

LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY

Financial Statements

Year Ended December 31, 2022

LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY
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Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Lethbridge Destination Management Organization Society

Qualified Opinion

We have audited the financial statements of Lethbridge Destination Management Organization Society (the organization), which comprise the statement of financial position as at December 31, 2022, and the statements of changes in net assets, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

Basis for Qualified Opinion

The Organization's financial statements from 2018 included a period when the funds were controlled by the City of Lethbridge. We were unable to satisfy ourselves concerning the possibility of material misstatements in the opening balances for certain property and net assets. As a result, we were unable to determine whether any adjustments might have been found necessary.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with 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 qualified audit 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 ASNPO, 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report to the Members of Lethbridge Destination Management Organization Society *(continued)*

Auditor's 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 auditor's 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 organization'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 organization'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 auditor's report. However, future events or conditions may cause the organization 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.

Moriyama Wolsey

Lethbridge, Alberta
March 16, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

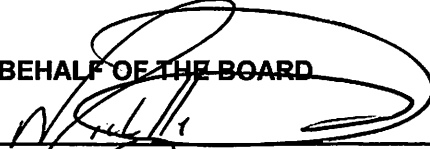
LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY

Statement of Financial Position

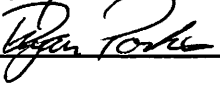
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 352,589	\$ 267,835
Accounts receivable	513	33,972
Goods and services tax recoverable	8,521	8,322
Prepaid expenses	21,695	10,094
	383,318	320,223
CAPITAL ASSETS (Note 4)	39,504	55,696
	\$ 422,822	\$ 375,919
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 49,745	\$ 12,964
Employee deductions payable	7,444	8,574
Deferred grant income	36,775	47,775
Covid grant liability (Note 5)	60,000	60,000
	153,964	129,313
NET ASSETS		
Unrestricted	229,354	190,910
Invested in capital assets	39,504	55,696
	268,858	246,606
	\$ 422,822	\$ 375,919

ON BEHALF OF THE BOARD



Director



Director

See notes to financial statements

LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY**Statement of Changes in Net Assets****Year Ended December 31, 2022**

	Unrestricted	Invested in Capital Assets	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 190,910	\$ 55,696	\$ 246,606	\$ 260,021
EXCESS OF REVENUES OVER EXPENSES	22,252	-	22,252	(13,415)
Net additions to capital assets	-	-	-	-
Amortization of capital assets	16,192	(16,192)	-	-
NET ASSETS - END OF YEAR	\$ 229,354	\$ 39,504	\$ 268,858	\$ 246,606

See notes to financial statements

LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY**Statement of Revenues and Expenditures****Year Ended December 31, 2022**

	2022	2021
REVENUES		
Fees	\$ 630,892	\$ 630,892
Grants	330,675	222,607
	961,567	853,499
EXPENSES		
Salaries and wages	496,714	442,090
Marketing expenses	186,185	300,617
Public relations & hosting	77,625	10,368
Contract services	46,309	-
Premise expenses	35,469	21,977
Travel	31,469	12,504
Professional fees	17,660	15,403
Computer-related expenses	15,256	7,773
Telephone & internet	7,053	6,636
Office	5,869	3,856
Insurance	2,628	1,883
Special initiatives	1,750	5,000
Meeting expenses	1,004	1,071
Interest and bank charges	640	471
Visitor information center	-	22,035
Repairs and maintenance	-	10,320
Amortization	16,192	16,349
	941,823	878,353
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	19,744	(24,854)
OTHER INCOME	2,508	11,439
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 22,252	\$ (13,415)

See notes to financial statements

LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY**Statement of Cash Flows****Year Ended December 31, 2022**

