

Financial Statements of

DESTINATION MARKHAM CORPORATION

December 31, 2020



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board Member of Destination Markham Corporation

Opinion

We have audited the financial statements of Destination Markham (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 auditors' 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.

Other Matter - Comparative Information

The comparative information as at and for the year ended December 31, 2019 is unaudited. Accordingly, we do not express an opinion on it.



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 public sector accounting standards, 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 the 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.



Page 3

- 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 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 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 29, 2021

DESTINATION MARKHAM CORPORATION
Statement of Financial Position
December 31, 2020

	Note	2020	2019 (unaudited)
FINANCIAL ASSETS			
Cash		\$ 250	\$ -
Due from the City of Markham	3	2,342,394	1,853,454
Grant receivable	4	47,009	-
Other		7,913	-
		\$2,397,566	\$ 1,853,454
FINANCIAL LIABILITIES			
Accounts payable		\$ 73,326	\$ -
Deferred revenue - TIAO funds	4	160,724	-
		\$ 234,051	\$ -
NET FINANCIAL ASSETS		\$2,163,515	\$ 1,853,454
Subsequent event	7		
Accumulated surplus, end of year		\$2,163,515	\$ 1,853,454

The accompanying notes are an integral part of the financial statements.

DESTINATION MARKHAM CORPORATION
Statement of operations and change in net debt
For the year ended December 31, 2020

	Note	2020	2019 (unaudited)
REVENUES			
Municipal accommodation tax transferred from City of Markham	5	\$ 298,696	\$ 1,864,680
Grant revenue	4	309,366	-
Interest		16,238	15,681
TOTAL REVENUES		\$ 624,300	\$ 1,880,361
EXPENSES			
Marketing & promotion		\$ 124,039	\$ 18,282
Salaries & wages		86,457	-
Agency fee		51,970	-
COVID 19 - Culinary tourism recovery plan		20,788	-
Web development		16,673	-
Office supplies		4,065	-
Insurance		4,041	-
Professional fees and other		6,206	8,625
TOTAL EXPENSES		\$ 314,239	\$ 26,907
Surplus		310,061	1,853,454
Accumulated surplus, beginning of year		\$ 1,853,454	\$ -
Accumulated surplus, end of year		\$ 2,163,515	\$ 1,853,454

The accompanying notes are an integral part of the financial statements.

DESTINATION MARKHAM CORPORATION
Statement of Cash Flows
For the year ended December 31, 2020

	2020	2019 Unaudited)
CASH PROVIDED BY (USED IN):		
Operating activities:		
Surplus	\$ 310,061	\$ 1,853,454
Changes in non-cash working capital items		
Due from the City of Markham	(488,939)	(1,853,454)
Grant receivable	(47,009)	-
Other	(7,913)	-
Accounts payable	73,326	-
Deferred revenue - TIAO funds	160,724	-
Increase in cash	\$ 250	\$ -
Cash, beginning of year	\$ -	\$ -
Cash, end of year	\$ 250	\$ -

The accompanying notes are an integral part of the financial statements.

1. DESCRIPTION OF THE ORGANIZATION

In 2017, the Province of Ontario passed a legislation that provided lower and single tier municipalities in Ontario with authority to levy a transient accommodation tax (referred to as Municipal Accommodation Tax “MAT”). The legislation further prescribed that at least 50% of MAT revenue be allocated to a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality.

In 2018, Markham Council approved the implementation of a 4% Municipal Accommodation Tax on all the Markham hotels effective January 1, 2019, and that 50% of the MAT revenue be provided to the City of Markham’s new Destination Marketing Organization (DMO).

In December 2018, Destination Markham Corporation (the “Corporation”) was incorporated without share capital. The purpose of the organization is as follows:

- To promote tourism in the Corporation of the City of Markham (“Markham”);
- To develop and implement multi-year marketing plans that address Markham’s goals as a tourism destination;
- To support and facilitate growth of the local tourism sector by identifying and promoting opportunities to attract strategic investments and new infrastructure that will generate net positive growth in Markham;
- To conduct targeted economic and market research for purposes of identifying growth opportunities and developing competitive strategies;
- To facilitate a high level of marketing collaboration amongst Markham’s tourism industry stakeholders;
- To encourage the establishment and initial growth of small businesses or any class of them in Markham.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation’s financial statements are prepared by management in accordance with the generally accepted accounting principles (GAAP) for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Accountants of Canada (CPA, Canada). Significant aspects of the accounting policies adopted by the Corporation is as follows:

BASIS OF ACCOUNTING

- (a) Sources of financing and expenses are reported on accrual basis of accounting. The accrual basis of accounting recognizes revenues as they became measureable; expenses are the cost of goods and services acquired in the period whether or not payment has been made on the invoices received

(b) Future Accounting Pronouncements

These standards and amendments were not effective for the year ended December 31, 2020 and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

Standard applicable for the fiscal years beginning on or after April 1, 2022

PS 1201 Financial Statement Presentation, which replaces PS 1200, establishes general reporting principles and standards for the disclosure of the information in government financial statements. The Standard introduces the Statement of Remeasurement Gains and Losses, which reports changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.

Standards applicable for fiscal years beginning on or after April 1, 2023

PS 3400 Revenue, establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

3. DUE FROM THE CITY OF MARKHAM

There is an owing from the City of Markham, which will be cleared in the following year.

4. GRANT RECEIVABLE

The Corporation has entered into a contribution agreement with Tourism Industry Association of Ontario (TIAO) to promote and develop a strong and diversified Southern Ontario economy. TIAO approved a total grant of \$470,090 of which \$423,081 was received during the year and an amount of \$47,009 is receivable in 2021. An amount of \$160,724 has been deferred to 2021 based on actual grant spending.

5. MUNICIPAL ACCOMODATION TAX

This represents 50% of the City of Markham's net Municipal Accommodation Tax revenue collected during the year 2020. City of Markham Council approved on

DESTINATION MARKHAM CORPORATION
Notes to the Financial Statements
December 31, 2020

April 28, 2020 the suspension of Municipal Accommodation Tax from April 2020 to December 2020 to the hoteliers.

6. FINANCIAL RISK MANAGEMENT

It is management's opinion that the Destination Markham Corporation is not exposed to significant liquidity, interest rate, credit, market, or cash flow risk. There has been no change to the risk exposure from 2019, except as noted below.

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have resulted in a decline in revenues due to the cancellation of events and lockdown measures.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.

7. SUBSEQUENT EVENT

City of Markham Council approved on December 9, 2020 the suspension of the Municipal Accommodation Tax in 2021.