

BERMUDA TOURISM AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of consolidated financial statements necessarily involves using management's best estimates and judgments, where appropriate.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Bermuda Tourism Authority's Board (the "Board") through the Audit and Risk Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Risk Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Audit and Risk Committee also reviews the consolidated financial statements before recommending approval by the Board. The consolidated financial statements have been approved by the Board and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Tracy Berkeley
Chief Executive Officer



Duncan Beveridge
VP of Finance

DATE 26 June 2023



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Tourism and the Cabinet Office

Report on the Audit of the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Bermuda Tourism Authority, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bermuda Tourism Authority as at December 31, 2022, and the consolidated results of its operations, consolidated changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Bermuda Tourism Authority in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bermuda Tourism Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bermuda Tourism Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bermuda Tourism Authority's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bermuda Tourism Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Tourism Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Tourism Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements (including the disclosures), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

As required by Section 20 of the Bermuda Tourism Authority Act 2013, I also report that, in my opinion, proper accounting and supporting records have been kept and that the receipt, expenditure and investment of moneys and the acquisition and disposal of assets by the Bermuda Tourism Authority during the year ended December 31, 2022, have been in accordance with the provisions of the Bermuda Tourism Authority Act 2013.



Hamilton, Bermuda
June 26, 2023

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA TOURISM AUTHORITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash	6,850,143	8,039,785
Accounts receivable and accrued revenue (note 4)	1,048,574	383,370
Due from related parties (note 12)	8,712	14,172
Inventory	251,249	268,135
	<u>8,158,678</u>	<u>8,705,462</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	3,346,457	2,059,925
Deferred income (note 7)	363,993	297,822
Long-term debt (note 9)	3,493,023	5,478,123
Due to related parties (note 12)	282,492	102,625
	<u>7,485,965</u>	<u>7,938,495</u>
NET FINANCIAL ASSETS	<u>672,713</u>	<u>766,967</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	801,491	1,269,317
Prepaid expenses	729,296	55,931
	<u>1,530,787</u>	<u>1,325,248</u>
ACCUMULATED SURPLUS	<u>2,203,500</u>	<u>2,092,215</u>
CONTRACTUAL OBLIGATIONS (note 16)		

The accompanying notes are an integral part of these financial statements

BERMUDA TOURISM AUTHORITY
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 Budget (note 18) \$	2022 \$	2021 \$
REVENUES			
Government of Bermuda grant - Bermuda Tourism Authority (note 12)	20,405,000	20,675,207	21,760,501
Tourism authority fees (note 10)	4,293,850	6,261,838	3,325,706
Cruise ship passenger fees (note 10)	3,992,296	5,785,968	152,960
Other income	1,409,440	1,592,854	146,771
Vacation rental fees (note 10)	475,000	582,504	410,641
Sponsorship Income - WTSBDA	367,500	357,500	-
Government of Bermuda grant - WTSBDA (note 12)	-	-	1,746,060
	<u>30,943,086</u>	<u>35,255,871</u>	<u>27,542,639</u>
EXPENSES (note 11)			
Sales and marketing	18,596,943	20,247,216	17,310,226
Operations	13,447,614	13,933,724	9,375,711
Experience development	520,000	501,815	222,366
Business intelligence and technology	443,150	461,831	481,251
	<u>33,007,707</u>	<u>35,144,586</u>	<u>27,389,554</u>
ANNUAL SURPLUS (DEFICIT)	<u>(2,064,621)</u>	111,285	153,085
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>2,092,215</u>	<u>1,939,130</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>2,203,500</u>	<u>2,092,215</u>

The accompanying notes are an integral part of these financial statements

BERMUDA TOURISM AUTHORITY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	\$	\$
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>766,967</u>	<u>(587,971)</u>
Annual surplus	111,285	153,085
Acquisition of tangible capital assets (note 8)	(140,251)	(38,572)
Amortization of tangible capital assets (note 8)	607,836	553,634
Loss on disposal of tangible capital assets (note 8)	241	1,522
Change in prepaid expenses	<u>(673,365)</u>	<u>685,269</u>
CHANGE IN NET FINANCIAL ASSETS	<u>(94,254)</u>	<u>1,354,938</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>672,713</u></u>	<u><u>766,967</u></u>

