



Economic Development and Tourism
Tourism PEI

ANNUAL REPORT

2017-2018



Tourism PEI

2017-2018 Annual Report



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Minister's Message

The Honorable Antoinette Perry
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, 2017, to March 31, 2018.

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, the Mark Arendz Provincial Ski Park at Brookvale, and Visitor Information Centres. These venues are crucial to the quality of the province's tourism product. They also help promote healthy lifestyles and active living for Islanders and visitors alike.

Respectfully submitted,

A stylized, handwritten signature in grey ink, appearing to read 'Chris Palmer'.

Hon. Chris Palmer, *Minister*
Economic Development and Tourism

CEO's Message

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



Dear Minister Palmer:

Please accept this annual report for Tourism PEI for the fiscal year ending March 31, 2018.

The tourism industry is vital to the economic health of our province. The industry employs over 7700 full-time equivalent workers and is responsible for over 6% of our Provincial GDP. Prince Edward Island is well known as a tourism destination and installs a distinct pride of place in all Islanders. We are hospitable and genuine in nature and have an abundance of cultural, culinary, coastal attractions, arts and activities to choose from covering the Island tip to tip and into each and every community along the way. Tourism is big business for hotels and inns, bed and breakfasts, community halls, musicians, artisans, road side markets, convenience stores, gas stations, retail, golf, shops and many other small businesses.

2017 was the fourth consecutive record year for tourism on the Island with all entry points and regions seeing growth year over year. Overall visitation has been growing in excess of 5% annually for the past 3 years to an estimated 1.56m in 2017. 2017 was also the first time that PEI has eclipsed the one million overnight stays posting a 6.5% growth over 2016. There is excitement and real growth in this economic sector with nearly 300 new licensed accommodation providers entering the market in 2017.

We saw some exciting and new marketing opportunities in 2017 with the airing of “Anne”, later named “Anne with an E” on CBC. PEI also entered into an internationally focused marketing partnership with ACOA, Destination Canada, and all the other Atlantic provinces to focus initially largely on China and secondly Germany.

2017 marked the sesquicentennial of Canadian Confederation. “Canada 150” was promoted by the Federal Government and Tourism PEI were pleased to partner on many Canada 150 events. Prince Edward Island was represented at Ottawa’s Inspiration Village in the Byward Market. We were proud co-sponsors of many events including Bridgefest, Waterways Paddling Festival, PEI Lobster Festival, the opening of the Stompin’ Tom Centre and inaugural Stompin’ Festival, the Tall Ships visit, among others.

Tourism PEI also continued our work and partnership on Vision 2021, PEI's five year tourism strategy. Most notably, we released our consultants report named "Growing Tourism Together" late in the fiscal year and with the help of an industry taskforce, drafted an improved governance structure which was tabled and passed in the Spring 2018 sitting of the legislature, subsequent to the end of this fiscal year's reporting period.

Our ski park at Brookvale underwent a name change late in the fiscal year to the "Mark Arendz Provincial Ski Park at Brookvale" to honour the incredible performance and home training grounds of Mark, who grew up in nearby Hartsville. Mark had a six medal performance at the 2018 Paraolympic Winter Games and was the closing flag bearer.

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, flowing script.

Cheryl Paynter
Chief Executive Officer and Secretary of the Board

Tourism PEI Overview

Tourism is one of the most important industries that drives the economy of Prince Edward Island. The Department of Economic Development and Tourism has the mandate to promote continued growth in the tourism sector; aggressively market P.E.I. as a premier destination; proactively facilitate product and plan development; aggressively promote special events; provide continued emphasis on customer service; manage provincial infrastructure (i.e. golf courses and parks); and facilitate community development through tourism. The department has three divisions: Corporate Services; Marketing Communications; and Strategic Initiatives.

Tourism PEI is a crown corporation which was established in June 1999 and resides in the Department of Economic Development and Tourism as of May 20, 2015.

Tourism PEI 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 2017-2018 was comprised of:

- Minister Chris Palmer
- Deputy Minister David Keedwell
- CEO Cheryl Paynter
- Jeanette Arsenault - Industry representative
- Kevin Jenkins

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 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 consumer advertising and public relations, media relations, sales and trade initiatives, visitor services, along with publications and distribution.

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 Customer Relations Management system.

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.

Tourism Industry Snapshot

For the calendar year 2017, preliminary numbers suggest there were 1.56 million visitors to Prince Edward Island, a 5.0 percent increase over 2016. Estimated tourism expenditures by residents and non-residents were \$447 million, an increase of 3.3 percent compared to the previous year.

