



Economic Development and Tourism
Tourism PEI

ANNUAL REPORT

2016-2017



Tourism PEI

2016-2017 Annual Report

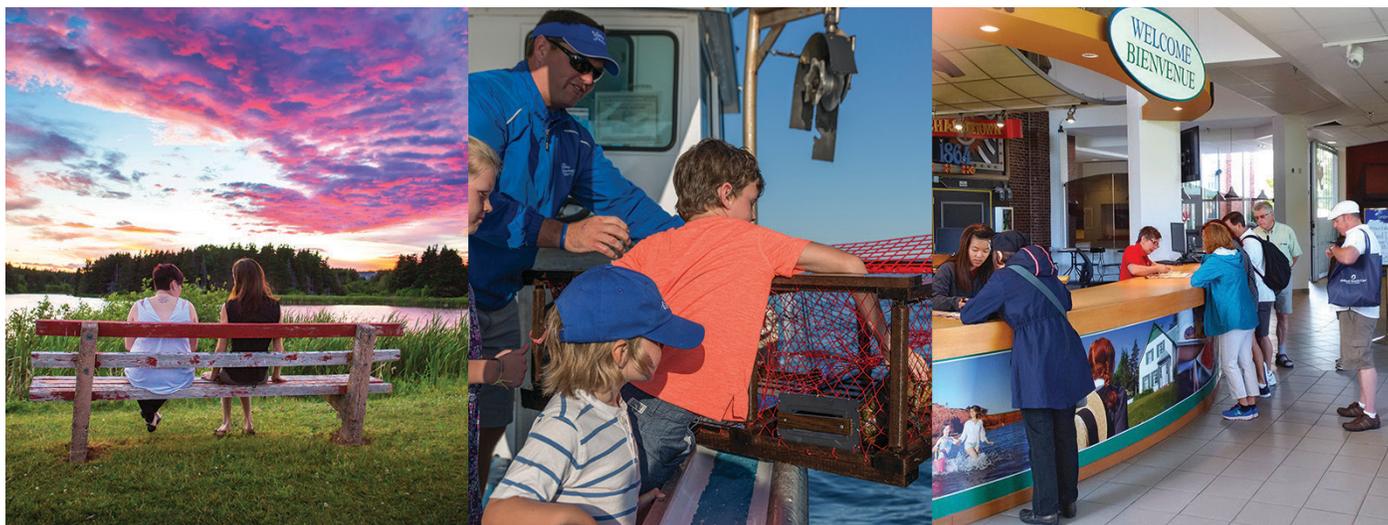


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Minister's Message



The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

I have the honour to submit herein the annual report for the activities of Tourism PEI for the period of April 1, 2016, to March 31, 2017.

Tourism PEI is responsible for the promotion of Prince Edward Island as a premiere tourism destination, for tourism development and investments, the development and implementation of industry support programs, managing the regulatory affairs, and the evaluation and measurements of the industry. Tourism PEI also manages our provincial parks system, the three provincially owned golf courses, the Confederation Trail, Brookvale Provincial Ski Park, and Visitor Information Centres. These venues help promote healthy lifestyles and active living for Islanders and visitors alike.

Respectfully submitted,

A handwritten signature in black ink, reading "J. Heath MacDonald". The signature is written in a cursive, flowing style.

J. Heath MacDonald
Minister
Economic Development and Tourism

CEO's Message



Honourable Heath MacDonald
Minister of Economic Development and Tourism
PO Box 2000
Charlottetown, PE C1A 7B8

Dear Minister MacDonald:

Please accept this annual report for Tourism PEI for the fiscal year ending March 31, 2017.

2016 was a banner year for tourism on Prince Edward Island and was our third straight record year for overnight stays. Early indicators are that some 1.5 million visitors came to PEI with estimated expenditures of \$430 million. Bridge and airport traffic were both up 9.8% and 12% respectively, with the latter being a record year for the airport. On a regional basis, all touring regions were posting increases to room nights sold ranging from .7% to 20.5%. Key source markets continue to be ON, QC, NS and NB...all posting solid growth along with New England and Mid Atlantic in the US performing quite strongly. Ferry traffic was, of course, down with the single ferry operating. Cruise markets took a dip in 2016 due to a routing change of one of the ships. Non-member golf rounds and motorcoach are strong performing segments with both showing double digit increases. The meetings and conventions business performed well with a consistent number of meetings but impressively drawing an increased number of delegates and overnight stays. International overnight stays comprise just over 1% of the total and continue to be a market of focus for us to grow.

There is no question tourism is big business for Prince Edward Island. Communities across the province benefit from the influx of visitors to our Island...inns, bed and breakfasts, community halls, restaurants, artisans, musicians, crafters, hotels, gas stations, convenience stores, retail and supply stores, roadside markets and many more.

