



calgary hotel
association
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2017 Annual Report.

COLLABORATE — EDUCATE — ADVOCATE

A LETTER FROM CHA CHAIRMAN, DAN DESANTIS.

2017 A time to assess, evaluate, prepare for the future.

In 2017, we were confronted by more industry-changing issues than ever before, including a new proposed City Charter, the prospect of short term rental regulation, and a potential Olympic bid – all of which needed to be addressed within the context of ongoing economic challenges.

Step One – Set a strategic direction to best serve members and industry.

To help us understand and respond to this new landscape, the Calgary Hotel Association Board rolled up its sleeves and took a hard look at the future role of the Association – one that would make us more relevant in the community, with a more influential voice. We commissioned a strategic plan which determined our future direction – focused on the pillars of collaboration, advocacy, and education. Then we hired a new Executive Director, Peggy Athans, to execute.

By the end of 2017, we had a solid plan and leadership in place, and began a heavy focus on advocacy to address the multiple issues facing the Association.

- We outlined the history of the Destination Marketing Fund and the CHA's role as experienced, autonomous, and effective stewards of DMF funds, and called on City Council to keep the fund under industry control.
- We worked with the national association to call for an open and competitive short term rental market – pointing out that most short-term rentals are commercial in nature, and should be regulated as such to put them on a level playing field with other forms of commercial lodging.
- We have supported the Olympic Bid, advocating its stimulating impact on the economy generally and tourism sector specifically. Improving aging infrastructure – which will result from a successful bid – will make Calgary a more competitive international destination.

As we continued to navigate a challenging economy, we did see some positives.

The industry got off to a slow start in 2017, in large part due to growth in room supply which was further impacted by a slowing economy. But demand was up over the last seven months of 2017 – a signal of upward momentum leading into 2018 – which translated into occupancy and Revenue Per Available Room (RevPAR) growth from August through December. Overall, Calgary saw a 6.0% increase in room nights while supply grew 4.1%. We saw a modest 1.8% increase in the Average Daily Rate, and a slight growth in RevPAR. Canada 150 celebrations drove much of that growth, along with strong demand into the mountains and increased leisure campaigns by Tourism Calgary.

Looking forward as we look back.

It's an interesting exercise to pull together a report for the previous year while halfway through a new one. Despite environmental and economic challenges, we have a lot of reasons for optimism. As an industry, we are fiercely competitive yet intensely collaborative. Our many talented leaders are unstoppable when we work together to achieve mutual goals. I am grateful to the Board, industry partners, and CHA members for your insights, engagement, and ongoing commitment – which is helping us become an even stronger and more influential voice in the city as we face some of our industry's most pressing challenges. We've got the right plan and the right people to succeed. Let's keep pushing forward together.



Dan DeSantis, Chairman of the Board
Calgary Hotel Association

A LETTER FROM THE EXECUTIVE DIRECTOR, PEGGY ATHANS.

Halfway through 2017 – I became your Executive Director. Armed with a new strategic plan, it was time to get to work. The first months in my position were a whirlwind of activity, focused on getting to know a new city and new people, including:

- Members taking the time to hear their views on how the association can best serve their needs, and understanding issues from their perspective.
- Stakeholders spending time with partners to better understand how to work together to grow tourism.
- City Staff since it was clear that advocacy work needed to be addressed immediately, relationship- building with City of Calgary staff was a priority.

Over the first six months of my tenure, we focused on several initiatives:

- **Affirming the CHA's role as a voice of the hospitality and tourism industry.** As the industry's voice had become muted in the past few years, I focused on affirming our role as a voice of industry, bringing City Staff and council up to speed on industry issues and market conditions, and successfully advocating our position on a list of industry-changing issues.
- **Communication.** To execute on the new strategic direction, I knew that communication had to be a top priority. By October, we brought on a communications team to support external communications. By December, we established a plan for membership research & engagement. Creation of a new CHA website was on the way, and briefing notes on key industry issues were developed.

- **Administration and Stewardship of DMF.** Through the fall of 2017, we worked with the four districts to ensure DMF district budgets were being spent strategically, resulting in four individualized plans. Lofty goals were in place to drive incremental stays in Calgary. To be successful in executing these plans, the voluntary committees needed the support of a project manager. Michelle Drysdale was hired in the newly created position of DMF Project Manager.
- **Tourism Calgary.** Recognizing Tourism Calgary's role as the brand keeper and marketing experts, we focused on aligning CHA communications with Tourism Calgary's destination strategy, and working with them to execute the four district DMF strategic plans. This process ensured that tactics were "on-brand" and mutually beneficial. Thank you to the Tourism Calgary team for executing the DMF programs, and for the great working relationship.

