

Financial Statements of

**TOURISM VAUGHAN
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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 Mayor, Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Vaughan

Opinion

We have audited the financial statements of Tourism Vaughan Corporation (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 change 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 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.



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- 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 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 28, 2022

TOURISM VAUGHAN CORPORATION

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Due from the City of Vaughan (note 2)	\$ 976,871	\$ 1,130,479
Financial Liabilities		
Deferred revenue (note 3)	–	166,537
Net financial assets, being accumulated surplus	\$ 976,871	\$ 963,942

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Revenue:			
Municipal accommodation tax transferred from the City of Vaughan	\$ 878,200	\$ 657,892	\$ 312,330
Provincial grants	191,966	209,199	217,425
	1,070,166	867,091	529,755
Expenses:			
Purchased services from the City of Vaughan	398,767	389,664	236,391
General operating expenses	722,578	376,625	34,649
Professional fees	146,000	68,625	173,301
Administration fees	16,192	19,248	8,096
	1,283,537	854,162	452,437
Excess (deficiency) of revenue over expenses	(213,371)	12,929	77,318
Accumulated surplus, beginning of year	963,942	963,942	886,624
Accumulated surplus, end of year	\$ 750,571	\$ 976,871	\$ 963,942

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Excess (deficiency) of revenue over expenses	\$ (213,371)	\$ 12,929	\$ 77,318
Increase (decrease) in net financial assets	(213,371)	12,929	77,318
Net financial assets, beginning of year	963,942	963,942	886,624
Net financial assets, end of year	\$ 750,571	\$ 976,871	\$ 963,942

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 12,929	\$ 77,318
Change in non-cash operating working capital:		
Due from the City of Vaughan	153,608	(238,855)
Accounts payable and accrued liabilities	—	(5,000)
Deferred revenue	(166,537)	166,537
Increase in cash, being cash and cash equivalents, end of year	\$ —	\$ —

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

Tourism Vaughan Corporation (the "Corporation") is a municipal services corporation incorporated without share capital, pursuant to Ontario Regulation 599/06 - Municipal Services Corporations, a regulation under the Municipal Act, 2001.

The Corporation was established to promote and market the city of Vaughan as a leading destination for tourism, leisure and business travel. The Corporation is limited to providing services to owners or members of the Corporation on behalf of The Corporation of the City of Vaughan ("the City of Vaughan") in lieu of the municipality providing those services itself.

The City of Vaughan passed a by-law effective April 1, 2019 charging a 4% municipal accommodation tax levy on the purchase of transient accommodation such as hotels, motels and bed and breakfast establishments. On April 1, 2020, the City of Vaughan passed a second by-law charging a 4% municipal accommodation tax levy on the short term rentals. Short term rentals must be licensed by the City before the tax can be levied.

By regulation, 50% of this levy must be transferred from the City of Vaughan to the Corporation to expend for the purposes of expanding tourism in the City of Vaughan.

The Corporation's operations shall be conducted without the purpose of gain for its sole member, the City of Vaughan. Any profits will be used in promoting the objective of enhancing tourism in the City of Vaughan.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Corporation are as follows:

(a) Basis of accounting:

The Corporation follows the accrual method of accounting for revenue and expenses. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of deposits in banks, certificates of deposits and investments with original maturities of three months or less.

TOURISM VAUGHAN CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfers are recognized in the financial statements as revenue in the year in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(d) Financial instruments:

Financial instruments except freestanding derivatives, are initially recorded at fair value. Equity instruments are thereafter carried at cost. Interest bearing assets and liabilities are subsequently accounted for at amortized cost using the effective interest method.

When there is a loss in value of a financial asset that is other than temporary, the asset is written down and the loss is recorded in the statement of operations and accumulated surplus. The write-down is not reversed if there is a subsequent increase in value.

Freestanding derivatives are recorded at fair value with changes in fair value being recorded in the statement of operations and accumulated surplus.

Derivative financial instruments in an effective hedging relationship are accounted for using the accrual method.

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

TOURISM VAUGHAN CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Due from the City of Vaughan:

The amount due from the City of Vaughan is as follows:

	2021	2020
Opening balance	\$ 1,130,479	\$ 891,624
Municipal accommodation tax revenue	657,892	312,330
Provincial grants (note 3)	42,662	217,425
Deferred provincial grants (note 3)	–	166,537
Less cumulative amount of the Corporation's expenses paid by the City of Vaughan	854,162	457,437
	<u>\$ 976,871</u>	<u>\$ 1,130,479</u>

3. Deferred revenue:

The Corporation 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 nil (2020 - \$383,962), all of which was received by the City of Vaughan in 2020. An amount of nil (2020 - \$166,537) has been deferred based on actual grant spending. The remaining grant receivable of nil (2020 - \$217,425) is receivable from the City of Vaughan.

4. Fair value of financial assets and financial liabilities:

The fair value of the amounts due from the City of Vaughan are determinable and are transacted at fair market value.

TOURISM VAUGHAN CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Financial risk management:

It is management's opinion that the 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 2020.

General economic risk:

On March 11, 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 included the implementation of travel bans, self-imposed quarantine periods and social distancing. The City of Vaughan suspended collection of municipal accommodation tax until September 1, 2020, which impacted the allocation of revenue that the Corporation received during 2020.

The situation continues to evolve and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is still unknown.