Behind the scenes, the combined efforts of too many to list cumulated in the release of Vision 2021, Prince Edward Island's five year tourism strategy. Many thanks to the Tourism Industry Association of PEI for taking the lead on this strategy. Also to the many industry representatives for their time and talents in contributing to a very large piece of work. Refinement of the recommendations and implementation continues under a great momentum and spirit of collaboration and cooperation.

Tourism PEI was pleased to make strategic investments in product development, marketing and support of our many valued partners in tourism development across our Island.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Cheryl Paynter', with a stylized flourish at the end.

Cheryl Paynter
Chief Executive Officer and Secretary of the Board

Tourism PEI Overview

Tourism PEI is a Crown Corporation established by an Act of the Provincial Legislature and resides in the Department of Economic Development and Tourism as of May 20, 2015. Among its original purposes were to have the power to hold shares of subsidiary companies, to be able to hold title to real property and to receive industry revenues, primarily from marketing initiatives. It has a Board of Directors that meets annually to appoint auditors, approve financial statements, and review operations.

The Board is appointed at pleasure by Executive Council and during fiscal 2016-2017 was comprised of:

Minister J Heath MacDonald
Deputy Minister Neil Stewart
CEO Cheryl Paynter
Jeanette Arsenault - Industry representative
Kevin Jenkins

The Corporate Services Division of Tourism PEI is responsible for general administration, financial services, human resources, records management, insurance matters, FOIPP, Provincial Parks and Provincial Golf Operations.

The Strategic Initiatives Division (SID), is responsible for tourism research and statistical reporting, product development and investment, the development and implementation of industry support programs, managing the regulatory affairs pursuant to the *Tourism Industry Act* (license, occupancy reporting, water testing) and the *Highway Signage Act* (Tourism Directional Signage, Special Event Signage and On-Premises Signage). SID is also the lead liaison on intergovernmental affairs including an advocacy role to represent the interests of the tourism industry in key policy areas such as improved air access, tourism related legislation, labour and immigration issues, and land use matters.

The Marketing Communications Division aggressively markets and promotes Prince Edward Island as a premier vacation destination and ensures quality services for the tourism industry of Prince Edward Island. The division is responsible for customer service, retention and loyalty. Customer service centres include the provincially run visitor information and call centres. The division is also the lead for the implementation of the integrated tourism solution (ITS) technology and the central reservation system.

Tourism Industry Snapshot

For the calendar year, preliminary numbers suggest there were 1.5 million visitors to Prince Edward Island in 2016, a 6.9 percent increase over 2015. Estimated tourism expenditures by residents and non-residents were \$430 million, an increase of 6 percent compared to the previous year. Final visitation and expenditure estimates will be available in the fall of 2017.

Overnight stays increased 10.2 percent, to 964,671 in 2016. Campground stays were up 10.7 percent, while fixed roof room nights were up 9.9 percent.

During 2016, airport traffic increased by 11.9 percent, ferry traffic decreased by 13.7 percent, and bridge traffic increased by 9.8 percent. Cruise ship passenger and crew visits decreased by 15.6 percent.

In 2016, meetings, conventions, and incentive travel (MCIT) made a significant impact on tourism in PEI. In 2016 there were 107 meetings, bringing in 15,914 resident and non-resident delegates. Total direct spending by non-resident delegates and their travel party was estimated at almost \$18 million dollars.

Tourism PEI Division Activities

Strategic Initiatives Division

The Strategic Initiatives Division is responsible for tourism development and investment, the development and implementation of industry support programs, and management of regulatory affairs pursuant to the Tourism Industry Act and the Highway Signage Act.

This section also works actively with industry stakeholders in conducting research projects on consumer demand, quality assurance initiatives and new product development opportunities. The section also works with the Centre for Tourism Research at TIAPEI to increase the research capacity of the province and assist with the transfer of knowledge to industry partners.

Evaluation, Measurement and Business Intelligence Unit

This unit is responsible for the ongoing monitoring of the department's objectives and strategies including:

- Establishing corporate performance measurement tools
- Working with the department's senior management team to integrate performance management principles into program activity
- Coordinating corporate performance activity.

The unit has an overall responsibility for overseeing the development of evaluation frameworks and the identification of evaluation metrics.

Product Development, Investment, and Regulatory Affairs

Product Development, Investment and Regulatory Affairs is responsible for:

- Managing opportunities to grow current businesses and attract new tourism development and investment opportunities.
- The professional development of industry partners and operators through the provision and support of training initiatives to ensure the tourism industry on PEI is competitive in the global marketplace.
- All regulatory functions administered under the authority of the *Tourism Industry Act* and Regulations and the *Highway Signage Act* and Regulations.
- Ensuring that all tourism operators are in compliance with industry standards as prescribed by legislation and regulations.
- Overseeing the investigation of quality standard issues and maintain a close relationship with industry organizations involved with standards. The unit oversees the contract with Quality Tourism Services (QTS). On behalf of the Department, QTS is contracted to perform the inspections required for the licensing of tourist accommodations.
- This division also manages contracts with Golf PEI, Meetings and Conventions PEI and all sector partners.

