



**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
March 31, 2010**



## Statement of Management's Responsibility

The financial statements of Tourism British Columbia for the year ended March 31, 2010 have been prepared by management in accordance with Canadian generally accepted accounting principles for the public sector. These financial statements present fairly the financial position of Tourism British Columbia as at March 31, 2010, and the results of operations, statement of changes in (net debt) / financial resources and statement of cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of Tourism British Columbia. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of Tourism British Columbia.

Lori Wanamaker, CA  
Chief Executive Officer  
Tourism British Columbia

Alex Mackie, CA  
Acting Chief Financial Officer  
Tourism British Columbia





## Report of the Auditor General of British Columbia

*To the Chief Executive Officer of  
Tourism British Columbia, and*

*To the Minister of Tourism, Culture and the Arts  
Province of British Columbia:*

I have audited the statement of financial position of *Tourism British Columbia* as at March 31, 2010, and the statements of operations, changes in (net debt) financial resources and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of *Tourism British Columbia* as at March 31, 2010, and the results of its operations, changes in (net debt) financial resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia  
May 25, 2010*

John Doyle, MBA, CA  
Auditor General



## TOURISM BRITISH COLUMBIA Statement of Operations

(in \$000s) For the year ended March 31,	Note	2010 Budget	2010 Actual	2009 Actual
<b>Revenue</b>				
Hotel tax transfers	7	58,136	58,447	54,473
Grants and contributions from the Province	13	52	38,701	418
Program revenue	11	7,338	6,702	7,672
Contributed surplus recognized as revenue	8	125	3,167	49
Contributions from Government of Canada	17	3,550	3,000	2,000
Investment and miscellaneous income		250	214	285
		<u>69,451</u>	<u>110,231</u>	<u>64,897</u>
<b>Expenses</b>				
North American Marketing Campaign	13	-	37,318	-
Consumer marketing		29,834	29,586	30,532
Visitor experiences		16,537	14,928	16,811
Partnership marketing		14,727	14,158	10,612
Support services		5,458	4,808	5,125
Amortization		2,895	4,222	1,817
		<u>69,451</u>	<u>105,020</u>	<u>64,897</u>
<b>Net results from operations</b>		-	5,211	-
<b>Transition costs</b>	18	-	2,866	-
<b>Net surplus for year</b>		<u>-</u>	<u>2,345</u>	<u>-</u>
<b>Accumulated surplus, beginning of year</b>			14,096	12,018
Net surplus for year			2,345	-
Change in deferred hotel tax transfers	7		(4,936)	2,127
Contributed surplus recognized as revenue	8		(3,167)	(49)
<b>Accumulated surplus, end of year</b>			<u>8,338</u>	<u>14,096</u>

The accompanying notes are an integral part of these financial statements

**TOURISM BRITISH COLUMBIA**  
**Statement of Changes in (Net Debt) Financial Resources**

(in \$000s) for the year ended March 31,	2010	2009
Net financial resources, beginning	<u>4</u>	<u>4,071</u>
Tangible capital assets		
Acquisitions, net	(4,249)	(7,048)
Amortization	2,872	1,817
Write downs, net	<u>1,425</u>	
Net effect of change in capital assets	<u>48</u>	<u>(5,231)</u>
Prepaid expenses		
Acquisitions	(314)	(1,297)
Use	<u>1,297</u>	<u>383</u>
Net effect of change in prepaid expenses	<u>983</u>	<u>(914)</u>
Change in accumulated surplus	<u>(5,758)</u>	<u>2,078</u>
(Net debt) net financial resources, ending	<u><u>(4,723)</u></u>	<u><u>4</u></u>