Overnight stays increased 6.5 percent, to a record 1,025,959 in 2017. Campground stays were up 11.6 percent, while fixed roof room nights were up 4.1 percent.

During 2017, airport traffic increased by 4.6 percent (a record year), ferry traffic increased by 25.2 percent, and bridge traffic increased by 2.7 percent (also a record year). Cruise ship passenger and crew visits increased by 34.7 percent.

In 2017, meetings, conventions, and incentive travel (MCIT) made a significant impact on tourism in PEI. In 2017 there were 122 meetings, bringing in 18,272 resident and non-resident delegates. Total direct spending by non-resident delegates and their travel party was estimated at almost \$ 20.8 million dollars.

In the 2017 year, golf as represented through Golf PEI outperformed the previous year in many areas including online tee time bookings, reservation centre bookings, and website visitation.

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*.

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.

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

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 as one component for the licensing of tourist accommodations.
- This division also manages contracts with Golf PEI, Meetings and Conventions PEI, all sector partners and Regional Tourism Associations.

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, culture, and soft adventure.

This division was responsible for the following funds in 2017-18:

- 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 Culinary Festival, the PEI Lobster Festival (Souris) and the Rock the Boat Festival (Tyne Valley) 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, 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 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 2017, the Fall Flavours Culinary Festival took place from September 1 to October 1, 2017, and featured over 75 different culinary experiences, including signature events, culinary events, culinary adventures, and dining events. Signature events featured celebrity 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 from across the Island who wished to participate in the Restaurant Dining Program created special menus featuring Island product. A new type of event was piloted in 2017 called a "Taste of Coastal Communities." Three communities, where there are Tourism clusters, (Tyne Valley, North Rustico and Georgetown) offered a ticketed event that featured food from local restaurants and producers and drew visitor attention to their communities.

Meetings and Conventions

In 2017, the Meetings and Convention Sector attracted 122 meetings/conventions that drew 18,272 delegates. Total direct spending by non-resident delegates and their travel party was estimated at \$20,870,000 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, digital marketing assets, publications, distribution, PR activations and promotions, along with the operation of Visitor Information Centres and call centre and the management of the Integrated Tourism.

Tourism PEI is a partner in the Atlantic Canada Agreement on Tourism (ACAT) 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 is also a partner on an Atlantic Growth Strategy (AGS) initiative called Tourism International Marketing Expansion (TIME). This partnership targets the fastest growing travel market in the world – China, along with one of PEI's top performing overseas market – Germany. Representatives from all four Atlantic Canada provinces and ACOA are part of this collaboration.

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

Advertising and Publicity

The 2017 marketing creative execution kept the focus on our industry-defined demand generators of coastal, culinary, culture and golf, while adding an emphasis on outdoor adventure, as identified in industry's Strategy 2021. In keeping with government's Mighty Island strategy, we developed a new brand positioning. It reads as follows: "Prince Edward Island is small in size but incredibly abundant in stunning sceneries, outdoor activities, culinary delights, cultural product, friendly people and authentic experiences. Its size is one of this Island's greatest assets – you are never far away from your next adventure!"

The creative execution was an invitation to come experience the Island in a way that suits your definition of a great vacation. "Come Find Your Island" is the campaign line that was utilized. We continue to build on this in 2018. Sample ads read "Food Lovers, Come Find Your Island"; "Adventure Seekers, Come Find Your Island"; "Front-Row Fans, Come Find Your Island"; "Seaside Explorers, Come Find Your Island"; "Golf Fanatics, Come Find Your Island". The call to action on ads included "One amazing Island, Endless Possibilities". The concept is that regardless of what you are searching for, you will find it here. The campaign ran successfully and we are building on this foundation for 2018.

Our marketing tactics for 2017 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 various festivals and high traffic areas in Toronto and Montreal with a cube truck. This truck comprised of a food station where small samplings of oysters and mussels were served; photo booth with choice of PEI backdrop; contest wheel and golf swing game. We were able to build our database of potential travelers and gain e-newsletter subscribers, along with social media exposure.

We had very successful partnerships with both YTV and CBC on their respective broadcasts of Anne of Green Gables. For French television, we had a broadcast integration on a popular Radio-Canada show called 'Entrée Principale'.

We also had high impact creative on transit buses, Go Train and billboards in Toronto, Ottawa and Montreal. Our digital buy was very strong with investments in search, programmatic ad buying and retargeting.