The accompanying notes are an integral part of these financial statements

BERMUDA TOURISM AUTHORITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	111,285	153,085
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	607,836	553,634
Amortization of loan transaction costs	14,900	24,905
Loss on disposal of tangible capital assets	241	1,522
Bad debts	(1,076)	(17,230)
Changes in non-cash working capital:		
(Increase) decrease in prepaid expenses	(673,365)	685,269
(Increase) decrease in accounts receivable and accrued revenue	(664,128)	44,029
Increase in due to related parties	179,867	31,291
Decrease (increase) in inventory	16,886	(28,053)
Increase (decrease) in deferred income	66,171	(26,093)
Increase in accounts payable and accrued liabilities	1,286,532	699,405
Decrease in due from related parties	5,460	331,489
	950,609	2,453,253
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(140,251)	(38,572)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(2,000,000)	(2,000,000)
NET INCREASE (DECREASE) IN CASH	(1,189,642)	414,681
CASH, BEGINNING OF YEAR	8,039,785	7,625,104
CASH, END OF YEAR	6,850,143	8,039,785
Interest paid	220,677	316,996

The accompanying notes are an integral part of these financial statements

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. NATURE OF OPERATIONS

The Bermuda Tourism Authority (the “Authority”) was established on December 16, 2013 under the Bermuda Tourism Authority Act 2013 (the “Act”) following the repeal of the Tourism Board Act 2012. The main functions of the Authority are to develop and promote Bermuda as a tourist destination; to advise the Government of Bermuda (the “Government”) on matters relating to travel and tourism; to enhance the travel and tourism sector’s contribution to the Bermuda economy; to provide appropriate tourism education and training; and to implement the National Tourism Plan.

2. SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada, the Authority is classified as an other government organization and has adopted policies appropriate for the classification. The accounting policies considered particularly significant are set out as follows:

a. Basis of preparation and consolidation

These consolidated financial statements have been prepared by management in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These consolidated financial statements have been prepared on a going concern basis (see Note 3).

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Authority and its 100% owned subsidiaries, WTSBDA Ltd. (“WTSBDA”) and Bermuda Visitor Services Centre Ltd. (“BVSC”). All inter-entity balances and transactions between these organizations are eliminated upon consolidation.

b. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The Authority derives its revenue from Government of Bermuda grants, cruise ship passenger fees, tourism authority fees, vacation rental fees and other income.

The Government grants are recognized as revenues when the grant is authorized and any eligibility criteria are met. The tourism authority fees are based on actual returns received and an accrued estimate relating to hotels and properties which are required by the Act to file returns and remit the related fees. This estimate has been made by management using the latest information available to the Authority. Vacation rental fees are recognized in the period in which the visitor stays except where the booking has been made through a booking agent, in which case income is recognized in the period of booking. Cruise ship passenger fees and other income, which includes income from subsidiaries, is recognized in the period to which it relates.

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the period are expensed.

d. Cash

Cash includes a Bermuda dollar and US dollar checking and savings accounts with a local bank and an overseas bank.

e. Inventory

Inventories consist of items held for resale at the Visitor Information Centres. They are recorded at the lower of cost and net realizable value and cost is determined using the first-in, first-out method.

f. Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are classified according to their function. Amortization is recorded on a straight-line basis over their estimated useful lives as follows:

Building	10 years or over the lease term
Office furniture & fittings	7 years
Equipment	3 - 5 years
Leasehold improvements	Over term of the lease
Computer hardware and software	3 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to deliver on its mandate, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations and accumulated surplus.

g. Prepaid expenses

Prepaid expenses include payments relating to annual service contracts and deposit payments for tourism related services and are charged to expense over the periods expected to benefit from it.

h. Long-term debt

Long-term debt is initially measured at fair value and subsequently measured at amortized cost. Transaction costs and financing fees are amortized on a straight-line basis.

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Measurement uncertainty

These consolidated financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year.

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, bad debt allowance and accruals. Estimates are based on best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

j. Financial instruments

Cash is recognized at cost. Accounts receivable and accrued revenue, due from related parties, accounts payable and accrued liabilities, long-term debt and due to related parties are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the cost or amortized cost category are added to the carrying value of the instrument when initially recognized.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the consolidated statement of operations and accumulated surplus.

k. Statement of remeasurement gains and losses

A statement of remeasurement gains and losses has not been presented as the Authority does not have any significant financial assets or liabilities that would give rise to remeasurement gains or losses.