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

## TOURISM BRITISH COLUMBIA Statement of Cash Flows

(in \$000s) for the year ended March 31,	2010	2009
<b>Operating activities</b>		
Net surplus for year	2,345	-
Non-cash items included in net results of operations		
Amortization expense and valuation adjustment	4,296	1,817
Amortization of contributed surplus	(167)	(49)
Accounts receivable (increase)	(2,775)	(461)
Inventories (increase)	(67)	-
Prepaid expenses decrease (increase)	983	(914)
Loans receivable decrease	2	7
Payables and accruals increase (decrease)	8,006	(43)
Deferred hotel tax transfers (decrease) increase	(4,936)	2,127
Contributed surplus recognized as revenue	(3,000)	-
Deferred revenue (decrease)	(221)	(175)
Other deferred contributions (decrease)	(14)	(79)
Cash flows used in operating activities	<u>4,452</u>	<u>2,230</u>
<b>Capital activities</b>		
Additions to tangible capital assets, net	<u>(4,249)</u>	<u>(7,048)</u>
Cash flows used in capital activities	<u>(4,249)</u>	<u>(7,048)</u>
<b>Financing activities</b>		
Long term liabilities (decrease) increase	<u>(20)</u>	<u>339</u>
Cash flows from (used for) financing activities	<u>(20)</u>	<u>339</u>
<b>Net increase (decrease) in cash</b>	<u>183</u>	<u>(4,479)</u>
<b>Cash beginning of year</b>	<u>10,922</u>	<u>15,401</u>
<b>Cash end of year</b>	<u><u>11,105</u></u>	<u><u>10,922</u></u>

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

# **TOURISM BRITISH COLUMBIA**

## **Notes to the Financial Statements**

**For the year ended March 31, 2010**  
(tabular amounts in \$000s)

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### **1. Authority and purpose**

Tourism British Columbia (the Corporation) is a provincial Crown corporation established by the *Tourism British Columbia Act* on June 27, 1997. The purpose of the Corporation is to promote development and growth in the tourism industry, to increase revenue and employment in the industry throughout British Columbia and to increase the economic benefits generated by the industry.

On August 17, 2009, government announced its intention to transfer operations previously the responsibility of the Corporation to the Ministry of Tourism, Culture and the Arts effective April 1, 2010, and to dissolve the Corporation on that date. See note 2 for more specific information on operational changes.

Under the *Tourism British Columbia Act*, Tourism British Columbia is entitled to the net revenue collected under section 3.1 of the *Hotel Room Tax Act*. The *Tourism British Columbia Act* was repealed effective April 1, 2010.

The Corporation is exempt from federal and provincial income taxes and the federal goods and services tax.

### **2. Going Concern**

Effective April 1, 2010, the Corporation was dissolved and all rights, property and assets were transferred into the Ministry of Tourism, Culture and the Arts; and all obligations of Tourism British Columbia were transferred to and assumed by the ministry. Notwithstanding the dissolution of the Corporation, these financial statements have been prepared on a going concern basis as the operations of Tourism British Columbia are continuing within the ministry.

The transfer of assets and liabilities are recorded at net book value, whenever possible, in accordance with generally accepted accounting principles. However, certain fixed assets have been written down to recognize specific circumstances, resulting in a cost to the Corporation of just over \$230,000.

### **3. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

#### **(a) Hotel tax transfers**

Hotel tax transfers, which are received from the Province to support the operations of the Corporation, are deferred and amortized to operations to the extent operating expenses exceed revenues. The deferred transfers are recorded when the tax becomes due to the Corporation, which is the month the accommodation revenue is collected by the property.

The balance of deferred hotel tax transfers was recognized as revenue in the fiscal year.



## TOURISM BRITISH COLUMBIA

### Notes to the Financial Statements

For the year ended March 31, 2010  
(tabular amounts in \$000s)

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(b) Contributed surplus

Capital contributions from the Province are recorded as contributed surplus and recognized as revenue to match the amortization charged on the related capital assets. During the year, the Province lifted the restrictions on the use of the specific capital contributions and \$3 million was recognized as revenue in the fiscal year.

(c) Revenue recognition

Program revenues are recognized in the period services are rendered.

Unrestricted grant and contribution revenue is recognized in the period in which the eligibility criteria have been met and a reasonable estimate of the amount to be received can be made. Restricted grant and contribution revenue is deferred when received and recognized in the period in which the restrictions have been satisfied.

Subscription revenues in the *British Columbia Magazine* operations are deferred and recognized as the magazine is published.

(d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value, with cost being determined on a first in first out basis. Supplies inventories are valued at cost.

(e) Tangible capital assets

Tangible capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Estimated useful lives are as follows:

Visitor centres	40 years
Information technology	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease
Trail improvements	10 years
Vehicles	5 years

Computer software and assets costing less than \$1,000 are expensed in the year of purchase. (see (h) below regarding change in accounting estimate )

Assets under construction or development are recorded at cost and include direct costs during construction or development. When these assets are operational, their costs are amortized over their estimated useful lives.