Fulfillment

From April 1, 2017 to Mar 31, 2018

- A total of 43,580 Visitor Guides were mailed out, of which 5,607 were French guides.
- There were 2,541,178 sessions to the website, 9,917,244 pageviews with an average of 3.90 pages viewed per session.
 - Visitors spent an average of 3 minutes and 46 seconds on the site.
 - Visitors to the website were mostly Canadian with 439,829 American sessions, 31,613 Japanese sessions, 22,286 sessions from France, and 23,488 sessions from the UK.

Trade and Sales

The Trade and Sales section works with partners to increase visibility of Prince Edward Island's vacation products through trade, consumer, and media channels.

The section focuses on consumer and trade marketing in the United States, Japan, United Kingdom, Germany and China. We also work closely with Canadian trade and receptive tour operators.

Trade and Sales staff build relationships and work closely 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.

During the 2017-2018 fiscal year, the Trade and Sales section participated in the following media events and marketplaces:

- American Bus Association (ABA) – US trade
- Rendezvous Canada (RVC) – International trade marketplace
- World Travel Mart (WTM) – UK trade marketplace
- ITB-Berlin – German trade marketplace
- Focus Canada Japan – Japanese trade marketplace
- The Canada/New England Cruise Symposium
- Saltscapes consumer show in Halifax, NS
- AAA consumer show in Maine

- Media events in New York and in UK via ACAT

The cruise market has become a major contributor of visitors to Prince Edward Island. In 2017-2018, 68 cruise ships arrived, carrying 90,820 passengers, an increase over 2016-17 despite some cruise cancelling their Charlottetown visit because of the speed restrictions imposed for the protection of whales.

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 2018 will, once again, see a great increase in cruise visits.

Media Relations

The media relations section's goal is to attract quality travel writers, bloggers, influencers, television and online broadcasters and freelancers to Prince Edward Island. According to an independent media monitoring company, we generated approximately \$3M in media coverage in 2017. Some of the media marketplaces we participated in during the year to ensure quality press trips, familiarization tours leading to media coverage included:

- Go Media marketplace (international media)
- Canada Media Marketplace (US media)
- Travel Media Association of Canada marketplace (Canadian media)

Digital Marketing

This section of the Marketing Communications division is responsible for marketing assets such as the tourismpei.com website, newsletter and social media sites. It manages 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 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 five Visitor Information Centres at the following locations: Charlottetown, Borden-Carleton, Wood Islands, Souris and West Prince. Borden-Carleton provided services to the travelling public throughout the entire year.

The 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 2017 camping season. Overnight campground visitation was up approximately 11.6% compared to 2016 based on a total of 39,010 sites sold. All Provincial Parks reported positive growth with Jacques Cartier, Northumberland and Cabot Beach showing the largest increases over the previous season. In terms of actual site nights sold, Red Point (7,982 nights) and Cabot Beach (7,609 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 2017-2018, Provincial Parks is continuing to improve our washrooms. We will be completing a new washroom at Brudenell. We will also complete the replacement of the pumphouse and water system at Brudenell.

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 was held during the summer of 2017. The Department of Transportation, Infrastructure and Energy, under the guidance of the Bonshaw Hills Public Lands Subcommittee, were the project managers of the new park and is managed by Provincial Parks.

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 2017. This very important service allows Islanders and visitors alike the opportunity to safely enjoy our beautiful Provincial Park beaches.

The winter of 2018 was challenging weather wise for the Mark Arendz Provincial Ski Park at Brookvale. Thanks to the help of snowmaking upgrades undertaken over the last few years, the Alpine facility began the season this year on December 26, 2017. We have a record number of students again for our Brown's Volkswagen Ski School and we will host the 2nd Annual Ski Patrol Fundraising Night.

Weather conditions were not optimal for the Brookvale Nordic Center. Biathlon PEI continues to be a primary user group at the Nordic Center. This year Brookvale has added Fat Biking Trails and Fat Bike Rentals. Due to weather, however, we were not able to open the Fat Bike Trails for much of the season.

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 2017 – 2018, 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. 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 2017 season saw 35,942 non-member rounds played at the three Provincial courses. This represented a 3.5% increase in non-member rounds played over the 2016 season.

Standard rack rates nor packaged rates did not change from the 2016 season. For the upcoming 2018 season, standard rack rates will increase slightly and packaged rates will remain the same. In 2018, we will also change our “seasons” slightly. We will now offer 4 seasons instead of 3. The seasons will be as follows: Opening – May 31, June 1 – June 24, June 25 – September 23, and September 24 to close. The prices all vary slightly for these different seasons.