3. ECONOMIC DEPENDENCE ON GOVERNMENT

The Authority is economically dependent upon the Government and receives an annual grant to fund its operations. The ability of the Authority to continue as a going concern and discharge its liabilities in the normal course of business is dependent on the continued support of the Government. During the year, the Authority received a government grant of \$20,675,207 (2021: \$23,506,561). In addition, the Government has committed to a grant of \$19,260,000 for the year ended December 31, 2023.

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

	2022	2021
	\$	\$
Accounts receivable	1,124,976	476,737
Accrued revenue	<u>21,729</u>	<u>5,840</u>
	1,146,705	482,577
Less: Allowance for doubtful debts	<u>(98,131)</u>	<u>(99,207)</u>
	<u><u>1,048,574</u></u>	<u><u>383,370</u></u>

Accounts receivable pertains to tourism authority fees, vacation rental fees and cruise ship passenger fees due based on actual returns received. Accrued revenue is an estimate of tourism authority fees and vacation rental fees for which returns have not been received by the year end.

5. INVESTMENTS

On April 24, 2017, WTSBDA Ltd. was incorporated. The authorized share capital of WTSBDA Ltd. is 100 shares at \$1 per share and they have been fully subscribed for, and allotted to, the Authority. WTSBDA Ltd. was formed for the purpose of managing all aspects of the World Triathlon Series in Bermuda.

On November 23, 2017, Bermuda Visitor Services Centre Ltd (“BVSC”) was incorporated. The authorized share capital of BVSC is 100 shares at \$1 per share and they have been fully subscribed for, and allotted to, the Authority. BVSC was formed for the purpose of managing the visitor service centres in Bermuda. BVSC started operating in September 2018 (note 11).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
	\$	\$
Trade payables	1,766,578	799,982
Accrued expenses	1,106,298	1,192,888
Accrued vacation	62,669	60,241
Benefits payable	<u>410,912</u>	<u>6,814</u>
	<u><u>3,346,457</u></u>	<u><u>2,059,925</u></u>

Trade payables and accrued expenses relate to operational liabilities. Benefits payable relate to employee benefits including incentives and pensions.

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. DEFERRED INCOME

In 2019, the Authority received an additional grant of \$250,000 from the Government, which was only to be used to fund specific, agreed projects. During the year, \$53,623 (2021: \$10,501) was used and the balance of \$169,199 has been included in deferred income.

In 2018, the Authority also received funding of \$150,000 from a Cruise Line to provide an enhanced visitor experience. During the previous year, \$75,000 was used for certain projects. The remaining balance amounted to \$75,000 has been included in deferred income.

In 2022, the Authority received government funding of \$390,000 to fund an programme of local entertainment. During the year \$270,206 was spent and included as part of the Government of Bermuda grant. The remaining balance of \$119,794 has been included in deferred income.

8. TANGIBLE CAPITAL ASSETS

	Buildings*	Office furniture & fittings	Equipment	Leasehold Improvements	Computer hardware and software	Total
	\$	\$	\$	\$	\$	\$
Cost						
At December 31, 2020	2,162,729	422,595	196,714	137,427	262,480	3,181,945
Additions	5,030	6,299	2,899	-	24,344	38,572
Disposal	-	-	-	-	(4,004)	(4,004)
At December 31, 2021	2,167,759	428,894	199,613	137,427	282,820	3,216,513
Additions	68,330	8,748	3,956	3,530	55,687	140,251
Disposal	-	-	-	-	(6,445)	(6,445)
At December 31, 2022	2,236,089	437,642	203,569	140,957	332,062	3,350,319
Accumulated amortization						
At December 31, 2020	767,093	263,344	104,145	29,554	231,908	1,396,044
Amortization	433,663	41,174	27,925	27,487	23,385	553,634
Disposal	-	-	-	-	(2,482)	(2,482)
At December 31, 2021	1,200,756	304,518	132,070	57,041	252,811	1,947,196
Amortization	493,658	30,937	29,027	27,779	26,435	607,836
Disposal	-	-	-	-	(6,204)	(6,204)
At December 31, 2022	1,694,414	335,455	161,097	84,820	273,042	2,548,828
Net Book Value						
At December 31, 2022	541,675	102,187	42,472	56,137	59,020	801,491
At December 31, 2021	967,003	124,376	67,543	80,386	30,009	1,269,317

*The building is amortized over the life of the lease on the land, which is 5 years.