The Corporation owns trademarks, the costs of which are expensed in the year they are incurred.

(f) Foreign currency translation

Tourism British Columbia carries out marketing activities in various overseas locations, and consequently is exposed to fluctuations in exchange rates. The Corporation maintains bank accounts in local currency in the UK and Japan, the main areas of foreign operations, and replenishes the accounts each quarter. Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date. Each quarter the exchange gains or losses are calculated in order to monitor the potential exposure.

**TOURISM BRITISH COLUMBIA**  
**Notes to the Financial Statements**

For the year ended March 31, 2010  
(tabular amounts in \$000s)

The impact of a 1% change in exchange rate on expenditures would amount to approximately \$10,000 in both the UK and Japan.

(g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and other expenditures during the period. Items requiring the use of significant estimates include the hotel tax accrual, employee future benefits, various revenue and expenditure accruals and the commitments summarized in note 15. Actual results could differ from these estimates.

(h) Change in accounting estimate

During the year, Tourism British Columbia raised the threshold for capitalizing assets from \$500 to \$1,000, to reflect the increasing cost of acquiring enduring assets. This did not result in a significant change in the valuation of the assets.

**4. Cash**

Cash for restricted purposes represents funds received for construction of Visitor Centres and trail improvements.

	2010	2009
Unrestricted cash	11,105	7,930
Restricted cash		
Merritt Visitor Center	-	2,925
Osoyoos Visitor Center	-	52
Rails to Trails	-	15
Cash for restricted purposes	-	2,992
	<u>11,105</u>	<u>10,922</u>

Effective April 1, 2010, all cash was transferred to the Ministry of Tourism, Culture and the Arts.

**5. Loans receivable**

	2010	2009
Adventure Management Ltd. - Coquihalla Visitor Centre	50	50
Adventure Management Ltd. - Mt Robson Visitor Centre	60	60
Kicking Horse Mountain Resort Ltd. - Golden Visitor Centre	42	42
Destination Osoyoos Development Society - Osoyoos Visitor Centre	32	26
Marquise Facilities Corp. - YVR Visitor Centre	-	8
	<u>184</u>	<u>186</u>

The purpose of the loans is to support a royalty model for merchandise sales at these Tourism British Columbia operated Visitor Centres by providing financing for the purchase of inventory for resale. Interest on these loans is currently calculated at 5% per annum, payable monthly, with the principal due upon termination of the contract.

Effective April 1, 2010, all loans receivable were transferred to the Ministry of Tourism, Culture and the Arts.

**TOURISM BRITISH COLUMBIA**  
**Notes to the Financial Statements**

For the year ended March 31, 2010  
(tabular amounts in \$000s)

**6. Tangible capital assets**

	Information technology	Visitor centres	Furniture and equipment	Assets under construction
Historical cost				
Opening	13,296	6,022	1,110	472
Additions/transfers	3,208	564	965	(397)
Disposals	-	-	-	-
Write-downs	(72)	-	(6)	(75)
Closing	<u>16,432</u>	<u>6,586</u>	<u>2,069</u>	<u>-</u>
Accumulated amortization				
Opening	9,876	100	887	-
Amortization	2,323	167	100	-
Effects of disposals/write-downs	437	-	967	-
Closing	<u>12,636</u>	<u>267</u>	<u>1,954</u>	<u>-</u>
Net book value March 31, 2010	<u>3,796</u>	<u>6,319</u>	<u>115</u>	<u>-</u>
Net book value March 31, 2009	<u>3,420</u>	<u>5,922</u>	<u>223</u>	<u>472</u>

	Leaseholds	Vehicles	Trails	Land	Total
Historical cost					
Opening	1,919	54	553	1,260	24,686
Additions/transfers	64	-	-	-	4,404
Disposals	-	-	-	-	-
Write-downs	(2)	-	-	-	(155)
Closing	<u>1,981</u>	<u>54</u>	<u>553</u>	<u>1,260</u>	<u>28,935</u>
Accumulated amortization					
Opening	774	51	204	-	11,892
Amortization	220	3	58	-	2,871
Effects of disposals/write-downs	21	-	-	-	1,425
Closing	<u>1,015</u>	<u>54</u>	<u>262</u>	<u>-</u>	<u>16,188</u>
Net book value March 31, 2010	<u>966</u>	<u>-</u>	<u>291</u>	<u>1,260</u>	<u>12,747</u>
Net book value March 31, 2009	<u>1,145</u>	<u>3</u>	<u>350</u>	<u>1,260</u>	<u>12,795</u>

In May 2004, Trans Canada Trail Foundation donated land parcels of former rail trails to Tourism British Columbia. This land has been recorded at \$1,259,800 on the balance sheet based on the property assessments at the time of transfer.