It's been a lot of hard work, but with the plans, a solid team, and partnerships in place, I look forward to working together to build a better business climate for the hotel industry and helping Calgary live up to its promise as the Ultimate Host City.



Peggy Athans, Executive Director
Calgary Hotel Association

CALGARY HOTEL ASSOCIATION STRATEGIC PLAN.

Vision.

The CHA is one of the most effective and respected voices for the hospitality and tourism industry in Alberta.

Mission.

Create an optimal business environment for the tourism industry in Calgary through collaboration, advocacy and education.

“Calgary has the potential to become the world’s Ultimate Host City. For this to happen there must be a positive business environment for the tourism industry, and there must be a dedicated voice speaking on industry’s behalf and clearing away the legislative and economic hurdles that inhibit effective tourism marketing by Tourism Calgary.

The Calgary Hotel Association will be the unifying voice representing industry and clearing the hurdles industry faces.

It will have the relationships and influence with the City of Calgary to be trusted as a tourism advisory body, it will be recognized by Tourism Calgary as its bridge to industry and its source for industry expertise, and it will be valued by its stakeholders for the education and advocacy services the CHA provides.”

— from the 2017 strategic report

STRATEGIC PILLARS.

Collaborate.

Identify challenges, risks and opportunities facing the tourism and hospitality industry in Calgary and surrounding region.

Educate.

Lead an effective two-way engagement and education process between industry stakeholders, partners and all three levels of government.

Advocate.

Successfully advocate on issues important for the long-term health of tourism in Calgary.

Invest.

Effectively manage DMF funds through long-term investment and oversight of effective District Strategic Plans.



CHA 2017 MEMBERSHIP.

97 **14,349**
Hotels in Calgary Rooms in Calgary

**CHA**
Members

**DMF**
Members

16 **Downtown**
3,698 Rooms

13 **Downtown**
3,426 Rooms

15 **South**
2,292 Rooms

11 **South**
1,786 Rooms

24 **Northeast**
4,111 Rooms

19 **Northeast**
3,283 Rooms

5 **Northwest**
644 Rooms

5 **Northwest**
644 Rooms

60 **Total**
10,745 Rooms
76% of Rooms
in Calgary

48 **Total**
9,139 Rooms
64% of Rooms
in Calgary

In 2017 we welcomed
two new DMF members



CHA EDUCATION.

Throughout 2017, the CHA hosted four diverse educational seminars and one networking event for members. Combining education and social networking, the CHA is using the seminar series and related events to build community and collaboration within the industry. These events help us understand member needs, and support the growth of the Association and the industry.

Revenue Management - February

Hosted by Mark Lomanno, the first seminar of the year presented new techniques for implementing revenue strategy including how the OTA model is evolving and changing, potential impacts of short term rentals on the hotel industry, finding your hotel's optimal room channel mix, and more. It was also our first collaboration with the Banff/Lake Louise Hotel Association.

"In an ever changing online marketplace, Mark Lamanno's revenue management session highlighted the importance of moving to Net Revenue metrics in order to better understand the true cost of customer acquisition. It helped us determine how to better capture more guest paid revenue by optimizing our hotel's room channel mix."

- Leanne Shaw, Country Inn & Suites by Radisson Calgary - Airport

Calgary Police Service - Industry Information Seminar - March

Building on the success of the 2016 fraud seminar, the Calgary Police Service hosted a follow-up presentation with a focus on safety in the hotel industry and fraud prevention.

The Four Disciplines of Execution - May

Most leaders have worked hard to develop a strategy. What keeps them awake at night is how to execute. The Four Disciplines of Execution educated members on the framework, language, and implementation best practices for successfully launching and sustaining a strategy and maximizing team engagement.

"I found great value in attending this seminar. Doug was a great speaker who engaged his audience and introduced a very effective way to execute strategy. It was enjoyable attending with fellow industry leaders and an effective approach to strengthening Calgary's hospitality industry!"

- Rick Dickinson, Glenmore Inn & Convention Centre

The Alignment Project - November

The Alignment Project -- featuring "The dos and don'ts of winning presentations" -- provided insights into better planning for presentations, managing stress and nervousness while presenting, capturing an audience, and building connections.

Annual Networking Event- December

Featuring special guest Calgary Mayor Naheed Nenshi, our year-end networking and social event brought together hotel members, associate members, stakeholders and partners for an update on the year's biggest milestones.

CHA ADVOCACY.

The CHA represents member interests to governments through collaborative advocacy. We work with industry stakeholders to establish a direction on various issues, and offer administrators and government leaders the information they need to make policy decisions that foster a healthy climate for hospitality and tourism.

