

**Tourism Calgary - Calgary
Convention & Visitors
Bureau**

Financial Statements
December 31, 2018



Independent auditor's report

To the Members of Tourism Calgary - Calgary Convention & Visitors Bureau

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tourism Calgary - Calgary Convention & Visitors Bureau (the "Organization") as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue SW, Suite 3100, East Tower, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 20, 2019

Tourism Calgary - Calgary Convention & Visitors Bureau

Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	63,900	41,996
Accounts receivable	548,687	471,976
Prepaid expenses and deposits (note 4)	159,418	86,706
Government remittance receivable	17,995	13,787
	<u>790,000</u>	<u>614,465</u>
Restricted cash (note 3)	1,100,000	887,336
Deferred rent receivable	19,387	26,034
Long-term prepaid expenses and deposits (note 4)	18,153	27,624
Capital assets (note 5)	<u>2,031,712</u>	<u>2,050,145</u>
	<u><u>3,959,252</u></u>	<u><u>3,605,604</u></u>
Liabilities		
Current liabilities		
Bank indebtedness (note 6)	276,547	723,633
Accounts payable and accrued liabilities	1,332,635	935,720
Deferred revenue	426,386	184,100
	<u>2,035,568</u>	<u>1,843,453</u>
Net Assets		
Invested in capital assets (note 3)	2,031,712	2,050,146
Accumulated annual operating deficit (note 7)	<u>(108,028)</u>	<u>(287,995)</u>
	<u>1,923,684</u>	<u>1,762,151</u>
	<u><u>3,959,252</u></u>	<u><u>3,605,604</u></u>
Commitments (note 10)		

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

Tourism Calgary - Calgary Convention & Visitors Bureau

Statement of Operations

For the year ended December 31, 2018

	2018 \$	2017 \$
Revenue		
Destination marketing fees	5,248,812	5,385,000
City of Calgary operating grant	2,811,665	2,710,875
Industry partnerships	397,324	343,438
Travel Alberta Joint Marketing programs	912,601	858,715
Donations in kind	214,226	239,632
Other program grants	616,963	212,494
Advertising and miscellaneous	76,436	108,957
Memberships	218,898	216,646
	<u>10,496,925</u>	<u>10,075,757</u>
Expenses		
Marketing, promotion and public relations	4,640,669	4,880,539
Salaries and benefits (note 9)	3,476,620	3,391,187
Consultants and agency fees	830,499	540,735
Travel	394,310	317,368
Professional development and membership	366,829	146,535
Information technology	267,756	391,712
Donations in kind	214,226	239,632
Office supplies and services	142,314	138,848
Amortization – non-building	62,194	32,844
General and administrative	64,606	41,875
Interest and bank charges (note 6)	17,368	17,396
	<u>10,477,391</u>	<u>10,138,671</u>
Excess (deficiency) of revenue over expenses before building operations	<u>19,534</u>	<u>(62,914)</u>
Building (note 13)		
Operations revenue	652,176	678,754
Operations expenses	(362,528)	(379,312)
Office renovation and improvement	-	(166,871)
Amortization	(147,649)	(199,009)
	<u>141,999</u>	<u>(66,438)</u>
Excess (deficiency) of revenue over expenses	<u>161,533</u>	<u>(129,352)</u>

The accompanying notes are an integral part of these financial statements.

Tourism Calgary - Calgary Convention & Visitors Bureau

Statement of Changes in Net Assets

For the year ended December 31, 2018

	2018		
	Invested in capital assets \$	Accumulated annual operating deficit \$	Total \$
Net assets – Beginning of year	2,050,146	(287,995)	1,762,151
(Deficiency) excess of revenue over expenses	(209,843)	371,376	161,533
Capital assets acquired	191,409	(191,409)	-
Net assets – End of year	2,031,712	(108,028)	1,923,684

	2017		
	Invested in capital assets \$	Unrestricted \$	Total \$
Net assets – Beginning of year	2,134,501	(242,998)	1,891,503
(Deficiency) excess of revenue over expenses	(231,853)	102,501	(129,352)
Capital assets acquired	147,498	(147,498)	-
Net assets – End of year	2,050,146	(287,995)	1,762,151

The accompanying notes are an integral part of these financial statements.