This unit is also responsible for the development and implementation of programs designed to support the expansion of the tourism industry through development of new and enhanced “product offerings” including, but not limited to key product markets such as coastal, golf, culinary and culture.

This division was responsible for the following funds in 2016-17:

- The Regional Product Development Fund
- The Tourism Innovation Fund
- The Festivals and Events Assistance Program
- The Meetings and Conferences Hosting Grant Program
- The Tourism Website French Translation Program

During this period, the Department invested in key events that served to drive tourism demand including: Cavendish Beach Music Festival, Fall Flavours and the Rock the Boat Festival to name a few.

Industry Standards

The quality of Prince Edward Island’s products and services is essential to the long-term health of the tourism industry.

The *Tourism Industry Act* sets out the operating standards for Prince Edward Island tourism accommodation establishments. On an annual basis every accommodation establishment must pass inspection. They must also have their water tested quarterly, submit monthly occupancy reports, and pay their annual license fee, in order to ensure that the property is in full compliance with the licensing standards set out in the Act.

Tourism PEI contracts Quality Tourism Services (QTS) to inspect and provide water testing support to all accommodation properties. QTS has a strong working relationship with Tourism PEI, and they employ professionally trained inspectors who are knowledgeable in the requirements of the Act.

Tourism PEI is responsible for the licensing of all tourism establishments (accommodations-fixed roof and campgrounds).

Tourism PEI’s compliance section supports licensed industry operators by enforcing the Act and works to bring unlicensed operators into compliance. Tourism PEI works closely with industry partners to maintain the quality and standards that are critical to success. It is this team approach that ensures visitors enjoy the best possible vacation, based on quality services and memorable experiences.

Tourism PEI continues to strive toward increasing accessibility for the French-speaking public in order to comply with the Canada-PEI Agreement on French Language Services. Tourism PEI provides reception services in both official languages and several staff are fluent in French or are taking French language training.

Visitor Information and Destination Centres provide services to the traveling public and have bilingual staff available. The Centres continue to improve the level of service with each passing year. In all other venues of Tourism PEI's service to the public, every effort is made to ensure that there is service provided in French by front-line staff.

Under the terms of the Canada PEI Agreement on French Language Services, l'Association touristique Évangéline aux services des Acadiens et Francophones de l'Île-du-Prince-Édouard received funding for its leadership activities on behalf of Francophone and Acadian tourism operators from across the province. This Association brings together Acadian and Francophone operators from across the province to better promote the Acadian and Francophone tourism product and the association works to present a united voice to government.

Fall Flavours

In 2016, the Fall Flavours Culinary Festival took place from September 2 to October 2, 2016, and featured over 75 different culinary experiences, including signature events, culinary events, tasting events, and dining events. Signature events featured chefs from the Food Network and highlighted food experiences across the Island. Fall Flavours provides unique local culinary experiences during Prince Edward Island's peak harvest season, which interests our target markets. Restaurants across the Island participated in the Dining program, creating special menus featuring Island product.

Meetings and Conventions and Employee Convention Hosting Opportunities (ECHO)

In 2016, the Meetings and Convention Sector attracted 107 meetings/conventions that drew 15,914 delegates. Total direct spending by non-resident delegates and their travel party was estimated at 18 million dollars.

Marketing Communications

The overall mandate of the Marketing Communications Division is to promote Prince Edward Island as a premiere vacation destination in our target markets.

The division is responsible for travel industry sales, media relations, advertising, publications, distribution, PR activations and promotions, along with the operation of Visitor Information Centres and call centre.

Tourism PEI is a partner in the Atlantic Canada Tourism Partnership (ACTP) which merges two levels of government and the region's private industry. The partnership allows the province to reach strategic markets in the US (New England and mid-Atlantic), and United Kingdom.

Tourism PEI also actively pursues partnership opportunities with Destination Canada and others, in joint-venture initiatives.

Advertising and Publicity

The 2016 marketing creative execution kept the focus on our industry-defined demand generators of coastal, culinary, culture and golf. The messaging was enhanced to align with government's message of Prince Edward Island as Canada's Food Island. The tagline 'That's true *island* flavour' used a play on words to link to culinary, yet remained very applicable to the lifestyle and experience of visiting our beautiful Island.

Sample ad copies and imagery included the following: 'Reservations at the new hot spot in town – That's true *island* flavour' with photo of food on table at a cottage overlooking ocean or another at a campsite; 'Complimentary parking – That's true *island* flavour' with photo of kayaks lined up on the beachfront; 'Taking time to savour your favourite course – That's true *island* flavour' with photo of golfers eating mussels and oysters overlooking golf course; 'Front row seats to tonight's big show – That's true *island* flavour' with photo of family on beach with guitar, etc. The tagline 'Canada's Food Island' was used in all culinary ads.

