SUBJECT: Tourism Hamilton 2005 Annual Report (PED06337) (City Wide)

RECOMMENDATION:


Lee Ann Coveyduck
General Manager
Planning and Economic Development Department

EXECUTIVE SUMMARY:

As part of its service agreement with the City of Hamilton, Tourism Hamilton Inc. is required to report to Council on a regular basis. The Board of Directors is pleased to present committee and Council with an overview of key accomplishments from 2005.

At its 2006 Annual General Meeting, held on May 26, 2006, the Tourism Hamilton Board of Directors approved the 2005 Audited Financial Statements, discussed accomplishments from Tourism Hamilton’s third full year of operation and elected a new Executive Committee. The following directors comprise the Executive Committee:

President: Sue Vattay
First Vice-President: Mark Farrugia
Second Vice-President: Joan Balinson
Treasurer: Larissa Ciupka
Secretary: Carolyn Puddicombe
Key accomplishments for Tourism Hamilton in 2005:

- Executed the 2005 Marketing Plan
- Opened a new gateway tourist information centre at the John C. Munro Hamilton International Airport
- Hosted the 2005 Travel Media Association of Canada Conference
- Administered the Downtown Ambassador Program
- Executed two large leisure marketing campaigns
- Won bids for the:
  - 2006 Volleyball Canada U20 and Senior Championship
  - 2007 Canadian Society of Association Executives (CSAE) conference
  - 2007 Tim Hortons Brier
  - 2008 Vanier Cup
- Worked on the 2014 Commonwealth Games Bid
- Completed the Premier-ranked Tourist Destination Framework Project

BACKGROUND:

City Council approved establishing Tourism Hamilton in the fall of 2001, and the not-for-profit organization was incorporated on June 26, 2002. Tourism Hamilton is governed by a 19 member Board of Directors, including representatives from 11 tourism sectors, to act as the tourism marketing agency for Hamilton. City Council is represented by Mayor Di Ianni and Councillors Murray Ferguson and Terry Whitehead.

The latest data on Hamilton’s tourism performance, as outlined in the “Statistics Canada Regional Tourism Profile, Census Division 25, Hamilton-Wentworth Regional Municipality” covers the year 2004 (there is an approximate 18-24 month lag time in receiving this data):

- Total person visits to Hamilton: 3,294,099 (5% increase over 2003)
- Total spending (tourism receipts)
  by visitors in Hamilton: $186 million (5.7% increase over 2003)
- Economic Impact: $132 million (11.9% increase over 2003)
- Municipal Taxes supported by tourism: $4.2 million
- Jobs supported by tourism: 2,384

The 2004 data showed some promising growth over a previous down year (2003). Ontario cities experienced negative growth in 2003 due to the SARS issue, and while the 2004 data showed improvement, the provincial tourism economy has yet to recover to 2001-2002 levels. National and provincial tourism indicators forecast either flat or modest growth for 2006-2007 due to a variety of factors ranging from increased fuel costs, the stronger Canadian dollar and declining U.S. visitation (influenced by exchange rate and confusion over passport issue).
2005 Annual Report:

The past year was Tourism Hamilton’s third full year of operation, enabling the execution of the organization’s third marketing plan. Working in partnership with tourism partners, Tourism Hamilton secured three national sport events: the 2006 Volleyball Canada U20 and Senior Championships (500 room nights), the 2007 Tim Hortons Brier (2,500 room nights), and the 2008 Vanier Cup (1,100 room nights). In 2005, Hamilton hosted for the second consecutive year, the Desjardins Vanier Cup, resulting in over $600,000 worth of national media coverage, as rated and reported by Bowden’s media monitoring service. This past year saw Tourism Hamilton and partners become more aggressive in selling Hamilton to various market segments. Highlights included a boost to the meeting and conventions market with second year funding from the Ontario Ministry of Tourism and Recreation’s Convention Development Fund. Tourism Hamilton contributed $75,000 toward this program, and along with $70,000 from HECFI, the Sheraton Hamilton and the Ramada Plaza Hotels, leveraged an additional $155,000 from the provincial government. This $300,000 program enabled our tourism industry to target national and international conventions and sport events.