Tourism Calgary - Calgary Convention & Visitors Bureau

Statement of Cash Flows

For the year ended December 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	161,533	(129,352)
Item not affecting cash		
Amortization	209,843	231,853
	<u>371,376</u>	<u>102,501</u>
Changes in non-cash working capital items		
Accounts receivable	(76,711)	156,499
Government remittances	(4,208)	9,890
Prepaid expenses and deposits	(63,241)	141,637
Deferred rent receivable	6,647	2,493
Accounts payable and accrued liabilities	396,915	(819,785)
Deferred revenue	242,286	23,594
	<u>873,064</u>	<u>(383,171)</u>
Investing activities		
Change in restricted cash	(212,664)	193,365
Purchase of capital assets	(191,410)	(147,498)
	<u>(404,074)</u>	<u>45,867</u>
Financing activities		
(Repayment) increase of bank indebtedness (net)	(447,086)	378,500
	<u>(447,086)</u>	<u>378,500</u>
Increase in cash during the year	21,904	41,196
Cash – Beginning of year	41,996	800
Cash – End of year	<u>63,900</u>	<u>41,996</u>

The accompanying notes are an integral part of these financial statements.

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

1 Nature of operations

Tourism Calgary - Calgary Convention & Visitors Bureau (“Tourism Calgary”) increases the economic impact of tourism to Calgary through marketing and hosting initiatives, attracting visitors, meetings, sports, cultural and major events to Calgary. Tourism Calgary was incorporated under the Alberta Societies Act on May 5, 1958.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) using the following significant accounting policies:

Cash and restricted cash

Cash includes cash on hand and deposits with banks. Restricted cash consists of cash deposits with banks subject to restrictions that prevent its use for other than specific purposes.

Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Buildings	25 years
Building equipment and fixtures	12.5 years
Computer software and hardware	3 years
Office equipment and furniture	10 years
Signs and paving	10 years
Mobile visitor information centre	3 years

Capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected and its carrying amount may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of the asset to be less than originally estimated.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. Tourism Calgary has not elected to carry any such financial instruments at fair value.

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the excess of revenue over expenses as interest income or expense.

With respect to financial assets measured at cost or amortized cost, Tourism Calgary recognizes in the Statement of Operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the Statement of Operations in the period the reversal occurs.

Revenue recognition

Tourism Calgary follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred and if they relate to periods beyond one year, they are classified as deferred contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted capital contributions related to capital assets are deferred and amortized on a straight-line basis over the estimated useful life of the corresponding asset.

The City of Calgary (the "City") operating grant and Calgary Hotel Association ("CHA") annual funding is recognized as revenue when received. Additional amounts received from either organization relating to services to be provided in future periods are deferred until the related expenses are incurred.

Travel Alberta Joint Marketing program revenues are recognized as earned in accordance with the terms of the contract, when such amounts are determinable and collection is reasonably assured.

Industry partnership revenues are earned from marketing programs that are supported by Tourism Calgary members. These marketing programs consist of the White Hat Awards, mini-maps, regional campaigns, US campaigns, national campaigns. If partners wish to partake in a specific campaign or event, a contract is negotiated as to how much a partner will pay for specific marketing benefits. Revenue is recognized as earned in accordance with the terms of the contract, when such amounts are determinable and collection is reasonably assured.

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

With respect to building operations, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the property subject to the lease. Generally, this occurs on the lease commencement date or, where the tenant is required to make additions to the property in the form of tenant improvements, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; accordingly, a deferred rent receivable, as applicable, is recorded for the difference between the rental revenue recorded on a straight-line basis and the contractual amount received.

Donations in kind

Donations in kind are recognized in the financial statements when their fair value can be reasonably determined, they are used in the normal course of Tourism Calgary's operations and would otherwise have been purchased. Fair value is determined by comparison to market prices for similar goods and services. Donations in kind consist of airfare, hotel accommodation, meals, vehicle rentals and various other products and services.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas subject to estimation include the valuation of accounts receivable, useful lives and potential impairment of capital assets, accruals and potential contingencies. These estimates and assumptions are reviewed at least annually and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

3 Restricted cash and reserves

The short-term portion of restricted cash on the statement of financial position includes funds received in advance for certain events that are to be held at a future date. Therefore, the funds have been segregated as the costs to be incurred for the corresponding event will be incurred at a future date.