Our marketing tactics for 2016 included print, digital, social and television media buy. It also included media relations and public relations activities. The following are a few highlights:

We had high impact activations at bus shelters with an Island musician performing and providing information on Prince Edward Island. PEI imagery was also very prominently displayed on numerous transit buses in Montréal, Toronto and Ottawa. We had a Prince Edward Island food truck serving lobster poutine in busy urban areas and at several festivals in Ontario and Québec. Ambassadors promoted visits to the Island and encouraged people to enter contest and sign up for newsletters so we could increase number of potential visitors in our CRM database.

We had a very successful partnership with YTV in the presentation of the new Anne of Green Gables series starring Martin Sheen as Matthew Cuthbert. For French television, we arranged a broadcast integration with a show on Radio-Canada called 'Par ici l'été. It is targeted to foodie and enhanced our promotion of Prince Edward Island as Canada's Food Island.

2016 was our second year for the award-winning program called 'Ask an Islander'. Local ambassadors answered visitor questions to add authenticity to responses. It continues to be a very popular program.

Fulfillment

From April 1, 2016 to Mar 31, 2017

- A total of 53,725 Visitor Guides were mailed out, of which 7,023 were French guides.
- There were 2,382,476 sessions to the website, 10,430,480 pageviews with an average of 4.38 pages viewed per session.

- Visitors spent an average of 4 minutes and 3 seconds on the site.
- Visitors to the website were mostly Canadian with 450,259 American sessions, 35,254 Japanese sessions, 29,310 sessions from France, and 21,957 sessions from the UK.

Trade and Sales

The Trade and Sales section is responsible for generating sales of Prince Edward Island's vacation products through trade, consumer, and media channels.

The section focuses primarily on North America, Japan, United Kingdom, and Germany. There are efforts to market in China, the world's fastest growing outbound travel market.

Trade and Sales staff works with numerous trade partners such as tour operators, airlines, motorcoach companies, cruise lines, auto clubs, travel agents and media contacts to promote Prince Edward Island.

The Trade and Sales staff provide an ongoing connection between local tourism operators on the Island and members of the travel trade that have clients visiting Prince Edward Island or are developing new initiatives to encourage and increase new visitors to Prince Edward Island.

The majority of Trade and Sales activity is carried out in cooperation with local industry partners at marketplaces, consumer shows, and sales functions.

During the 2016-2017 fiscal year, the Trade and Sales section participated in the following marketplaces:

- American Bus Association (ABA)
- Rendezvous Canada (RVC)
- World Travel Mart (WTM)
- ITB-Berlin
- Focus Canada Japan
- The Canada/New England Cruise Symposium

In addition, Trade and Sales Staff participated in a reduced number of consumer travel shows. The focus was on having a stronger presence in the shows with the strongest potential ROI. Sales functions included media events and travel agent training in cooperation with the Atlantic Canada Tourism Partnership (ACTP) in key target markets.

The cruise market has become a major contributor of visitors to Prince Edward Island. In 2016-2017, 53 cruise ships arrived, carrying 66,500 passengers, a decrease over 2015-16, but still a very healthy industry. The trade and sales staff work closely with the Atlantic Canada Cruise Association to attract cruise ships to Prince Edward Island primarily through joint marketing partnerships with major cruise lines. It is anticipated that 2017 will see an increase in cruise visits.

Digital Marketing

This section of the Marketing Communications division is responsible for the online marketing programs and tools that drive web, mobile and social media usage, email response rates, sales conversion and enhanced consumer experience while driving increased engagement. The Digital marketing section also ensures a seamless process in executing effective customer relations management as part of the overall Tourism PEI marketing strategy. It is the lead for the operation of Integrated Tourism System (ITS) technology, including the central reservation system and BookPEI.

Visitor Information Centres (VIC)

The province operated four Visitor Information Centres at the following locations: Borden-Carleton, Wood Islands, Souris and West Prince. Borden-Carleton provided services to the travelling public throughout the entire year.

The Charlottetown, Cavendish, St. Peters and Summerside VICs operated as Destination Centres in partnership with the Province through the Destination Centre Agreement with their respective regional tourism associations.

Corporate Services

The Corporate Services Division of Tourism PEI is responsible for general administration, financial services, human resources, records management, insurance matters, Provincial Parks and Provincial Golf Operations.

Provincial Parks and Confederation Trail

Provincial Parks was pleased to once again report an increase in campground visitation during the 2016 camping season. Overnight campground visitation was up approximately 11% compared to 2015 based on a total of 34,546 sites sold. All Provincial Parks reported positive growth with Red Point and Jacques Cartier showing the largest increases over the previous season. In terms of actual site nights sold, Red Point (7,468 nights) and Cabot Beach (6,451 nights) continue to be the most popular campgrounds in the Provincial Park network of campgrounds.

