411)           |
| <b>Fund balance, end of year</b>               | <u>\$ 29,433</u>   | <u>\$ (1,927)</u> | <u>\$ (1,847)</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Regional Tourism Organization 12 Parry Sound/Muskoka Statement of Cash Flows

| For the year ended March 31   | 2020             | 2019              |
|---|------------------|-------------------|
| <b>Cash provided by (used in)</b>   |                  |                   |
| <b>Operating activities</b>   |                  |                   |
| Net income (loss) for the year  | \$ (80)          | \$ 2,564          |
| Adjustments required to reconcile net income with net cash provided by operating activities |                  |                   |
| Amortization of capital assets  | 1,230            | 1,122             |
| Accounts receivable   | 84,387           | 34,551            |
| Prepaid expenses  | (6,458)          | (3,057)           |
| Accounts payable and accrued liabilities  | (97,478)         | (75,319)          |
|   | <u>(18,399)</u>  | <u>(40,139)</u>   |
| <b>Investing activities</b>   |                  |                   |
| Purchase of capital assets  | -                | (2,465)           |
| <b>Financing activities</b>   |                  |                   |
| Advance of short-term loan  | 100,000          | -                 |
| Repayment of obligation under capital lease   | -                | (215)             |
|   | <u>100,000</u>   | <u>(215)</u>      |
| <b>Increase (decrease) in cash during the year</b>  | <b>81,601</b>    | <b>(42,819)</b>   |
| <b>Cash (bank indebtedness), beginning of year</b>  | <b>(1,074)</b>   | <b>41,745</b>     |
| <b>Cash (bank indebtedness), end of year</b>  | <b>\$ 80,527</b> | <b>\$ (1,074)</b> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

---

## Regional Tourism Organization 12 Parry Sound/Muskoka Summary of Significant Accounting Policies

March 31, 2020

---

### **Nature and Purpose of Organization**

The organization was incorporated without share capital under the laws of Ontario as a not-for-profit organization and is exempt from corporation tax under the Income Tax Act of Canada. It's main purpose is to promote tourism in the Region of Parry Sound and Muskoka. The organization operates as Explorers' Edge.

### **Basis of Presentation**

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPPO).

### **Financial Instruments**

#### *Measurement of financial instruments*

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

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

#### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

### **Use of estimates**

The preparation of these financial statements in conformity with Canadian standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.



---

## Regional Tourism Organization 12 Parry Sound/Muskoka Summary of Significant Accounting Policies

**March 31, 2020**

---

|                                   |   |
|-----------------------------------|---|
| <b>Cash</b>                       | Cash includes balances with financial institutions.   |
| <b>Capital Assets</b>             | Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows (1/2 year rule):<br><br>Furniture and fixtures     - 20% diminishing balance basis<br>Computer equipment       - 30% diminishing balance basis                             |
| <b>Assets Under Capital Lease</b> | Assets under capital lease are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:<br><br>Furniture and fixtures     - 20% diminishing balance basis  |
| <b>Leases</b>                     | Leases are classified as either capital or operating leases. At the time the Organization enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.                                      |
| <b>Revenue recognition</b>        | Restricted revenue is recognized as it becomes receivable under the terms of the applicable funding arrangement with the Ministry of Tourism.<br><br>Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can reasonably estimated and collection is reasonably assured. |
| <b>Deferred Revenue</b>           | Deferred revenue results from funding received during the year from agreements which cover more than one fiscal year, and represents the unexpended portion of that funding.  |

---

## Regional Tourism Organization 12 Parry Sound/Muskoka Notes to Financial Statements

**March 31, 2020**

---

### 1. Accounts Receivable

|                   | 2020      | 2019       |
|-------------------|-----------|------------|
| Trade receivables | \$ 77,229 | \$ 93,495  |
| HST recoverable   | 14,315    | 82,436     |
|                   | \$ 91,544 | \$ 175,931 |

---

### 2. Capital Assets

|  | Cost      | Accumulated<br>Amortization | 2020<br>Net Book<br>Value | 2019<br>Net Book<br>Value |
|--|-----------|-----------------------------|---------------------------|---------------------------|
| Computer equipment                                   | \$ 2,465  | \$ 998                      | \$ 1,467                  | \$ 2,095                  |
| Furniture and fixtures                               | 8,162     | 5,755                       | 2,407                     | -                         |
| Assets under capital lease<br>Furniture and fixtures | -         | -                           | -                         | 3,009                     |
|  | \$ 10,627 | \$ 6,753                    | \$ 3,874                  | \$ 5,104                  |

---

### 3. Short-term Debt

|   | 2020       | 2019 |
|---|------------|------|
| Muskoka Community Futures Development Corporation | \$ 100,000 | \$ - |

The Organization received a bridging loan from Muskoka Community Futures Development Corporation during the year. The principal amount of the loan of \$100,000 is due on April 21, 2020, upon receipt of Provincial funding. The loan bears interest at 4.0% per annum and is secured by a general security agreement. The loan was repaid in full subsequent to year-end.

---

### 4. Due to/from the Ministry of Tourism

Any amount due to / from the Ministry is subject to review by the Ministry of Tourism.

---

---

## Regional Tourism Organization 12 Parry Sound/Muskoka Notes to Financial Statements

**March 31, 2020**

---

### 5. Accounts Payable and Accruals

|                        | <u>2020</u>      | <u>2019</u>       |
|------------------------|------------------|-------------------|
| Trade accounts payable | \$ 70,425        | \$ 162,903        |
| Accrued liabilities    | 29,500           | 34,500            |
|                        | <u>\$ 99,925</u> | <u>\$ 197,403</u> |

---

### 6. Economic dependence

The organization received the majority of its revenue through grants from the Ministry of Tourism. The continuation of the organization is dependent on this funding.

---

### 7. Commitments

The organization has a commercial and operational agreement with Porter Airlines Inc. Subsequent to year end, the organization renegotiated the agreement as a result of COVID 19 and has committed to marketing support to be paid directly to Porter in the amount of \$150,000 in calendar 2021 and \$100,000 in calendar 2022.

---

### 8. Financial Assets and Financial Liabilities

#### Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides the Organization's cash requirements.

#### Credit risk

The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. Accounts receivable arise primarily from government contracts. The maximum exposure to credit risk is the carrying value of accounts receivable. Accounts receivable are non-interest bearing.

---