The City Charter & Destination Marketing Fund

The Government of Alberta and cities of Edmonton and Calgary are developing a City Charter with the stated goal of building strong, vibrant cities that attract trade and investment. As part of this process, their mandate is to explore opportunities to enhance the administration, transparency, and accountability of the DMF. Our position, which has been vigorously presented to City Council and administrators, calls for the administration of the DMF to stay with the CHA for these reasons:

Experienced. We are an established, trusted, and valued member of the tourism network.

- We are industry leaders who thoroughly understand Calgary's tourism needs.
- We have the largest direct stake in tourism.
- Our tourism funding model is widely supported among Calgary hotels.
- Our 60 member hotels account for more than 75 percent of the available room nights in Calgary and 70 percent of the total hotel room revenue in the city.
- We have stable and predictable funding for Tourism Calgary through the DMF. Five of our Board Members are also on the Tourism Calgary Board of Directors.
- We have four district DMF committees, a DMF General Committee and Board of Directors who oversee all governance policies.

Autonomous. As a private sector initiative, supported by Calgary hotels, the DMF is insulated from competing funding demands which, over time, could erode the fund.

- To ensure accountability and create the most impact, the CHA must prove the value of the DMF annually to those who fund it.
- All groups receiving money must demonstrate why they should be funded and how the money will be spent.
- To avoid bureaucracy, we make decisions quickly, in response to industry demands.

Effective. In the last 7 months of 2017, the industry sold more hotel rooms than ever in the history of Calgary. We're setting new standards for tourism marketing.

- Together with our partners, in 2017 we secured nearly 3.2 million room nights accommodating the majority of Calgary's visitors.

Furthermore, our DMF administration costs have remained steady at less than four per cent, which means more dollars go directly to tourism promotion. It's unlikely that City administration will be able to deliver the same service for the same cost.

CHA ADVOCACY.

Short Term Rentals

In December 2017, City Council passed a Notice of Motion directing administration to explore short term rental bylaws and requirements throughout 2018. We have been collaborating with the Hotel Association of Canada (HAC) and Alberta Hotel and Lodging Association (AHLA) to effectively advocate on this issue. Our main message:

We fully support an open and fair competitive market for short term rentals.

While casual residential home-sharing is a significantly different offering than a hotel experience, a large portion of home-sharing operators are commercial in nature, but are not regulated, taxed, or engaged in destination marketing strategies in the same way as hotels. The key to success is to have a system that protects consumers and puts commercial operators on a level playing field.

Creating a level playing field

- Applying the same tax rates to Calgary's short term rental sector has the potential to generate an estimated \$1.3 million in consumer taxes and fees.
- Private, short-term rentals are not subject to the four percent provincial tourism levy on Alberta hotel stays and do not contribute to the Destination Marketing Fund. They benefit from destination marketing efforts, but don't financially support them.
- In order to level the playing field, and reduce negative impacts on affordable housing, municipalities are placing a cap on usage, which limits the number of days that a home can be rented through a home-sharing platform. These limits restrict the operations of ghost hotels and large commercial operators from hiding under the veil of home-sharing.

To create a more level playing field, municipalities are addressing three issues:

- **Reporting:** Establishing a requirement at the platform and host level to report to government on home-sharing activity helps to ensure tax and regulatory compliance, including minimum safety standards like smoke detectors.
- **Payment:** Special provisions at the platform level ensures the collection and remittance of various taxes and tourism levies on behalf of hosts.
- **Enforcement/penalties:** Mechanisms to ensure established regulations are applied and enforced ensures the system is operating as intended.

Majority of Airbnb revenues generated by commercial operations

According to a Hotel Association of Canada study, only twenty percent of Airbnb's total revenue in Calgary is generated by true home sharing where the owner is present during the guest's stay. The other eighty percent comes from hosts renting entire homes where the owner is not present.

Managing the impact of short term rentals on affordable housing.

As home-sharing platforms convert long-term rental units into short term rentals, the supply of affordable housing is reduced. This issue is a big one for Calgary, which is already Canada's least affordable city for low-income residents.

CHA EXTERNAL COMMUNICATION.

As part of our 2017 Communication Plan, we determined that the CHA could gain a stronger voice in the community by connecting its work directly with larger tourism outcomes. Since Tourism Calgary is focusing its strategy on selling Calgary as the Ultimate Host City, how does the CHA help achieve that larger goal? By *being* the Ultimate Host. As the industry with the most direct front-line contact with tourists, the CHA plays a pivotal role in helping Calgary live up to its promise as the Ultimate Host City. Why does that matter?