In addition to being enjoyed by Islanders across the Province, our Provincial Park system of campgrounds and day-use parks are an important component of our Island's tourism industry. Ongoing capital improvements are critical to ensure parks are maintained to a high standard.

In 2016-2017, Provincial Parks was able to complete work on new washrooms at Brudenell, Northumberland, Wood Islands, and Red Point. Site upgrade plans have been developed for both Linkletter and Cabot which will see the addition of more serviced sites over the next few years.

2016-2017 saw a number of exciting developments at the new Bonshaw Hills Provincial Park. Bonshaw Hills, which includes the former Bonshaw Provincial Park, includes more than 640 acres. A new natural playground was completed in the fall of 2016 and an outstanding network of mountain biking and hiking trails is near completion. Park signage was installed during the spring of 2017 and an official Park opening is tentatively planned for the summer. The Department of Transportation, Infrastructure and Energy, under the guidance of the Bonshaw Hills Public Lands Subcommittee, are the project managers of the new park which will be officially transferred to Provincial Park management once completed.

Provincial Parks continues to coordinate and deliver a variety of summer programs to park visitors including children's activities, nature and outdoor interpretative activities, sport activities and family activities. These programs continue to be well received by park users and greatly enhance their visitor experience. Parks was also pleased to provide lifeguard services on eight provincial park beaches across the province in 2016. This very important service allows Islanders and visitors alike the opportunity to safely enjoy our beautiful Provincial Park beaches.

The winter of 2017 saw another successful season for Brookvale Provincial Winter Activity Park. Thanks to the help of snowmaking upgrades undertaken over the last few years, the Alpine facility began the season this year on December 22, 2016. In total, the Alpine facility was open 60 days. It closed for the season on March 26 following a busy PEI March break. Highlights of the Alpine season included the Brown's Volkswagen Ski School hitting the 400 student mark for the first time, the 1st Annual Ski Patrol Fundraising Night on February 14th and the Brookvale 50th Anniversary celebrations on January 29th.

Although weather conditions were not optimal for the Brookvale Nordic Center, the site was able to open 55 days for cross country skiing and snowshoeing on one of the largest Nordic facilities in Atlantic Canada. Biathlon PEI continues to be a primary user group at the Nordic Center. This year Brookvale was able to assist biathlon in repairs to the stadium area including lighting and range work. The Nordic site was once again pleased to host a number of biathlon PEI events featuring top biathlon athletes from Atlantic Canada and beyond.

As Managers of the Confederation Trail, PEI Provincial Parks recognizes the importance of this unique product to both the Provincial Tourism Industry and the general well being of Islanders. In 2016 – 2017, Provincial Parks continued to work on an enhanced way-fare system designed to provide more detailed information on available amenities in communities that border Confederation Trail. Also, Provincial Parks was pleased to install a new eco-friendly washroom in Garlock for the convenience of trail users. Finally, Provincial Parks would like to once again acknowledge the Department of Transportation, Infrastructure and Energy for their outstanding support and commitment to maintaining the Confederation Trail to the highest of standards.

Provincial Golf Courses

Golf is considered one of the pillars of the tourism industry and is therefore an important piece of the tourism strategy.

The 2016 season saw 34,734 non-member rounds played at the three Provincial courses. This represented a 13.6% increase in non-member rounds played over the 2015 season.

Standard rack rates did not change from the 2015 season, packaged rates were increased slightly.

A new POS/Tee Sheet software system was installed at the courses. This improved our online tee time application, reporting, database collection, loyalty program, and made check in easier for our guests.

Membership rates remained the same as the 2015 season. In total, there were 432 members:

- 175 full members
- 66 senior members
- 21 intermediate members
- 36 weekday members
- 78 afternoon members
- 50 junior members
- 6 Diamond members.

119 of these full members opted to include Dundarave as an addition to their membership.

Through February and March “PEI’s Finest Golf”, in partnership with Golf PEI, travelled to four consumer golf shows in Toronto, Montreal, Quebec City and Moncton.

The purpose of our attendance was to promote our products and facilities that we have to offer the travelling golfer.

The Links at Crowbush Cove:

- Opened for the season on May 20th and closed Oct 16th. The course was in terrific condition throughout the season. An irrigation system issue during a particularly warm spell in July set the turf back but it recovered as the summer cooled.
- Capital purchases for Crowbush included: the purchase of a new utility vehicle, blower, and new batteries for our golf cart fleet.
- Improvements to the course included raising the cart path on hole 16, putting an addition on a storage building to protect our machinery from winter exposure, brick pavers at our tee decks, new ball washers, and the continuation of our thinning of trees and undergrowth around the course.
- Crowbush was visited by a golf only cruise group, Kalos Golf, in September. This group of 100 well travelled guests enjoyed a tour of the Maritimes which stopped at 5 other properties while they were in our region. This company has planned to return with a similar size group in 2017 and 2018.