Tourism Hamilton hosted the 2005 Travel Media Association of Canada conference, which saw over 80 travel journalists visit and tour Hamilton’s tourism offerings. Since the conference in February 2005, over 30 stories about Hamilton have appeared in Canadian media outlets. With funding from Ontario Tourism, and in partnership with a number of Hamilton tourism businesses, Tourism Hamilton executed two leisure campaigns: one into the Ottawa market and a second in to the Western New York region.

Among the key business plan activities completed in 2005 was Hamilton’s Premier-ranked Tourist Destination Framework (or the Product Inventory). The final report was released at Tourism Hamilton’s annual tourism summit held in November. The report contains eight recommendations, including calling for creation of an overall tourism strategy for Hamilton. In 2006 and 2007, Tourism Hamilton will be acting upon recommendation number two in the report, which is to undertake consumer research. This research information will help form development of future marketing plans as well as the tourism strategy.

Tourism Hamilton continued its efforts to engage the local tourism industry through the Board of Directors. Two input sessions, attended by over 60 businesses and organizations, were held to guide the creation of the 2006 Marketing Plan. Over 100 tourism businesses and organizations attended the Annual Tourism Summit. Involving Hamilton’s businesses and organizations in tourism initiatives and listening to their experiences, are critical steps to growing the local tourism industry.

Product Development:

Last year also witnessed improvements to Hamilton’s tourism industry, including the opening of the new Staybridge Suites by Holiday Inn, the arrival of Air Canada Jazz to
the John C. Munro Hamilton International Airport and the addition of the Harbour Queen to the cluster of activities on the West Harbour.

2003-2005 Performance Measurements:

<table>
<thead>
<tr>
<th>Service Measurement</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist Information Centre visits</td>
<td>17,996</td>
<td>14,669</td>
<td>14,203</td>
<td>46,868</td>
</tr>
<tr>
<td>Web Unique visitors</td>
<td>87,522</td>
<td>121,926</td>
<td>111,653</td>
<td>321,101</td>
</tr>
<tr>
<td>Phone inquiries</td>
<td>7,364</td>
<td>5,101</td>
<td>4,987</td>
<td>17,452</td>
</tr>
<tr>
<td>Leads generated for travel trade</td>
<td>155 tour operators; plus 1926 mail-outs</td>
<td>280 tour operators; plus 1591 mail-outs</td>
<td>353 plus mail-outs</td>
<td>788 tour operators; plus 3517 mail-outs</td>
</tr>
<tr>
<td>Leads and inquiries serviced for travel media</td>
<td>38</td>
<td>46</td>
<td>111</td>
<td>195</td>
</tr>
<tr>
<td>Leads generated for conventions</td>
<td>53</td>
<td>181</td>
<td>192</td>
<td>426</td>
</tr>
<tr>
<td>Convention and sport bids lodged and won</td>
<td>29/11</td>
<td>39/28</td>
<td>27/16</td>
<td>95/55</td>
</tr>
<tr>
<td>Conventions and sport events serviced</td>
<td>157</td>
<td>133</td>
<td>137</td>
<td>427</td>
</tr>
</tbody>
</table>

**ANALYSIS OF ALTERNATIVES:**

N/A

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial – N/A

Staffing – N/A

Legal – N/A

**POLICIES AFFECTING PROPOSAL:**

N/A
CONSULTATION WITH RELEVANT DEPARTMENTS/AGENCIES:

N/A

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No

Tourism provides the community with the opportunity to showcase itself on a provincial, national and international stage, welcoming visitors from across the country and around the world. This fosters a greater sense of self awareness and confidence of the community.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

N/A

Economic Well-Being is enhanced. ☑ Yes ☐ No

Tourism provides an annual economic impact to Hamilton of approximately $132 million and employs over 2,300 people in tourism-related jobs.

Does the option you are recommending create value across all three bottom lines?

☐ Yes ☑ No

N/A

Do the options you are recommending make Hamilton a City of choice for high performance public servants?