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. LONG-TERM DEBT

On February 12, 2019, the Authority signed a \$10 million 5-year fixed rate loan with Bank of NT Butterfield and Son. The loan was used to repay an outstanding commitment owed by the Government to a cruise line. On June 24, 2019, the Authority signed a new facility letter which replaces the 2018 facility letter and makes available to the Authority new borrowings of up to \$2 million and amends the repayment terms and drawdown terms of the original long-term debt. The loan is to be repaid over the 5 years from the date of the initial drawdown. The loan has a nominal interest rate of 4.75% (effective rate 5%). Except for the payments of principal related to the interest only period described below, the loan shall be repaid in monthly principal payments of \$166,667 plus interest in arrears starting April 1, 2019.

During the six-month period commencing on June 1, 2021 up to and including November 30, 2021, the Authority was only required to make interest only payments (“interest only period”). The first interest only payment was due on June 1, 2021 and on or before the first day of each following month up to November 1, 2021. The payments of principal which would otherwise have been paid by the Authority but for the exemption during the interest only period, shall be paid by the Authority in two lump sum payments of \$500,000 as follows: (1) the first deferred principal payment shall be paid on or before the day falling four years from the commencement of the loan term; and (2) the second deferred principal payment shall be paid on or before the day falling five years from the commencement of the loan term (on or before the maturity date).

The loan has been guaranteed by the Government and is secured against future income from cruise ship passenger fees. Transaction costs of \$14,900 (2021: \$24,905) were amortized during the year and is included in the consolidated statement of operations and accumulated surplus. The unamortized balance of \$6,977 (2021: \$21,876) has been netted against the outstanding balance of the loan as at December 31, 2022 of \$3.5 million (2021: \$5.5 million). Interest of \$212,496 (2021: \$308,826) was charged in the year.

10. TOURISM AUTHORITY FEES, VACATION RENTAL FEES AND CRUISE SHIP PASSENGER FEES

The tourism authority fee is imposed on each guest accommodated in the hotel at a rate of 4.5% of the rack rate charged (the charge for accommodations at a hotel), payable monthly in arrears.

The vacation rental fee is imposed on each guest staying at a vacation rental property at a rate of 4.5% of the rack rate charged, payable on the 15th of the following month.

The cruise ship passenger fee payable to the Authority is an amount of \$16 per passenger where the ship’s visit to Bermuda include any days between April 1 and October 31.

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2022	2021
	\$	\$
<u>Sales and marketing:</u>		
Advertising	9,684,592	7,340,547
Sports and event sponsorship	4,616,813	4,175,533
Maritime	2,803,067	-
International representation and activation	794,759	567,247
Media relations and PR	604,327	380,245
Partner marketing	521,407	3,134,810
Promotions	436,634	463,295
Group sales	363,537	251,532
Social Media	126,560	294,391
Website	124,849	466,166
Collateral	92,335	163,491
Travel industry outreach	78,336	72,969
	<u>20,247,216</u>	<u>17,310,226</u>
	2022	2021
	\$	\$
<u>Operations:</u>		
Staff costs (note 13)	6,758,026	5,746,349
Cost of goods for resale	1,365,537	-
Course management	1,173,006	143,993
General expenses	1,050,187	726,398
Premises	926,273	880,144
Communications & IT	513,461	527,847
Professional fees	475,089	377,132
Race operations	455,185	128,202
Bank fees and exchange costs	324,573	384,001
Travel and accommodation	263,053	144,701
Licence Fee	250,000	100,000
Training & standards	124,594	55,112
Hospitality	109,916	-
Services	48,840	42,188
National Tourism Plan	43,338	22,249
Tourism appreciation	29,762	70,526
Equipment and maintenance	18,123	15,463
Stakeholder relations and communication	2,550	10,140
Marketing	2,211	1,266
	<u>13,933,724</u>	<u>9,375,711</u>

BERMUDA TOURISM AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. EXPENSES BY OBJECT (continued)