Mill River:

- In May, the province entered into a one year management services agreement of the golf course with an operator. Invoicing, including payroll, would be done through the province and sent to the operator for reimbursement.
- Opened for the season on May 6th and closed on Oct 30th.
- Capital purchases for Mill River included a used triplex mower, sidewinder mower, a marshall cart, and a beverage cart. Course improvements included a redesign of the tee complex on hole 7 and a new paved cart path on hole 2.
- Mill River had little damage from the winter due to the greens covers in use which protects the greens from ice. The course opened in good condition and improved as the temperature increased.

Brudenell/Dundarave:

- Brudenell opened for the season on May 6th and closed on Oct 16th. Dundarave opened on May 27th and closed on Oct 2nd.
- Capital purchases for Brudenell and Dundarave include a bunker rake, a blower, a triplex mower, and greens covers to protect from winter damage. Course improvements include a new paved cart path on hole 2 at Brudenell, new sod on Dundarave greens at hole 6, 7, 14, a new culvert on hole 10 at Dundarave, and the reconstruction of the tee on hole 15 at Brudenell.
- Both courses recovered well after the ice damage that occurred during the winter of 2015.

Financial Services and Office Administration

Financial Services is responsible for budgeting, forecasting, regular expenditure monitoring, and the day to day fiscal management of the Corporation. Financial Services also manages invoicing, receivables, collections, payables, banking, taxes, procurement, and external audits. Additional responsibilities include records management, *Freedom of Information and Protection of Privacy Act* compliance, contracts, insurance coordination, telecommunications, fleet management, and office administration.

Appendix A

Legislative Responsibilities, Boards and Commissions

Acts

Highway Signage Act

National Park Act

Recreation Development Act

Tourism Industry Act

Tourism PEI Act

Trails Act

Boards/Commissions/Agencies

Tourism Advisory Council

Tourism PEI Board

Tourism Arbitration Board

Appendix B

Financial Statements

Tourism PEI

Financial Statements
March 31, 2017

Management's Report

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Tourism PEI on matters of financial reporting and internal controls. Management provides the Board with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Tourism PEI



Cheryl Paynter, CPA, CA
Chief Executive Officer



ArsenaultBestCameronEllis
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July 20, 2017

Independent Auditor's Report

To the Minister of Economic Development and Tourism

We have audited the accompanying financial statements of **Tourism PEI**, which comprise the statement of financial position as at March 31, 2017, and the statement of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Tourism PEI** as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ArsenaultBestCameronEllis

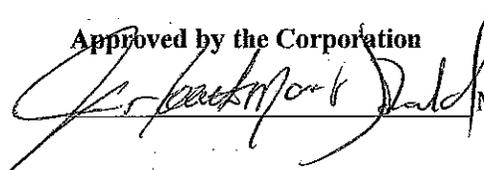
Chartered Professional Accountants

Tourism PEI

Statement of Financial Position As at March 31, 2017

	2017	2016
	\$	\$
Assets		
Financial assets		
Cash	1,495,017	1,798,181
Accounts receivable (notes 3 and 5)	795,491	743,890
Due from Province of Prince Edward Island (note 2)	55,283	-
	<u>2,345,791</u>	<u>2,542,071</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	2,294,673	2,408,250
Deferred revenue (note 4)	155,309	131,950
Due to the Province of Prince Edward Island (note 2)	-	133,604
	<u>2,449,982</u>	<u>2,673,804</u>
Net debt	<u>(104,191)</u>	<u>(131,733)</u>
Inventory	90,621	129,343
Prepaid expenses	13,570	2,390
	<u>104,191</u>	<u>131,733</u>
Accumulated surplus	<u>-</u>	<u>-</u>

Approved by the Corporation

 Minister

(1)

Tourism PEI

Statement of Operations

For the year ended March 31, 2017

	2017	2017	2016
	Budget (unaudited) \$	Actual \$	Actual \$
Revenue			
Grants from Province of Prince Edward Island	13,609,100	13,602,659	14,279,982
Marketing	775,000	684,399	658,412
Visitor Services	100,000	92,109	90,039
Brookvale Ski Park	412,500	444,051	393,074
Park Operations	1,007,900	1,074,809	1,172,338
Golf Operations	4,041,000	3,762,116	4,107,880
Book PEI fees	45,000	37,550	40,300
	<u>19,990,500</u>	<u>19,697,693</u>	<u>20,742,025</u>
Expenses (Schedule)			
Finance and Administration	250,000	755,320	128,383
Parks Administration	361,500	350,973	347,698
Park Operations	3,061,000	2,701,994	3,059,532
Brookvale	792,600	876,558	754,140
Golf Operations	4,917,100	4,380,290	4,919,989
Strategy and Evaluation	2,858,800	2,937,980	3,582,358
Regulation and Compliance	204,300	181,014	190,403
French Services	-	78	253,900
Business Development	679,300	663,606	629,975
Visitor Services	738,900	716,536	703,508
Marketing	4,369,600	4,582,501	4,474,178
Media Relations/Editorial	323,000	321,048	313,341
Fulfillment	428,900	380,544	418,939
Publications	438,600	359,634	442,868
Travel/Trade Sales	566,900	489,617	522,813
	<u>19,990,500</u>	<u>19,697,693</u>	<u>20,742,025</u>
Operating surplus	<u>-</u>	<u>-</u>	<u>-</u>