☐ Yes ☑ No

N/A

:da

Attach. (2)
Message from the President, Board of Directors

In my first year as Tourism Hamilton’s president, I have been become more aware of Hamilton’s hard-working tourism industry and the importance of uniting our efforts to market the city to tourists. Working hand-in-hand with the local sector, we have made significant strides in 2005 towards reaching our business plan goals. I’m thrilled to share with Tourism Hamilton’s partners and stakeholders our accomplishments in this annual report.

We only needed to look skyward for evidence that Hamilton has turned a major corner in the tourism industry. In September, Air Canada began flying into Hamilton International Airport offering flights to Montreal and Ottawa. Combined with WestJet’s service, the HIA saw 435,000 guests come through its doors. To capitalize on this marketing opportunity, Tourism Hamilton opened a new Tourist Information Centre at the airport.

The return of a cultural icon signified downtown Hamilton’s re-emergence with the gold-wrapped Art Gallery of Hamilton. The gallery reopened in May after an 18-million dollar renovation and by year end, saw over 100,000 visitors. Elsewhere in the city, visitors bobbed around the bay aboard our new “Harbour Queen” boat cruise and rested their heads in one of 108 sparkling suites at the new Staybridge Suites hotel, behind the John C. Munro federal government building.

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Behind the scenes, Tourism Hamilton, in partnership with Human Resource and Skills Development Canada and the Ontario Ministry of Tourism, completed the “Premier-ranked Tourist Destination Framework”. The results of this initiative will provide a solid foundation for preparing a local tourism development strategy.

Local hotels and B&Bs also began administering the destination marketing fee which collected an additional $300,000 to market Hamilton strategically. In the marketplace, Tourism Hamilton worked alongside the local industry and continued to make its presence felt with strategic sales initiatives. Priorities were established through summer marketing plan input sessions and the productive Tourism Hamilton Summit, hosted in November at the Flamboro Downs. Details and results are outlined in the pages of this report.

Among the highlights which indicate a prosperous future for tourism in Hamilton, the Canadian Society of Association Executives selected Hamilton to host the organization’s 2007 conference and showcase. The event will bring hundreds of influential meeting planners from across Canada to Hamilton.

In addition, Hamilton continued to leverage exposure from bids for the Commonwealth Games by securing the 2006 Volleyball Canada Canadian Championships, the 2007 Tim Hortons Brier and the 2008 Vanier Cup. Preparations continued for the 2006 Canadian Open.

To generate more “free ink”, over 80 of Canada’s elite travel journalists attended the 2005 Travel Media Association of Canada Conference and AGM in February. Since then, Canada’s elite travel journalists have given the city rave reviews in various media outlets.

Sue Vattay
President
Tourism Hamilton
In 2005, Tourism Hamilton continued to build awareness of Hamilton as a great getaway destination for the leisure traveler. The target priorities for this market include: Ontario within a 300 km radius, western New York, eastern Michigan as well as the local market to capture the Visiting Friends and Relatives (VFR).

Tourism Hamilton produced the third edition of the *Experience Hamilton Tourist Guide*, in partnership with the Hamilton Spectator. The guide, with a circulation of 125,000, was stocked in Ontario Tourism Information Centres and distributed to Hamilton’s key geographic markets.

Two fall cultural tourism campaigns – named “Feast for the Eyes” – focused on the western New York and southern Ontario markets. These multi-media campaigns, leveraged by the Ontario Marketing Partnership Corporation (OTMPC), promoted overnight packages including Hamilton’s cultural offerings such as the Art Gallery of Hamilton and Hamilton Civic Museums. Contest promotion and material distribution to thousands of passers by at Toronto’s Union Station and Buffalo’s The Great Pumpkin Farm Festival also helped to create a buzz for these campaigns.

Thirty Air Canada travel agents descended on Hamilton for an organized city familiarization tour from Ottawa, Montreal and eastern Canada in September. These agents are significant travel influencers whose knowledge of Hamilton’s product pays large dividends in increased air travelers to Hamilton.

