

*Financial Statements of*

**DESTINATION MARKHAM CORPORATION**

*December 31, 2021*



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## 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, 2021
- 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, 2021, 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.



### ***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.



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- 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

June 22, 2022

**DESTINATION MARKHAM CORPORATION**  
**Statement of Financial Position**  
**December 31, 2021**

|  | <u>Note</u> | <u>2021</u>         | <u>2020</u>         |
|--|-------------|---------------------|---------------------|
| <b>FINANCIAL ASSETS</b>  |             |                     |                     |
| Cash   |             | \$ 667,998          | \$ 250              |
| Due from the City of Markham   | <b>3</b>    | 1,017,801           | 2,342,393           |
| Grant Receivable from Tourism Industry Association of Ontario (TIAO) | <b>4</b>    | -                   | 47,009              |
| Other  |             | 41,798              | 7,913               |
|  |             | <b>\$ 1,727,597</b> | <b>\$ 2,397,565</b> |
| <b>FINANCIAL LIABILITIES</b>   |             |                     |                     |
| Accounts payable and accrued liabilities                             |             | \$ 38,092           | \$ 73,326           |
| Deferred revenue - TIAO funds  |             | -                   | 160,724             |
|  |             | <b>\$ 38,092</b>    | <b>\$ 234,050</b>   |
| <b>NET FINANCIAL ASSETS</b>  |             | <b>\$ 1,689,505</b> | <b>\$ 2,163,515</b> |
| <b>Accumulated surplus, end of year</b>                              |             | <b>\$ 1,689,505</b> | <b>\$ 2,163,515</b> |

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

**DESTINATION MARKHAM CORPORATION**  
**Statement of operations and change in net financial assets**  
**For the year ended December 31, 2021**

|  | <u>Note</u> | <u>Budget (note 6)</u> | <u>2021</u>         | <u>2020</u>         |
|--|-------------|------------------------|---------------------|---------------------|
| <b>REVENUES</b>  |             |                        |                     |                     |
| Grant from TIAO  | 4           | \$ 160,000             | \$ 160,724          | \$ 309,366          |
| Interest   |             | -                      | 14,712              | 16,238              |
| Other Income   |             | -                      | 9,919               | -                   |
| Municipal accommodation tax                            | 5           | -                      | -                   | 298,696             |
| <b>TOTAL REVENUES</b>                                  |             | <b>\$ 160,000</b>      | <b>\$ 185,355</b>   | <b>\$ 624,300</b>   |
| <b>EXPENSES</b>  |             |                        |                     |                     |
| <b>Programs and Services</b>                           |             |                        |                     |                     |
| Partnership support program                            |             | \$ 100,000             | \$ 33,767           | \$ -                |
| Business equipping, workshops & other programs         |             | 100,000                | 21,490              | -                   |
| Business recovery and key initiatives                  |             | 200,000                | 17,859              | -                   |
| Destination events, attractions and major partnerships |             | 150,000                | -                   | -                   |
| <b>Marketing &amp; Promotion</b>                       |             |                        |                     |                     |
| Marketing and promotion                                |             | 144,000                | 115,957             | 192,681             |
| Professional fees                                      |             | 96,000                 | 99,780              | -                   |
| Digital platforms and resources                        |             | -                      | 62,192              | -                   |
| <b>Operation and Administration</b>                    |             |                        |                     |                     |
| Salaries & wages                                       |             | 316,000                | 280,716             | 87,053              |
| Operations and administration                          |             | 40,000                 | 17,209              | 34,505              |
| Business development and planning                      |             | 90,000                 | 10,395              | -                   |
| <b>TOTAL EXPENSES</b>                                  |             | <b>\$ 1,236,000</b>    | <b>\$ 659,365</b>   | <b>\$ 314,239</b>   |
| <b>Surplus (Deficit)</b>                               |             | <b>(1,076,000)</b>     | <b>(474,010)</b>    | <b>310,061</b>      |
| <b>Accumulated surplus, beginning of year</b>          |             | <b>\$ 2,163,515</b>    | <b>\$ 2,163,515</b> | <b>\$ 1,853,454</b> |
| <b>Accumulated surplus, end of year</b>                |             | <b>\$ 1,087,515</b>    | <b>\$ 1,689,505</b> | <b>\$ 2,163,515</b> |