A new POS/Tee Sheet software system was installed at the courses in 2016. This improved our online tee time application, reporting, database collection, loyalty program, and made check in easier for our guests.

Membership rates increased slightly in 2017. In total, there were 461 members:

- 111 full members
- 71 senior members
- 24 intermediate members
- 47 weekday members
- 66 afternoon members
- 20 half season
- 39 junior members
- 11 pre-junior
- 72 Diamond members.

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

The Links at Crowbush Cove:

Crowbush opened for the season on May 19th and closed Oct 15th. The course was in terrific condition throughout the season.

Dry fall weather allowed for the completion of the following projects: resod green on hole # 2, repair the greenside bunkers on hole # 5, repair wear areas around green on hole # 17, repair wear areas created by golf carts, expand the back practice tee and repair the practice bunker.

Crowbush was visited again 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 2018 and 2019.

Brudenell/Dundarave:

Brudenell opened for the season on May 12th and closed on Oct 15th. Dundarave opened on May 26th and closed on Oct 1st.

A major capital purchase for Brudenell and Dundarave was the purchase of 100 2017 Club Car golf carts equipped with GPS.

The excellent weather in the fall allowed for completion of many projects at Brudenell as well. The projects are as follows: extension of the practice tee and addition of new target greens, repair to green area of hole # 3, relocation of cart path near green on hole # 4, new ladies tee on hole # 5, reshaping of greenside bunkers on hole # 7, new turf on the white tee deck on hole # 8, new men's and ladies tees on hole # 9, and the green behind the practice tee was leveled and resodded. Projects completed at Dundarave are as follows: green # 8 was resodded, all bunkers were edged, and the fescue was thinned.

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

Appendix B

Financial Statements

Tourism PEI

Financial Statements

March 31, 2018

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 17, 2018

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, 2018, and the statements 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, 2018, 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, 2018

	2018 \$	2017 \$
Assets		
Financial assets		
Cash	1,780,595	1,495,017
Accounts receivable (notes 3 and 5) 795,491		909,296
Due from Province of Prince Edward Island (note 2)	7,371	55,283
	<u>2,697,262</u>	<u>2,345,791</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	2,702,913	2,294,673
Deferred revenue (note 4)	141,142	155,309
	<u>2,844,055</u>	<u>2,449,982</u>
Net debt	<u>(146,793)</u>	<u>(104,191)</u>
Inventory	135,563	90,621
Prepaid expenses	11,230	13,570
	<u>146,793</u>	<u>104,191</u>
Accumulated surplus	<u>-</u>	<u>-</u>

Approved by the Corporation

Minister

Tourism PEI

Statement of Operations

For the year ended March 31, 2018

	2018	2018	2017
	Budget (unaudited) \$	Actual \$	Actual \$
Revenue			
Grants from Province of Prince Edward Island	13,982,500	13,590,419	13,602,659
Marketing	650,000	660,979	684,399
Visitor Services	95,000	104,618	92,109
Brookvale Ski Park	412,500	470,926	444,051
Park Operations	1,010,000	1,184,588	1,074,809
Golf Operations	3,407,700	3,974,616	3,762,116
Book PEI fees	35,000	33,160	37,550
	19,592,700	20,019,306	19,697,693
Expenses (Schedule)			
Finance and Administration	424,800	362,356	755,320
Parks Administration	358,600	354,729	350,973
Park Operations	2,797,900	3,011,697	2,701,994
Brookvale	799,600	1,075,196	876,558
Golf Operations	4,090,100	4,518,117	4,380,290
Strategy and Evaluation	3,297,500	2,930,844	2,937,980
Regulation and Compliance	205,200	180,878	181,014
French Services	138,900	136,640	78
Digital Marketing	794,000	789,201	663,606
Visitor Services	795,600	825,676	716,536
Advertising and Public Relations	4,191,100	4,374,179	4,582,501
Media Relations/Editorial	332,800	256,465	321,048
Fulfillment	413,800	353,019	380,544
Publications	411,000	356,906	359,634
Travel/Trade Sales	541,800	493,403	489,617
	19,592,700	20,019,306	19,697,693
Operating surplus	-	-	-