During the summer and fall seasons, Tourism Hamilton administered the Downtown Ambassador Program, which saw ten ambassadors promote Hamilton throughout the downtown and across the city. What began as a pilot project in summer 2004, has become an important and effective initiative to help animate the downtown core during the summer months.

The organization operated one year-round tourist information centre downtown staffed by the volunteer

<table>
<thead>
<tr>
<th>At a Glance – Total Visitors Serviced in 2005</th>
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</thead>
<tbody>
<tr>
<td>Unique visitors to Website</td>
</tr>
<tr>
<td>In-person visits to Tourist Information Centres</td>
</tr>
<tr>
<td>Phone Calls</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Staff Leads 2005:** Deborah Simon, travel services coordinator, Maria Fortunato, tourism development officer, marketing & sales, and Mira Todorovic, tourism information coordinator, airport
Last year saw unprecedented activity and achievements in media relations for Tourism Hamilton and the local industry. Acknowledging that the news media plays an important role in shaping public opinion of tourist destinations, Hamilton hosted the 2005 Travel Media Association of Canada Conference and AGM in partnership with the OTMPC and Sheraton Hamilton Hotel.

Tourism Hamilton’s ability to proactively reach out and tell our story to local and national newspapers, television and radio stations, and news and wire services, provides an opportunity to expand the city’s appeal as a destination for conventions, sports events, group tours and leisure travelers. As such, Tourism Hamilton has been aggressive in pitching story ideas and supporting journalists on assignment.

Tactics

In February, over 80 of Canada’s premier travel journalists flocked to Hamilton for the TMAC Conference and AGM which generated immediate travel stories and also helped to alter the city’s steeplechase stigma perception that many previously held.

The conference, and the attention Hamilton received, was a springboard to attend additional marketplaces including the Society of American Travel Writers Conference and a series of Canadian partner receptions in Boston, MA, Chicago, IL and New York City, NY. These events promote Canadian product to high-yield media that are difficult to reach through more traditional communication methods. The cities are selected for their concentration of key media, not market size.

To solidify Tourism Hamilton’s relationship with the Canadian Tourism Commission, Ted also attended their premier international and American media events, Go Media Canada Marketplace and Canada Media Marketplace, respectively.

Also as part of the Go Media Canada program, Tourism Hamilton commissioned two fit-for-print stories (Hamilton’s bed and breakfasts and burgeoning arts scene) which have appeared in magazines and newspapers across the country and north east USA. To meet the media’s need for quick-access, 24-hour support, Tourism Hamilton maintained the on-line media centre with story ideas, fit-for-print editorial and images.

Results

As a result of Hamilton’s heightened presence in the travel media marketplace, an increasing number of third-party media endorsements are reaching millions, showcasing the city’s diverse product year-round.

Staff Lead 2005: Ted Flett, media relations officer
The meetings, conventions and sports events markets represent tremendous opportunity for business and economic development for the city. Working hand-in-hand with the local hospitality industry, Tourism Hamilton focused domestically for these markets. The team completed traditional marketing efforts such as tradeshows and sales missions with creative strategies to set the city apart from other destinations.

Tactics

The Convention Development Fund, administered by the Ontario Ministry of Tourism as a post-SARS recovery initiative, has extended the city’s marketing reach. Specifically, Tourism Hamilton and local partners took a more active marketing role in the Toronto chapters of the Canadian Society of Association Executives and Meeting Planners International.


In April, Tourism Hamilton and partners saluted 132 locals who have secured future events in Hamilton at the Hamilton Ambassador Recognition Program. The gala’s objective is to encourage more Hamiltonians to bid for conferences and sports events.

A familiarization tour was hosted in conjunction with the May Sarah McLachlan concert for association executives and meeting planners.

Following the success of the 2004 initiative, Tourism Hamilton continued to market the city’s convention services sector with tradeshows at McMaster University and also took the program to Mohawk College. The tradeshows help to educate faculty and administrators on the variety of products and services available to them to bid and secure conferences and sport events.