Effective April 1, 2010, all tangible capital assets were transferred to the Ministry of Tourism, Culture and the Arts.

**TOURISM BRITISH COLUMBIA**  
**Notes to the Financial Statements**

For the year ended March 31, 2010  
(tabular amounts in \$000s)

**7. Deferred hotel tax transfers**

Funding from the Province of British Columbia is provided to Tourism British Columbia through hotel tax transfers. Throughout the 2010 fiscal year, the Corporation received 3 points of the 8% hotel tax. Hotel tax transfers are deferred when due and recognized as revenue in the period in which the related expenses are incurred. As Tourism British Columbia was dissolved effective March 31, 2010, the remaining balance was recognized as revenue during the year.

	2010	2009
Balance beginning of year	4,936	2,809
Hotel tax transfers received or due	53,511	56,600
Less: amounts recognized as revenue	(58,447)	(54,473)
Balance end of year	<u>-</u>	<u>4,936</u>

**8. Contributed surplus**

Contributed surplus consisted of capital contributions from the Province of British Columbia for the construction of new Visitor Centres at Merritt, Peace Arch and Osoyoos. The Province directed Tourism British Columbia to recognize any unspent funds as revenue in fiscal 2009/10.

	2010	2009
Balance beginning of year	7,900	7,949
Less: amounts amortized to revenue	(167)	(49)
	<u>7,733</u>	<u>7,900</u>
Less: Merritt contributions at March 31, 2010 recognized as revenue	(3,000)	-
Balance end of year	<u>4,733</u>	<u>7,900</u>

**9. Deferred contributions**

On May 15, 2004, Tourism British Columbia signed a contribution agreement with the Community Futures Development Corporation (CFDC) under the Softwood Industry Community Economic Adjustment Initiative (SICEAI), a federal government program aimed at "offering sustainable and tangible economic benefits" to communities impacted by the softwood lumber dispute with the United States. Under the terms of the agreement, CFDC will match funding towards "Rails to Trails infrastructure improvements" up to a maximum of \$2.1 million. The trails eligible under the agreement include both Tourism British Columbia and other Crown land. Tourism British Columbia has recorded its contribution of \$552,800 as trail improvements, and has recognized all of the remaining contributions from regional districts as revenue during the year, as they have been fully utilized in the improvements (in 2008/09, \$14,000 was shown as deferred contributions).

**10. Long term liabilities**

	Employee leave liability	Employee future benefits	2010	2009
Total long term liabilities	584	368	952	1,353
Less: current portion	(154)	-	(154)	(535)
Net long term liabilities	<u>430</u>	<u>368</u>	<u>798</u>	<u>818</u>

Employee leave liability is the value of earned but unused vacation and other leave. Employee future benefits is explained more fully in note 12.

Effective April 1, 2010, all long term liabilities were transferred to the Ministry of Tourism, Culture and the Arts.

**TOURISM BRITISH COLUMBIA**  
**Notes to the Financial Statements**

For the year ended March 31, 2010  
(tabular amounts in \$000s)

11. Program revenue	2010	2009
Commission and sign up fees	2,413	2,904
BC Magazine	2,244	2,381
Listing fees	606	637
Display ads	490	649
Merchandise sales and royalties	331	307
SuperHost	328	325
Quality assurance program	179	177
Miscellaneous	111	71
Reservation system license fees	-	221
	<u>6,702</u>	<u>7,672</u>

**12. Employee benefit plans**

Employee future pension benefits

Tourism British Columbia and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2008) determined that the Plan has a surplus. However, due to deteriorated market conditions subsequent to that date the Public Service Pension Board of Trustees implemented a contribution rate increase of 0.15% effective April 1, 2009. The total amount paid into this pension plan by Tourism British Columbia for the 2009/10 fiscal year was \$1,022,970 (2008/09: \$860,243).