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 22,252	\$ (13,415)
Item not affecting cash:		
Amortization of capital assets	16,192	16,349
	38,444	2,934
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	36,781	(24,471)
Accounts receivable	33,459	19,528
Prepaid expenses	(11,601)	(5,937)
Goods and services tax payable	(199)	(1,970)
Employee deductions payable	(1,130)	1,142
Deferred grant income	(11,000)	(11,225)
	46,310	(22,933)
Cash flow from (used by) operating activities	84,754	(19,999)
INVESTING ACTIVITY		
Purchase of capital assets	-	(13,841)
INCREASE (DECREASE) IN CASH FLOW	84,754	(33,840)
Cash - beginning of year	267,835	301,675
CASH - END OF YEAR	\$ 352,589	\$ 267,835
CASH CONSISTS OF:		
Cash	\$ 352,589	\$ 267,835

See notes to financial statements

LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY

**Notes to Financial Statements
Year Ended December 31, 2022**

1. PURPOSE OF THE ORGANIZATION

The Organization is a non-profit organization incorporated without share capital under the Societies Act of Alberta. The organization promotes Lethbridge , Alberta as a destination. The Association is exempt from income taxes under section 149(1)(l) of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

Lethbridge Destination Management Organization Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from fees for service are recongnized when the services are provided. Amounts received for the following years work is deferred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, held by financial institutions in operating accounts, cheques issued in excess of cash on deposit.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis or straight-line at the following rates and methods:

Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	5 years	straight-line method

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Net assets

- a) Net assets invested in capital assets represents the unamortized portion of capital assets purchased with unrestricted resources, less debt, less unamortized deferred contributions.
- b) Unrestricted net assets represents the Organization's accumulated surplus.

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LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY

**Notes to Financial Statements
Year Ended December 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

3. ECONOMIC DEPENDENCE

The Association is economically dependent on the City of Lethbridge for funds to operate. 62% (73% - 2021) of the revenue is from the City of Lethbridge.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment	\$ 23,767	\$ 21,294	\$ 2,473	\$ 5,495
Furniture and fixtures	16,191	9,969	6,222	7,778
Leasehold improvements	58,070	27,261	30,809	42,423
	\$ 98,028	\$ 58,524	\$ 39,504	\$ 55,696

5. COVID-19 GRANT

In October 2020, the organization received a \$60,000 COVID-19 grant from Travel Alberta to cover qualifying operational expenses enabling them to continue operations during the period June 1, 2020 to December 31, 2020. The organization should be receiving reduced or limited funding and revenue. One of the objectives of the grant as per the Partnership Agreement was to cover these operational expenses that cannot be covered within existing funds or through alternative relief funding programs. In the prior year, the organization still did not meet these criteria as all its expenses were fully covered by the City of Lethbridge fee for service. As such, none of the grant proceeds was recognized as income.

In January 24, 2023, a letter from Travel Alberta was received regarding the amendments of the objectives of the grant. See Subsequent Events note below for more information.

LETHBRIDGE DESTINATION MANAGEMENT ORGANIZATION SOCIETY

**Notes to Financial Statements
Year Ended December 31, 2022**

6. SUBSEQUENT EVENTS

Travel Alberta issued a letter dated January 24, 2023 amending the COVID-19 grant objectives from 2020. This letter allows the use of the grant for operational expenses without any revenue limitations. As the letter is dated in the year 2023, the grant will be recognized during the year 2023.

7. COVID-19 IMPACT AND CONTINGENCY

The World Health Organization declared a global pandemic for the COVID-19 disease on March 11, 2020. Consequently, on March 17, 2020, the Government of Alberta declared a state of public health emergency over the COVID-19 pandemic and inacted measures for its citizens and businesses to follow, intended to minimize the impact of the disease.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the Organization in the future.

The management has determined that the Organization is eligible for the 10% Temporary Wage Subsidy (TWS) for March 2020 to May 2020 and therefore a portion of the Organization's wages was covered by the federal government for this period. At December 31, 2022, \$0 (2021 - \$0) have been included as other income for TWS. All were collected in the same period as incurred.

The situation is changing rapidly and the future impact on the Organization is not readily determinable.

8. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2022.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from the City of Lethbridge.