To increase Hamilton’s presence in the sports event market, Tourism Hamilton attended the Canadian Sport Tourism Association Marketplace. As Tourism Hamilton prepared to apply the Sport Tourism Action Plan in 2006, staff began reaching out to local sports enthusiasts and associations given these grass root contacts are often pipelines to regional, provincial, national or international tournaments.

As a tool to help local partners to market their services to incoming groups, Tourism Hamilton regularly distributed convention lists and convention alerts. Staff also advised clients about the organization’s assistance including registration support, companion and pre-/post- conference tours, grants and attendance building.

Results

- Tourism Hamilton serviced 37 sports events and 100 conferences
- 27 Bids were presented for meetings, conventions and sports events. 16 were successful
- 35 site inspections were conducted
- 33 convention and sports event grants were processed
- 192 sales leads generated in the association market and 8 in the sport market

Staff Leads 2005: Dina Khory, conventions servicing coordinator and Sharon Murphy, conventions sales officer
Tourism Hamilton’s Group Tour Marketing program promotes the city’s products to tour operators and group leaders to maintain current motorcoach traffic while attracting new business. Services in 2005 included marketing, itinerary development, familiarization tours and tailored service to meet the tour operator’s needs.

Tactics
Tourism Hamilton continued to strategically increase its attendance and presence at trade shows and sales missions, enabling staff to keep Hamilton in the radar of group travel influencers. Key Marketplaces included:
- American Bus Association Conference & Marketplace
- Ontario Motorcoach Association
- National Tour Association

To satisfy business generated through these marketplaces, familiarization tours and sales missions were conducted.

A New England sales mission was carried out in partnership with the Holiday Inn Express and a two-day familiarization tour in June attracted 23 tour operators from across Ontario, New York and Pennsylvania.

Tourism Hamilton also produced the 2005-2008 Travel Trade/Group Planner – a key marketing tool. The publication has a three-year shelf life and is distributed at trade shows, during sales calls and through qualified mail outs.

To continually remain top-of-mind for tour operators and group planners, a co-operative advertisement with five local partners was taken out in the Ontario Group Planners Guide (circulation of 8,000). The OMCA Resource Guide was another publication in which Tourism Hamilton advertised (circulation of 1,000).

Results
Tourism Hamilton staff increased awareness of and interest in Hamilton specifically through face-to-face meetings with tour operators who attended A.B.A., N.T.A. and OMCA marketplaces. In total, Tourism Hamilton generated 353 sales leads.

The June familiarization tour generated multiple overnight bookings in 2006 through Ontario's Fun Connection – a local receptive operator. The New England sales mission resulted in a 3-night booking for the fall of 2006 and additional prospects.

Working hand-in-hand with two local receptive tour operators, Maxima Tours and Ontario’s Fun Connection, in 2005, Tourism Hamilton was able to offer tour operators convenience and added service while also increasing our capacity to follow-up and secure business. Both operators booked or are in the process of booking a number of overnight and day trips to the city.

Staff Lead 2005: Betty McKillop, travel trade development officer
### Audited Financial Statements

#### Tourism Hamilton Inc.
**Balance Sheet**  
*Year Ended December 31, 2005*  

<table>
<thead>
<tr>
<th>Assets</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>102,571</td>
<td>18,839</td>
</tr>
<tr>
<td>Due from City of Hamilton</td>
<td>519,167</td>
<td>340,606</td>
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<td>Prepaid expenses</td>
<td>2,409</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 624,147</strong></td>
<td><strong>$ 359,445</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued</td>
<td>86,802</td>
<td>101,095</td>
</tr>
<tr>
<td>deferred liabilities</td>
<td>440,005</td>
<td>216,096</td>
</tr>
<tr>
<td>Accrued employee benefits</td>
<td>97,340</td>
<td>42,254</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$ 624,147</strong></td>
<td><strong>$ 359,445</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Net assets</strong></td>
<td><strong>$ 624,147</strong></td>
<td><strong>$ 359,445</strong></td>
</tr>
</tbody>
</table>