The long-term portion of restricted cash on the statement of financial position represents funds that have been reserved to assist with future capital needs relating to its building and for other asset replacement and life cycle needs, the building capital and non-building capital reserves, respectively.

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

Building capital reserve

Funds have been reserved to provide for replacement and life cycle needs of Tourism Calgary's building. The fund's maximum balance can contain up to 10% of the estimated replacement cost of the building and the minimum balance is equal to the sum necessary to fund the next five years' requirements, as identified in the building life cycle and replacement plan.

Only funds received from rent, parking and naming, together with an amount equal to the amortization expense, are eligible to be placed into the reserve. No funds received from the City may be deposited into this reserve. Funds to cover building operating costs will be withdrawn from the reserve account except for the proportion of Tourism Calgary's operating costs which the City has approved for inclusion in the statement of operations at the discretion of the board of directors. Withdrawals in excess of 10% of the current year life cycle plan require approval from the board of directors. As at December 31, 2018, the amount reserved aggregated \$950,000 (2017 – \$708,130).

Non-building capital reserve

Tourism Calgary has reserved funds to replace capital assets and other items which benefit more than one accounting cycle. The fund may contain a maximum balance equal to the sum of the current five-year non-building life cycle and replacement cost plan and has no minimum balance. Any cumulative annual operating surplus, which may include City funding, may be placed into this reserve. The board of directors' five-year non-building life cycle and replacement plan dictates both the timing and amount of future withdrawals. As at December 31, 2018, the amount reserved aggregated \$150,000 (2017 – \$179,206).

4 Prepaid expenses and deposits

	2018 \$	2017 \$
Current		
Prepaid expenses	159,418	86,706
Long-term		
Deferred costs relating to the MacLaren McCann lease	18,153	27,624
	<u>177,571</u>	<u>114,330</u>

Deferred costs relating to the MacLaren McCann lease are being recognized as a reduction in rental revenue on a straight-line basis over the term of the tenant's lease.

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

5 Capital assets

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Land	630,000	-	630,000
Buildings	2,395,206	1,461,951	933,255
Building equipment and fixtures	538,311	300,953	237,358
Computer software	136,623	23,417	113,206
Computer hardware	216,921	179,033	37,888
Office equipment and furniture	119,775	78,766	41,009
Signs and paving	98,406	68,062	30,344
Mobile visitor information centre	14,327	5,675	8,652
	4,149,569	2,117,857	2,031,712
	2017		
	Cost \$	Accumulated amortization \$	Net \$
Land	630,000	-	630,000
Buildings	2,395,206	1,362,143	1,033,063
Building equipment and fixtures	526,997	258,770	268,227
Computer hardware	180,178	152,533	27,645
Office equipment and furniture	117,300	70,764	46,536
Signs and paving	98,406	62,404	36,002
Mobile visitor information centre	10,072	1,400	8,672
	3,958,159	1,908,014	2,050,145

6 Bank indebtedness

Tourism Calgary has a line of credit authorized to a maximum of \$1,400,000 (2017 – \$1,400,000) bearing interest at The Toronto-Dominion Bank's prime lending rate plus 0.5% per annum, requiring monthly interest-only payments. The Toronto-Dominion Bank's prime lending rate at December 31, 2018 was 3.95% (2017 – 3.2%) per annum. Security for the loan is composed of a general security agreement covering all assets of Tourism Calgary and a first charge against the land and building, which have a combined net book value of \$1,563,255 (2017 – \$1,663,063).

Due to the nature of the loan agreement, interest expense on the loan is offset by interest earned on certain cash deposits for specified bank accounts. When prime rate exceeds 3.25%, these bank accounts earn interest at prime rate minus 3.25% per annum when the cash on deposit exceeds the line of credit balance. As a result, the net interest received on the line of credit at December 31, 2018 was \$9,454 (2017 – \$nil).

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

Under the terms of the agreement, Tourism Calgary must satisfy a certain restrictive covenant whereby the unrestricted accumulated annual operating deficit may not be greater than \$50,000. As at December 31, 2018, Tourism Calgary was in compliance with the covenant.