Tourism PEI

Statement of Changes in Net Debt For the year ended March 31, 2017

	2017	2016
	\$	\$
Operating surplus	-	-
Acquisition of inventory	(90,621)	(129,343)
Acquisition of prepaid expenses	(13,570)	(2,390)
Consumption of inventory	129,343	142,809
Use of prepaid expenses	2,390	14,624
	<u>27,542</u>	<u>25,700</u>
Decrease in net debt	27,542	25,700
Net debt - Beginning of year	<u>(131,733)</u>	<u>(157,433)</u>
Net debt - End of year	<u>(104,191)</u>	<u>(131,733)</u>

Tourism PEI

Statement of Cash Flows

For the year ended March 31, 2017

	2017	2016
	\$	\$
Cash provided by (used in)		
Operating activities		
Operating surplus	-	-
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(51,601)	607,683
Increase in due from the Province of Prince Edward Island	(55,283)	-
Decrease in inventory	38,722	13,466
Decrease (increase) in prepaid expenses	(11,180)	12,234
Increase (decrease) in accounts payable and accrued liabilities	(113,577)	1,214,637
Increase in deferred revenue	23,359	1,971
Decrease in due to the Province of Prince Edward Island	(133,604)	(343,290)
Net change in cash	(303,164)	1,506,701
Cash - Beginning of year	1,798,181	291,480
Cash - End of year	1,495,017	1,798,181

Tourism PEI

Notes to Financial Statements

March 31, 2017

Tourism PEI became a Crown corporation effective March 31, 1999 under the Tourism PEI Act passed by the Government of Prince Edward Island on June 8, 1999. The objectives of Tourism PEI are to carry out tourism related activities of the Province of Prince Edward Island.

The financial results of the corporation are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, accounts payable and accrued liabilities and due from the Province of Prince Edward Island.

All financial assets and financial liabilities are initially recognized at fair value and subsequently measured at cost or amortized cost

Cash

Cash consists of cash on hand and bank balances.

Due to/from the Province of Prince Edward Island

Current operations:

Excess revenue (expense) for the year for Tourism PEI is recorded as a reduction (increase) in Grants from Province of Prince Edward Island and as an amount due to (from) the Province of Prince Edward Island.

Inventory

Inventory is valued at the lower of cost, determined using the average cost method, and market. Market is defined as net realizable value.

Revenue recognition and government assistance

Grants from the Province of Prince Edward Island are recorded as revenue when authorized. Revenue from marketing activities is recorded when billed and revenue from park operations, services and fees is recorded when earned as services are provided.

Revenue from golf operation is recognized when goods or services are delivered to the customer and ultimate collection is reasonably assured.

Deferred revenue is recorded when fees have been collected but the service has not been delivered.

Tourism PEI

Notes to Financial Statements

March 31, 2017

Expenses

Expenses are recorded in the period in which the related goods and services are consumed except for certain marketing related expenditures, recorded in marketing expenses, that are recorded in the period the goods and services are acquired and a liability incurred and program grant expenditures, recorded in Strategy and Evaluation (2016 - Industry Investment), that are recorded in the period in which the funds are approved for disbursement and a corresponding liability incurred.

Vacation pay and pension liabilities

The staff of Tourism PEI are employees of the Province of Prince Edward Island. Direct costs for employees of the Province of Prince Edward Island allocated to Tourism PEI are charged to the company on a per-payroll basis. Since the staff are employees of the Province, accrued vacation pay and pension obligations are liabilities of the Province and not the corporation and no liability for these costs has been accrued by the corporation as at March 31, 2017.

Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable. Actual amounts could differ.

2 Due to (from) the Province of Prince Edward Island

	2017	2016
	\$	\$
Current operations		
Excess revenue (expenditures) for the year - Tourism PEI	(55,283)	133,604

3 Accounts receivable

	2017	2016
	\$	\$
Accounts receivable	626,166	662,282
HST receivable	301,230	213,513
Less: allowance for doubtful accounts	(131,905)	(131,905)
	<u>795,491</u>	<u>743,890</u>

Tourism PEI

Notes to Financial Statements
March 31, 2017

4 Deferred revenue

	2017	2016
	\$	\$
Gift certificates	96,652	87,359
Prepaid golf passes and fees	58,657	44,201
Brookvale gift certificates	-	390
	<u>155,309</u>	<u>131,950</u>

5 Related party transactions

During the year, the corporation utilized office premises from a Department of the Province of Prince Edward Island for nil consideration.