#### Statement of Revenues and Expenditures and Changes in Net Assets  
*Year Ended December 31, 2005*

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Budget 2005</th>
<th>Actual 2005</th>
<th>Actual 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership contributions</td>
<td>299,560</td>
<td>591,377</td>
<td>101,723</td>
</tr>
<tr>
<td>Tourism Awards &amp; Summit</td>
<td>27,000</td>
<td>8,215</td>
<td>26,397</td>
</tr>
<tr>
<td>Federal grants</td>
<td>18,603</td>
<td>10,658</td>
<td>17,710</td>
</tr>
<tr>
<td>Provincial grants</td>
<td>372,550</td>
<td>211,660</td>
<td>61,500</td>
</tr>
<tr>
<td>Interest earned on reserve</td>
<td>–</td>
<td>12,851</td>
<td>–</td>
</tr>
<tr>
<td>City of Hamilton contribution</td>
<td>1,729,740</td>
<td>1,577,411</td>
<td>1,278,885</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>$ 2,447,453</strong></td>
<td><strong>$ 2,412,172</strong></td>
<td><strong>$ 1,486,215</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Budget 2005</th>
<th>Actual 2005</th>
<th>Actual 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee related costs</td>
<td>912,200</td>
<td>899,030</td>
<td>742,200</td>
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<tr>
<td>Material and supplies</td>
<td>69,910</td>
<td>69,258</td>
<td>29,639</td>
</tr>
<tr>
<td>Buildings and grounds</td>
<td>82,580</td>
<td>74,424</td>
<td>76,808</td>
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<tr>
<td>Program costs</td>
<td>1,308,263</td>
<td>1,272,932</td>
<td>615,448</td>
</tr>
<tr>
<td>Visitor centre set-up costs</td>
<td>–</td>
<td>12,544</td>
<td>–</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>74,500</td>
<td>83,984</td>
<td>22,120</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>$ 2,447,453</strong></td>
<td><strong>$ 2,412,172</strong></td>
<td><strong>$ 1,486,215</strong></td>
</tr>
</tbody>
</table>

| Excess of revenues over expenditures | $ – | $ – | $ – |
| Net assets, beginning of year        | $ – | $ – | $ – |
| Excess of revenues over expenditures | $ – | $ – | $ – |
| Net assets, end of year              | $ – | $ – | $ – |

Prepared by **Grant Thornton**

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### Tourism Hamilton’s Key Partnerships and Memberships

- American Bus Association
- Association of Convention Operations Management
- Attractions Ontario
- Bi-National Tourism Alliance
- Canadian Sport Tourism Alliance
- Canadian Society of Association Executives
- Canadian Tourism Commission
- Economic Development Council of Ontario
- Festivals and Events Ontario
- International Association of Convention & Visitor Bureaux
- Meeting Planners International
- National Tour Association
- Ontario Ministry of Tourism and Recreation
- Ontario Motorcoach Association
- Ontario Tourism Marketing Partnership Corporation
- Ontario Tourism Marketing Partnership Corporation
- Society of American Travel Writers
- Southern Ontario Tourism Organization (closed April, 2005)
- Tourism Toronto
- Travel Industry Association of Canada
- Travel Media Association of Canada

#### Tourism Hamilton

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David Adames, *Executive Director*  
Email: dadames@hamilton.ca

**Editor:** Ted Flett, *Marketing and Media Relations Coordinator*  
Email: tflett@hamilton.ca
Tourism Hamilton Inc.
Financial Statements
December 31, 2005
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<td>Statement of Revenues and Expenditures</td>
<td>2</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>3</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>4-7</td>
</tr>
</tbody>
</table>
Auditors' Report

To the Directors of Tourism Hamilton Inc.