7 Accumulated annual operating deficit

The maximum balance of the unrestricted accumulated annual operating surplus in the audited financial statements cannot exceed the lower of 10% of the City grant (\$271,088) or 5% of Tourism Calgary's cash revenue (\$491,806), excluding donated services for the preceding fiscal year (fiscal 2017). Amounts in excess of the thresholds must be refunded to the City, or may reduce subsequent grants. As at December 31, 2018, there was an unrestricted accumulated annual operating deficit of \$108,028 (2017 – \$287,995). This balance is within the acceptable threshold as defined by the City and, accordingly, there is no refund due to the City, and no anticipated effect on the subsequent years' grants.

8 Economic dependence

Primary sources of Tourism Calgary's revenue are from the City and CHA. Funding from the City accounted for 27% (2017 – 28%) of revenue, excluding donated services, and funding from CHA accounted for 51% (2017 – 55%).

Tourism Calgary has signed a three-year contract extension with the City that secured funding until December 31, 2021. This funding must be approved annually by the City's Council, subject to the restrictions disclosed in note 7.

Tourism Calgary has signed a contract with CHA that provides \$5,000,000 in annual funding. This contract has no termination date and does not require annual approval.

9 Employee future benefits

Tourism Calgary has a Canadian defined contribution pension plan under which both Tourism Calgary and employees make contributions. Tourism Calgary matches the employees' contributions up to 3% of an employee's income, starting in their second year of employment, increasing 1% per year to a maximum of 6% annually. Tourism Calgary contributions and corresponding expenses for the year totalled \$133,219 (2017 – \$127,468). These amounts are included in salaries and benefits expense.

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

10 Commitments

Tourism Calgary has entered into lease agreements for office equipment which expire in September, 2022. The estimated minimum payments in the next four years are as follows:

	\$
2019	7,853
2020	7,853
2021	7,853
2022	5,890
	<hr/>
	29,449
	<hr/>

11 Financial instruments

Tourism Calgary, as part of its operations, carries a number of financial instruments. These financial instruments include, cash, accounts receivable, accounts payable, and bank indebtedness. It is management's opinion that Tourism Calgary is not exposed to significant interest rate, foreign exchange or credit risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject Tourism Calgary to concentrations of credit risk consist primarily of trade accounts receivable. As at December 31, 2018, funding that was due from one entity, accounted for 42% of accounts receivable (2017 – one entity, 87%). Management believes that there is minimal risk associated with the collection of these amounts.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. Tourism Calgary is exposed to interest rate risk primarily through its line of credit, as the required cash flows to service the debt will fluctuate with changes in market rates.

Liquidity risk

Tourism Calgary's objective is to have sufficient liquidity to meet its liabilities when due. Tourism Calgary monitors its cash balances and cash flows generated from operations to meet its requirements. Tourism Calgary does have access to a line of credit with TD Bank through a mirror accounting services agreement should it require short-term financing to meet its liabilities.

Tourism Calgary - Calgary Convention & Visitors Bureau

Notes to Financial Statements

December 31, 2018

12 Income taxes

Tourism Calgary is registered as a not-for-profit organization under Section 149 (1) of the Income Tax Act (the "Act") and, as such, is exempt from income taxes. In order to maintain its status as a registered not-for-profit organization under the Act, Tourism Calgary must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

13 Building operations

	2018	2017
	\$	\$
Rental revenue	652,176	678,754
Rental expenses		
Repairs and maintenance	90,271	99,682
Property taxes	113,439	143,468
Security and utilities	141,593	120,534
Fees	7,140	7,140
Insurance	10,085	8,488
	362,528	379,312
Office renovation and improvement	-	166,871
Amortization	147,649	199,009
	510,177	745,192
Income (loss) from building operations	141,999	(66,438)

14 Related party

Tourism Calgary conducted business with Pyramid Productions in which a member of its Board of Directors is an executive. The value of the transactions paid for in 2018 was \$10,080 (2017 – \$nil) for video production services. The organization conducted business with Brookline Public Relations, Inc. in which a member of its Board of Directors is an executive. The value of the transactions paid for in 2018 was \$62,305 (2017 – \$nil) for public relations activities.