	2022	2021
	\$	\$
<u>Business intelligence & technology:</u>		
Product research	193,833	144,633
Market research	164,375	65,078
Current consumer research	99,123	141,373
Local resident research	4,500	56,000
ROI Study	-	74,167
	461,831	481,251
	2022	2021
	\$	\$
<u>Experience development:</u>		
Grants and event sponsorship	489,975	40,225
Promotional & print	11,755	35,022
Activities / Attractions	85	147,119
	501,815	222,366
	35,144,586	27,389,554

BVSC

During the year, the Authority operated the Visitor Information Centres in Dockyard, Hamilton and St. George's which, in addition to providing information to visitors, sold public transportation passes and some merchandise. The gross revenue and expenses to this operation were \$1,570,777 and \$1,998,646 (2021: \$126,181 and \$484,145), respectively. BVSC received a grant from the Authority to fund its operations amounting to \$450,000 (2021: \$400,000).

WTSBDA

WTSBDA is responsible for managing all aspects of the World Triathlon Series in Bermuda. During the year, it received no grant from the Government of Bermuda (2021: \$1,746,060), sponsorship income of \$440,000 including \$82,500 from the Authority (2021: Nil) and other income totaling \$22,078 (2021: \$20,590). It incurred expenses of \$2,605,659 (2021: \$932,245) resulting in a deficit of \$2,143,581 (2021: \$834,405 surplus) for the year.

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12. RELATED PARTY TRANSACTIONS

The Authority is related to all Government agencies including those jointly controlled or significantly influenced by Government. The Authority enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Under the Payroll Tax Act, the Authority is a Class C employer and is exempt from Payroll Tax. The amounts due at the end of the year are payments to be made on behalf of employees.

On December 18, 2015, the Minister of Finance enacted the Foreign Currency Purchase Tax Order 2015 to include the Bermuda Tourism Authority as an exempt body.

During the year, the Authority leased the Visitor Information Centre property from WEDCO. Under the terms of the lease, rent is calculated as a percentage of the turnover of the Visitor Information Centre.

For the period from June to August 2022, the Authority was provided with a student by the Ministry of National Security at no cost.

During the year, the Authority had the following transactions with the Government and its agencies:

	Transactions for the year		Due at the year end	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues and receivables:				
Government of Bermuda Grant				
- Bermuda Tourism Authority	20,675,207	21,760,501	-	-
- WTSDBA	-	1,746,060	-	-
Other	-	-	8,712	14,172
	<u>20,675,207</u>	<u>23,506,561</u>	<u>8,712</u>	<u>14,172</u>
Expenses and payables:				
Taxes	136,934	67,731	77,629	52,006
Other	298,187	13,081	204,863	3,067
Transportation passes	1,346,715	21,750	-	47,552
	<u>1,781,836</u>	<u>102,562</u>	<u>282,492</u>	<u>102,625</u>

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13. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

Employee benefits include the following:

a. Pension plans

The Authority has three different pension plans all of which are defined contribution plans.

The Registered Plan which is for all Bermudian employees and members of staff that are the spouse of a Bermudian and is in accordance with the National Pensions Scheme (Occupational Pensions) Act 1988. The non-registered pension plan which is for non-Bermudian employees and spouses mirrors the Registered Plan in all ways except that vested contributions can be withdrawn upon the end of employment with the Authority. There is also a 401k plan which provides for US employees retirement planning. The plans are administered by the Argus Group.

The plans include a life insurance benefit. All employees who are contributing to the plans are covered under a group life policy.

The Authority's employees are entitled to workers compensation for eligible expenses in respect of medical aid, death or incapacity while insured under the plans.

Employee contributions to the plans are 5% of gross salary and they are matched by the Authority. These contributions are recognized as pension contribution expenses when they are due. The Authority's contributions to the plans during the year were \$185,540 (2021: \$171,625).

b. Other benefits and compensated absences

Full-time regular employees are eligible for a variety of benefits including Medical insurance, Short Term and Long-Term Disability coverage, and Life insurance and Accidental Death and Dismemberment (AD&D) insurance. Compensated absences include maternity leave, paternity leave, sick leave and vacation days. All of these benefits are unfunded.