Employee future post-retirement benefits

Obligations for employee retirement allowances are detailed in the Corporation's collective agreement. The Corporation has accrued the estimated costs of these benefits. The total amount accrued in long term liabilities at March 31, 2010 was \$368,116 (2008/09: \$371,302).

Employee pension - United Kingdom

Tourism British Columbia implemented a defined contribution pension plan for staff working in the United Kingdom in fiscal 2004. Staff contribute 5% of their base salary with a matching amount contributed by Tourism British Columbia. The pension plan is administered by Thomson's Wealth Management, a contracted pension administrator located in the United Kingdom. The total amount paid into this pension plan by Tourism British Columbia for the 2009/10 fiscal year was \$9,929 (2008/09: \$9,464).

Effective April 1, 2010, all liabilities relating to the future benefits were transferred to the Ministry of Tourism, Culture and the Arts.

**13. Grants and contributions from the Province**

Tourism British Columbia received various contributions from the Province amounting to \$38.7 million, the majority of which (\$37.3 million) were spent on marketing activities in North America.

**TOURISM BRITISH COLUMBIA**  
**Notes to the Financial Statements**

For the year ended March 31, 2010  
(tabular amounts in \$000s)

**14. Related parties**

Tourism British Columbia is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations such as school districts, colleges, universities and health authorities that are included in the provincial government reporting entity. In addition, transactions with senior management, directors, their immediate family members or related companies with which any of the above have a financial interest are also considered related parties. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

The statement of operations includes the following transactions with related parties:

	<u>2010</u>	<u>2009</u>
Revenue		
Hotel tax transfers	58,447	54,473
Grants and contributions from the Province	41,868	418
Program revenue	32	180
Total	<u>100,347</u>	<u>55,071</u>
Expenses		
Support services	796	275
Visitor experiences	415	769
Consumer marketing	34	4
Partnership marketing	4	3
Total	<u>1,249</u>	<u>1,051</u>

Assets and liabilities at March 31 with related parties were:

	<u>2010</u>	<u>2009</u>
Receivables		
Hotel tax transfers	8,210	4,691
Program revenue	32	124
Total	<u>8,242</u>	<u>4,815</u>
Payables and accruals	<u>1,053</u>	<u>568</u>
Deferred revenue	<u>-</u>	<u>72</u>

**15. Commitments**

At March 31, 2010, Tourism British Columbia had the following commitments:

	<u>2010/11</u>	<u>2011/12</u>	<u>Beyond</u>	<u>Total</u>
Contractual obligations related to regular marketing operations	43,682	-	-	43,682
Office lease commitments	1,354	1,378	2,609	5,341
	<u>45,036</u>	<u>1,378</u>	<u>2,609</u>	<u>49,023</u>

Effective April 1, 2010, all obligations under these commitments were transferred to the Ministry of Tourism, Culture and the Arts.

**TOURISM BRITISH COLUMBIA**  
**Notes to the Financial Statements**

For the year ended March 31, 2010  
(tabular amounts in \$000s)

**16. Schedule of expenses**

	<u>2010</u>	<u>2009</u>
Program	63,479	28,516
Salary and benefits	14,151	13,567
Grants and contributions	7,327	3,945
Professional services	6,699	7,825
Amortization	4,222	1,817
Information technology	4,216	4,154
Facilities	1,812	1,758
Other	1,122	1,180
Cost of sales	1,024	669
Travel	968	1,466
	<u>105,020</u>	<u>64,897</u>

**17. Contributions from Government of Canada**

Tourism British Columbia received \$3 million in funding from Western Economic Diversification Program (\$2 million in 2009) to support 2010 Olympic and Paralympic Winter Games marketing activities.

**18. Transition Costs**

With the dissolution of Tourism British Columbia effective April 1, 2010, the following costs were incurred which are directly attributable to the closure of the Corporation and the transition of operations to the Ministry of Tourism, Culture and the Arts

Severance	1,450
Professional fees	514
Information technology and telecommunication	320
Program expenses	250
Write down of assets	230
Other	102
	<u>2,866</u>

**19. Comparative figures**

Certain comparative figures in the financial statements have been restated to conform with the current year presentation.