We have audited the balance sheet of Tourism Hamilton Inc. as at December 31, 2005 and the statement of revenues and expenditures and changes in net assets for the year then ended. These financial statements are the responsibility of the organization's directors. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Tourism Hamilton Inc. as at December 31, 2005 and the results of operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

Hamilton, Ontario
May 31, 2006

[Signature]

Grant Thornton LLP
Chartered Accountants

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Canadian Member of Grant Thornton International
Tourism Hamilton Inc.
Statement of Revenues and Expenditures and Changes In Net Assets
Year Ended December 31

<table>
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<td>Interest earned on reserve</td>
<td>-</td>
<td>12,851</td>
<td>-</td>
</tr>
<tr>
<td>City of Hamilton contribution (Note 6)</td>
<td>1,729,740</td>
<td>1,577,411</td>
<td>1,278,885</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>2,447,453</td>
<td>2,412,172</td>
<td>1,486,215</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee related costs</td>
<td>912,200</td>
<td>899,030</td>
<td>742,200</td>
</tr>
<tr>
<td>Material and supplies</td>
<td>69,910</td>
<td>69,258</td>
<td>29,639</td>
</tr>
<tr>
<td>Buildings and grounds</td>
<td>82,580</td>
<td>74,424</td>
<td>76,808</td>
</tr>
<tr>
<td>Program costs</td>
<td>1,308,263</td>
<td>1,272,932</td>
<td>615,448</td>
</tr>
<tr>
<td>Visitor centre set-up costs</td>
<td>-</td>
<td>12,544</td>
<td>-</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>74,500</td>
<td>83,984</td>
<td>22,120</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>2,447,453</td>
<td>2,412,172</td>
<td>1,486,215</td>
</tr>
<tr>
<td><strong>Excess of revenues over expenditures</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Excess of revenues over expenditures</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
# Tourism Hamilton Inc.
## Balance Sheet
### Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$ 102,571</td>
<td>$ 18,839</td>
</tr>
<tr>
<td>Due from City of Hamilton</td>
<td>519,167</td>
<td>340,606</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,409</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 624,147</td>
<td>$ 359,445</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 86,802</td>
<td>$ 101,095</td>
</tr>
<tr>
<td>Deferred revenues (note 4)</td>
<td>440,005</td>
<td>216,096</td>
</tr>
<tr>
<td>Accrued employee benefits (note 7)</td>
<td>97,340</td>
<td>42,254</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 624,147</td>
<td>$ 359,445</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$ 624,147</td>
<td>$ 359,445</td>
</tr>
</tbody>
</table>

On behalf of the Board

__________________________ Director  ____________________________ Director

See accompanying notes to the financial statements.
Tourism Hamilton Inc.
Notes to the Financial Statements
December 31, 2005

1. Nature of operations

Tourism Hamilton Inc. is a not-for-profit organization, incorporated on June 26, 2002 by the City of Hamilton. It was incorporated without share capital under the Ontario Corporations Act to conduct, promote and develop tourism in the City of Hamilton and to act as a Tourism Board to the City of Hamilton. Its operations commenced January 1, 2002, prior to incorporation.

2. Summary of significant accounting policies

The financial statements of Tourism Hamilton Inc. are prepared by management in accordance with generally accepted accounting principles for not-for-profit organizations, as recommended by the Canadian Institute of Chartered Accountants.

Significant aspects of the accounting policies adopted by the corporation are as follows:

Revenue recognition
The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenues in the year in which the related expenses are made. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as a direct increase in net assets.

Expenditure recognition
Expenditures are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

Capital assets
The historical cost and accumulated amortization of capital assets are not recorded. Purchases of capital assets are charged directly to operations in the year in which the expenditures occur.

3. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.
Tourism Hamilton Inc.
Notes to the Financial Statements
December 31, 2005

4. Commitments and grant agreements

The Ontario Ministry of Tourism and Recreation (Ministry) has entered into a funding agreement with Tourism Hamilton Inc. The agreement states that the Ministry will provide a total grant of $310,000 payable over two years to be matched by private contributions. Tourism Hamilton Inc.’s commitment is to contribute $150,000 over two years. A payment of $155,000 was received during fiscal 2004 from the Ministry towards the project and a further $155,000 was received during fiscal 2005. Tourism Hamilton Inc. made a payment of $75,000 in each of the two years.