Maternity and paternity leave does not accumulate or vest and therefore an expense and liability is only recognized when extended leave is applied for and approved. There were no maternity or paternity leave benefits applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Sick leave does not accumulate or vest, and like maternity and paternity leave, a liability is recorded only when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued liability at December 31, 2022 of \$62,669 (2021: \$60,241) is included in accounts payable and accrued liabilities.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Authority is exposed to various risks through its financial instruments. The Board has overall responsibility for the establishment and oversight of its risk management framework. The Authority manages its risk and risk exposure through sound business practices. The following analysis provides a measure of the risks at the reporting date.

a. Credit risk

Credit risk arises from cash held with banks and other receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Authority assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

i. Cash

Cash consists of cash in checking and savings accounts. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

ii. Receivables

Receivables consist of tourism authority fees receivable, cruise ship passenger fees receivable, vacation rental fees receivable, due from related parties and other receivables. The Authority's credit risk arises from the possibility that a counterparty which owes the Authority money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Authority, which would result in a financial loss for the Authority. This risk is mitigated through established credit management techniques, including ongoing reviews of outstanding balances. The Authority believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The amounts outstanding at the year-end were as follows:

	Total	Current	31- 90 days	90 + days
	\$	\$	\$	\$
Accounts receivable	1,124,976	527,998	280,753	316,225
Accrued revenue	21,729	21,729	-	-
Due from related parties	8,712	-	-	8,712
	<u>1,155,417</u>	<u>549,727</u>	<u>280,753</u>	<u>324,937</u>
Less:				
Impairment allowance	<u>(98,131)</u>	<u>-</u>	<u>-</u>	<u>(98,131)</u>
Net receivables	<u>1,057,286</u>	<u>549,727</u>	<u>280,753</u>	<u>226,806</u>

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure credit risk.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b. Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority mitigates such risk by monitoring cash activities and projected outflows through budgeting and maintaining liquid cash balances. The long-term debt is secured by revenue from cruise ship passenger fees and guaranteed by the Government.

The following table sets out the expected cash flows of financial liabilities:

	Carrying Amount \$	Within 1 year \$	1 to 5 years \$	Total \$
Trade payables	1,766,578	1,766,578	-	1,766,578
Accrued expenses	1,106,298	1,106,298	-	1,106,298
Benefits payable	410,912	410,912	-	410,912
Accrued vacation	62,669	62,669	-	62,669
Long-term debt *	3,500,000	2,606,215	1,010,930	3,617,145
Due to related parties	282,492	282,492	-	282,492
	<u>7,128,949</u>	<u>6,235,164</u>	<u>1,010,930</u>	<u>7,246,094</u>

* *Principal amount and interest due, gross of unamortized loan transaction costs*

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure liquidity risk.

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is generally comprised of three key risks: currency risk, interest rate risk and other price risks.

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of receivables and payables are generally settled in local currency or in US dollars.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c. Market risk (continued)

ii. Interest rate risk

Interest rate risk arises from changes in prevailing levels of market interest rates. Interest on long-term debt is fixed over the term of the debt. At the year-end, the Authority had no other significant exposure.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure market risk.

15. CAPITAL MANAGEMENT

The Authority's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Authority achieves this objective through management of cash flows. The Authority maintains sufficient liquidity to meet its short-term obligations as they come due. The Authority is not subject to any externally imposed capital requirements.

16. CONTRACTUAL OBLIGATIONS

The Authority has entered into various contracts relating to operational support and direct tourism related initiatives. The aforementioned contracts have commencement terms prior to December 31, 2022 and the latest contract termination date is November 30, 2029. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The remaining obligations of the contracts are as follows:

	2023	2024	2025 and beyond
	\$	\$	\$
Operational	621,406	267,720	68,000
Sponsorship	5,697,620	196,400	-
Property	522,654	534,023	2,069,502
Bermuda Visitor Services	20,500	-	-
	<u>6,862,180</u>	<u>998,143</u>	<u>2,137,502</u>

17. LETTER OF CREDIT

An amount of \$93,267 is held in an overseas savings account against a Letter of Credit issued in favour of Royalty Realty Corp, the landlord of the office in New York, in the event of a rent default.

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18. BUDGET

The budget was approved by the board and is included in the consolidated statement of operations and accumulated surplus.

19. SUBSEQUENT EVENT

On March 18, 2023, the interim Chief Executive Officer was appointed as Chief Executive Officer by the Board.