Tourism PEI

Statement of Changes in Net Debt For the year ended March 31, 2018

	2018 \$	2017 \$
Operating surplus	-	-
Acquisition of inventory	(135,563)	(90,621)
Acquisition of prepaid expenses	(11,230)	(13,570)
Consumption of inventory	90,621	129,343
Use of prepaid expenses	13,570	2,390
	(42,602)	27,542
Decrease (increase) in net debt	(42,602)	27,542
Net debt - Beginning of year	(104,191)	(131,733)
Net debt - End of year	(146,793)	(104,191)

Tourism PEI

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Operating surplus	-	-
Net change in non-cash working capital items		
Increase in accounts receivable	(113,805)	(51,601)
Decrease (increase) in due from the Province of Prince Edward Island	47,912	(55,283)
Decrease (increase) in inventory	(44,942)	38,722
Decrease (increase) in prepaid expenses	2,340	(11,180)
Increase (decrease) in accounts payable and accrued liabilities	408,240	(113,577)
Increase (decrease) in deferred revenue	(14,167)	23,359
Decrease in due to the Province of Prince Edward Island	-	(133,604)
Net change in cash	285,578	(303,164)
Cash - Beginning of year	1,495,017	1,798,181
Cash - End of year	1,780,595	1,495,017

Tourism PEI

Notes to Financial Statements

March 31, 2018

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 Brookvale ski park, 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, 2018

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, 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, 2018.

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 from the Province of Prince Edward Island

	2018 \$	2017 \$
Current operations		
Excess expenditures for the year - Tourism PEI	(7,371)	(55,283)

3 Accounts receivable

	2018 \$	2017 \$
Accounts receivable	653,787	626,166
HST receivable	387,414	301,230
Less: allowance for doubtful accounts	(131,905)	(131,905)
	<u>909,296</u>	<u>795,491</u>

Tourism PEI

Notes to Financial Statements

March 31, 2018

4 Deferred revenue

	2018 \$	2017 \$
Gift certificates	78,853	96,652
Prepaid golf passes and fees	62,289	58,657
	<u>141,142</u>	<u>155,309</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 (2017 - 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 (2017 - nil) to utilize these facilities.

Included in accounts receivable is \$1,593 (2017 - \$531) due from departments of the Province of Prince Edward Island. Included in accounts payable and accrued liabilities is an amount of \$1,956 (2017 - \$10,081) due to departments of the Province of Prince Edward Island and \$40,923 (2017 - \$47,846) 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, 2019	2,012,090
2020	1,549,014
2021	479,300
2022	200,000
2023	200,000

- (b) The minimum annual lease payments required over the next year under operating leases for equipment and software expiring in November 2018 and October 2021 are as follows:

	Equipment \$
Year ending March 31, 2019	30,944
2020	5,600
2021	5,600
2022	5,600

Tourism PEI

Notes to Financial Statements

March 31, 2018

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 clubhouse premises in Brudenell, which amounted to \$39,356 (2017 - \$39,356).

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 \$909,296, 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 \$	2018 Total \$
Accounts receivable					
Trade receivables	400,457	36,703	108,887	(131,905)	414,142
HST receivable	387,414	-	-	-	387,414
Other receivables	107,740	-	-	-	107,740
	895,611	36,703	108,887	(131,905)	909,296

Tourism PEI

Notes to Financial Statements

March 31, 2018

	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
	<u>810,721</u>	<u>2,762</u>	<u>113,913</u>	<u>(131,905)</u>	<u>795,491</u>

(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 \$2,844,055 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, 2018

Schedule

			2018
	Salaries and benefits \$	Operating Goods and Services \$	Total \$
Finance and Administration	230,899	131,457	362,356
Parks Administration	276,859	77,870	354,729
Park Operations	1,956,176	1,055,521	3,011,697
Brookvale	646,988	428,208	1,075,196
Golf Operations	2,391,090	2,127,027	4,518,117
Strategy and Evaluation	480,769	2,450,075	2,930,844
Regulation and Compliance	121,920	58,958	180,878
French Services	-	136,640	136,640
Digital Marketing	260,295	528,906	789,201
Visitor Services	710,164	115,512	825,676
Advertising and Public Relations	323,172	4,051,007	4,374,179
Media Relations/Editorial	113,565	142,900	256,465
Fulfillment	130,215	222,804	353,019
Publications	145,126	211,780	356,906
Travel/Trade Sales	159,821	333,582	493,403
	7,947,059	12,072,247	20,019,306

			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
Digital Marketing	184,845	478,761	663,606
Visitor Services	626,245	90,291	716,536
Advertising and Public Relations	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