The Canadian Employment Insurance Commission has entered into a funding agreement with Tourism Hamilton Inc. for a total grant of $37,454 payable over two years, of which $13,632 was received during fiscal 2004. In 2005, a payment of $7,524 was received; this payment was less than originally anticipated due to actual expenditures being lower than originally budgeted.

Deferred revenues in the amount of $440,005 represent funding received during the year in excess of expenditures made with respect to the first project above.

5. Due from the City of Hamilton

Tourism Hamilton Inc.’s expenditures and revenues are paid and received through the City of Hamilton’s bank accounts. Accounts payable, accrued liabilities and accounts receivable relating to the Corporation are recorded in the City of Hamilton’s statement of financial position. At December 31, 2005 the amount due from the City of Hamilton is $519,167.

6. Funding from the City of Hamilton

Tourism Hamilton Inc., in terms of an agreement with the City of Hamilton, receives funding from the City in the form of an appropriation from the City’s tourism budget. The funding is at the City’s sole discretion and is used for Tourism Hamilton Inc.’s operating and capital purposes. In 2005, $1,577,411 (2004: $1,278,885) was received from the City of Hamilton; this amount includes $339,133 transferred from the City of Hamilton’s reserve fund in connection with the bid for the Commonwealth Games, less $190,851 in unspent Destination Marketing Fees transferred to the City of Hamilton’s reserves for future use. The full amount has been reported as grant revenue in the Statement of Revenues and Expenditures.

7. Employee Benefits and Other Obligations

The Corporation provides certain employee benefits that require funding in future periods. An estimate of these liabilities for employees who are under the direct employment of Tourism Hamilton Inc. and a portion of liabilities for City of Hamilton employees, part of whose time is allocated to Tourism Hamilton Inc., has been recorded in the Balance Sheet.

The City of Hamilton, through which these benefits will be paid, has established reserves to provide for some of these liabilities. These financial statements include only Tourism Hamilton’s estimated obligation as a liability and as an amount due to be recovered in the future from the City of Hamilton. The amounts are summarized as follows:
Notes to the Financial Statements
December 31, 2005

7. Employee benefits and other obligations (continued)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation pay liabilities</td>
<td>$30,053</td>
</tr>
<tr>
<td>Retirement benefits</td>
<td>2,975</td>
</tr>
<tr>
<td>Workplace Safety and Insurance</td>
<td>64,312</td>
</tr>
<tr>
<td></td>
<td>$97,340</td>
</tr>
</tbody>
</table>

(a) Liability for Accrued Vacation
The Corporation is liable for vacation days earned by its employees as at December 31, 2005 but not taken until a later date.

(b) Liability for Retirement Benefits
The Corporation provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years. Tourism Hamilton Inc.’s estimated liability as at December 31, 2005 as determined by an apportionment of the City's incremental liability since December 31, 2001, is $2,975. The apportionment is based on the percentage that Tourism Hamilton Inc.’s wages and salaries comprise of those of the City as a whole.

(c) Liability for Workplace Safety and Insurance
The Corporation is liable for compensation related to workplace injuries as stipulated by the Workplace Safety and Insurance Board (WSIB) Act. The unfunded liability, managed by the City of Hamilton, was determined by the Workplace Safety and Insurance Board to be $36,349,143 (2004 - $13,230,000). Tourism Hamilton Inc.’s estimated liability as at December 31, 2005 as determined by an apportionment of the City's incremental liability since December 31, 2001 is $64,312. The apportionment is based on the percentage that Tourism Hamilton's wages and salaries comprise of those of the City as a whole.

8. Statement of Changes in Financial Position
A separate statement of changes in financial position is not presented because information about operating activities is readily apparent from the other financial statements.

9. Budget Figures
The budget figures reflected in the Statement of Revenues and Expenditures were approved on April 11, 2005 as part of the City of Hamilton's budget.
10. Income taxes

Section 150(1)(a) of the Income Tax Act requires all corporations to file an annual corporation income tax return even though non-profit corporations are exempt from tax under Section 149(1)(l) of the Income Tax Act.