Tourism PEI utilizes the provincial parks, including Brookvale Ski Park, the provincial golf courses, the provincial day parks and the full service campgrounds, as well as the Visitor Information Centres in carrying out its mandate. Tourism PEI paid rent of nil (2016 - \$27,814) to utilize these facilities.

Included in accounts receivable is \$531 (2016 - \$4,167) due from departments of the Province of Prince Edward Island. Included in accounts payable and accrued liabilities is an amount of 10,081 (2016 - \$606) due to departments of the Province of Prince Edward Island and \$47,846 (2016 - nil) due to a provincial Crown corporation.

6 Commitments

- (a) Tourism PEI has entered in various contracts resulting in the following commitments for the next five years:

	\$
Year ending March 31, 2018	884,912
2019	311,912
2020	311,912
2021	200,000
2022	200,000

- (b) The minimum annual lease payments required over the next year under operating leases for an equipment lease expiring in November 2017 are as follows:

	Equipment
	\$
Year ending March 31, 2018	26,136

There is a requirement to pay the corporation's pro rata share, based on rental space, of the operating costs, including property taxes, of the premises in Brudenell, which amounted to \$39,356 (2016 - \$116,928).

Tourism PEI

Notes to Financial Statements

March 31, 2017

7 Financial risk management objectives and policies

Tourism PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Tourism PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's accounts receivable.

Accounts receivable includes trade receivables, HST receivable and other accrued receivables.

Tourism PEI's maximum exposure to credit risk is \$795,491, its carrying value of accounts receivable as noted on the statement of financial position.

Details of the carrying value of accounts receivable that are past due at the financial statement date are as follows:

	Current	Up to 90 days overdue	Over 90 days overdue	Allowance for doubtful accounts	2017 Total
	\$	\$	\$	\$	\$
Accounts receivable					
Trade receivables	398,916	2,762	113,913	(131,905)	383,686
HST receivable	301,230	-	-	-	301,230
Other receivables	110,575	-	-	-	110,575
	810,721	2,762	113,913	(131,905)	795,491

	Current	Up to 90 days overdue	Over 90 days overdue	Allowance for doubtful accounts	2016 Total
	\$	\$	\$	\$	\$
Accounts receivable					
Trade receivables	344,940	15,856	148,363	(131,905)	377,254
HST receivable	213,513	-	-	-	213,513
Other receivables	153,123	-	-	-	153,123
	711,576	15,856	148,363	(131,905)	743,890

Tourism PEI

Notes to Financial Statements

March 31, 2017

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities and due to the Province of Prince Edward Island as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The company's financial liabilities total \$2,449,982 and are expected to be repaid within one year.

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(d) Capital management

The primary objective of Tourism PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Tourism PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Tourism PEI

Consolidated Schedule of Expenses by Type
For the year ended March 31, 2017

Schedule

	2017		
	Salaries and benefits \$	Operating Goods and Services \$	Total \$
Finance and Administration	235,629	519,691	755,320
Parks Administration	288,640	62,333	350,973
Park Operations	2,136,874	565,120	2,701,994
Brookvale	557,200	319,358	876,558
Golf Operations	2,990,382	1,389,908	4,380,290
Strategy and Evaluation	374,613	2,563,367	2,937,980
Regulation and Compliance	122,600	58,414	181,014
French Services	-	78	78
Business Development	184,845	478,761	663,606
Visitor Services	626,245	90,291	716,536
Marketing	326,605	4,255,896	4,582,501
Media Relations/Editorial	157,407	163,641	321,048
Fulfillment	121,762	258,782	380,544
Publications	139,012	220,622	359,634
Travel/Trade Sales	156,906	332,711	489,617
	8,418,720	11,278,973	19,697,693
			2016
	Salaries and benefits \$	Operating Goods and Services \$	Total \$
Finance and Administration	115,857	12,526	128,383
Parks Administration	281,826	65,872	347,698
Park Operations	2,138,187	921,345	3,059,532
Brookvale	486,183	267,957	754,140
Golf Operations	2,874,738	2,045,251	4,919,989
Strategy and Evaluation	443,431	3,138,927	3,582,358
Regulation and Compliance	109,237	81,166	190,403
French Services	-	253,900	253,900
Business Development	177,437	452,538	629,975
Visitor Services	590,929	112,579	703,508
Marketing	337,845	4,136,333	4,474,178
Media Relations/Editorial	153,925	159,416	313,341
Fulfillment	128,586	290,353	418,939
Publications	140,715	302,153	442,868
Travel/Trade Sales	158,459	364,354	522,813
	8,137,355	12,604,670	20,742,025

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