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

**DESTINATION MARKHAM CORPORATION**  
**Statement of Cash Flows**  
**For the year ended December 31, 2021**

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|  | <u>2021</u>         | <u>2020</u>       |
|--|---------------------|-------------------|
| <b>CASH PROVIDED BY (USED IN):</b>               |                     |                   |
| <b>Operating activities:</b>                     | <b>\$ (474,010)</b> | <b>\$ 310,061</b> |
| <b>Changes in non-cash working capital items</b> |                     |                   |
| Due from the City of Markham                     | 1,324,592           | (488,940)         |
| Grant Receivable from TIAO                       | 47,009              | (47,009)          |
| Other  | (33,885)            | (7,913)           |
| Accounts payable                                 | (35,234)            | 73,327            |
| Deferred revenue - TIAO funds                    | (160,724)           | 160,724           |
| <b>Increase in cash</b>                          | <b>\$ 667,748</b>   | <b>\$ 250</b>     |
| <b>Cash, beginning of year</b>                   | <b>\$ 250</b>       | <b>\$ -</b>       |
| <b>Cash, end of year</b>                         | <b>\$ 667,998</b>   | <b>\$ 250</b>     |

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 “Entity”) was incorporated as a non-profit, Municipal Services Corporation to operate as the City of Markham’s tourism and destination management organization 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.
- To promote Markham as a remarkable destination for visitors, including tourists, sport and festival attendees, meeting, and conference delegates, and business travelers.

The key tourism objectives are to research, develop, market, and grow Markham’s tourism/visitor economy. DMC collaborates with Markham’s hotel & hospitality industry, festival-event conference-travel planners, attraction operators, cultural institutions, sports tourism promoters, entertainment and recreation providers, food service businesses and the City of 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). In March 2020, 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. Significant aspects of the accounting policies adopted by the Corporation is as follows:

### **(a) Basis of accounting**

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) Deferred revenue**

Deferred revenue represents amounts which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

### **(c) Related party transaction**

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties also include key management personnel, such as City Councillors, as well as their close family members.

### **(d) Future Accounting Pronouncements**

These standards and amendments were not yet effective for the year ended December 31, 2021, 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.

**DESTINATION MARKHAM CORPORATION**  
**Notes to the Financial Statements**  
**December 31, 2021**

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(i) PS 1201, Financial Statement Presentation, was issued in June, 2011. This standard requires entities to present a new statement of remeasurement gains and losses separate from the statement of operations and accumulated surplus. This new standard includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the Association's December 31, 2023 year-end).

(ii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Association's December 31, 2023 year-end).

(iii) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Association's December 31, 2023 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.

(iv) PS 3041 - Portfolio Investments, replaces PS 3040 - Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of portfolio investments to conform to PS 3450 - Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 - Temporary Investments, will no longer apply. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Association's December 31, 2023 year-end).

(v) PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets either in productive use or no longer in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Association's December 31, 2023 year-end).

(vi) PS 3160 - Public Private Partnerships ("P3s"), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Association's December 31, 2023 year-end).

**DESTINATION MARKHAM CORPORATION**  
**Notes to the Financial Statements**  
**December 31, 2021**

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(vii) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the Association's December 31, 2024 year-end).

(viii) Public Sector Guideline 8 Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction. This guideline is effective for fiscal years beginning on or after April 1, 2023 (the Association's December 31, 2024 year-end).

**3. DUE (TO) FROM THE CITY OF MARKHAM**

Should there be an amount owing (to)/from the City of Markham, it will be addressed on and as required basis.

**4. GRANT RECEIVABLE FROM TOURISM INDUSTRY ASSOCIATION OF ONTARIO**

The Corporation has entered into a contribution agreement with 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 2020 and balance amount of \$47,009 was received in 2021. Of the above grant an amount of \$160,724 (2020 - \$309,366) has been recognized as revenue during the current year based on actual grant spending.

**5. MUNICIPAL ACCOMMODATION TAX**

City of Markham Council approved on December 9, 2020 the suspension of the Municipal Accommodation Tax in 2021. The Municipal Accommodation Tax has been re-instated from April 2022 and onwards. The corporation receives 50% of the City of Markham's net Municipal Accommodation Tax revenue collected during the year.

**6. BUDGET**

In October 2020, the Board engaged in a business planning exercise to determine key priorities, goals and deliverables and subsequently the City Council approved the 2021 budget on February 23, 2021.