- Guest experiences and positive reviews drive traffic and revenues. In order to make an impression as the Ultimate Host City, CHA members are uniquely positioned to drive exceptional experiences that make guests say “Wow!” and share them with others. Our goal is to provide opportunities for content promotion that is facilitated by members, not created by members as social feeds from peers are most influential.
- When it comes to hospitality, hotels are known as leading edge innovators. By sharing its knowledge and expertise with others, the CHA helps “rise the tide” of the entire industry.
- By collaborating with others, the CHA positions itself as an invaluable member of the tourism ecosystem.
- By advocating for the industry, CHA provides value to partner hotels by protecting their interests and enhancing their collective reputation within the community.

Our message is that the CHA is a big tent, inclusive association keen to create mutually beneficial outcomes within the tourism community and offering high value to our stakeholders which include:

- **Members, Non-Members & Prospective Members** offering open collaboration and support of industry members.
- **Government** offering insights, transparency, and accountability.
- **Industry Partners & Stakeholders** sharing knowledge that will boost tourism outcomes.
- **Media** offering unique and interesting local stories of hospitality and tourism experiences.

Strategy.

Reposition CHA as more than an industry association protecting its members’ interests, but one that engages in collaboration that benefits everyone in the industry.

Educate prospective members, partners, and stakeholders about the value of the CHA’s work.

Inspire partners, staff, and guests to become CHA members’ biggest promoters, mobilize them and leverage their stories.

Moving into 2018, we are co-creating various elements of the plan with members and partners to identify go-forward priorities that everyone could agree to and work toward to support the influence of Calgary’s hotel industry.

CHA COLLABORATION & DMF INVESTMENTS.

Since 2005, the CHA has invested nearly \$80 million through its partnerships in marketing Calgary to the world. These funds are generated by participating CHA members who voluntarily contribute 3% of their gross room revenue to support destination marketing initiatives.

Currently, 80% of CHA members participate in the DMF program – and these members generate 70% of the total industry revenue. The majority of the DMF funding goes to Tourism Calgary and Meetings + Conventions Calgary. In 2017, the remaining dollars were allocated to Calgary Arts Development, WinSport, and the Calgary Stampede.



TOURISM CALGARY.

In 2017, Tourism Calgary successfully launched Calgary's Destination Strategy, Ultimate Hosts, Ultimate Host City, and worked with stakeholders to advance five key Destination Strategy-related initiatives.

In addition to initiating the Destination Strategy, Tourism Calgary developed their 2018-2020 strategic plan, aligning the organizations work with the Destination Strategy, and with new key performance measures. Over 6.9 million people visited Calgary in 2017, a 3.7 percent increase over 2016, resulting in 3,120,299 hotel room nights sold - a six percent increase over 2016. Visitor spending contributed \$1.6 billion to the local economy in 2017 - an increase of 6.4 percent over 2016.

Using relevant, and timely social media content to leverage major events, share life moments and attract travelers, visitcalgary.com saw over 2.3 million visits. The U.S. campaign in California, Texas, Washington, New York and New Jersey resulted in a record 116,646 online sessions, up 429 percent over 2016.

With 1,003,737 referrals to Tourism Calgary's 621 industry partners in 2017, Tourism Calgary expanded the #AskMeYYC Roaming Team, who connected face-to-face with Calgarians visitors at festivals, events and high traffic areas through the summer months. 776 Calgary White Hat Award nominations were received in 2017, reaching 114 diverse Calgary companies.

Both travel trade and sports & major events continued to be a positive focus for Tourism Calgary in 2017. Combined, they accounted for over 133,000 room nights and supported over 83 events, including the wildly successful Rendez-Vous Canada - the country's premier international tourism marketplace.

\$ 5m

DMF dollars Invested

2.34m

Visits to visitcalgary.com

3.120m

Hotel Room nights sold

92,205

Travel trade-related room
nights sold

41,501

Sport and major event related
room nights contracted

950,022

Digital referrals to industry
(up 31% over 2016)

6.983m

Visits to Calgary

MEETINGS + CONVENTIONS CALGARY.

In 2017, the Calgary Hotel Association and Meetings + Conventions Calgary continued their long-term partnership agreement. With the CHA's support of \$2.493 million in operating funds, MCC forwarded 146 leads, totaling 183,618 room nights, and secured 55 conferences for a total of 38,864 room nights. Including four city-wide conventions, these are some of the major events secured in 2017:

- International Society of Biomechanics (ISB) 2019 Congress
- Canadian Apprenticeship forum (CAF) 2020 National Apprenticeship Conference
- Canadian Wind Energy Association (CanWea) 2018 Annual Conference and Exhibition
- Toyota Canada Inc 2018 Dealership meeting
- CARSTAR Canada Partnership LP – 2018 CARSTAR and Driven Brands National Conference
- IEEE Signal Processing Society 2018 International Conference on Acoustics, Speech and Signal Processing (ICASSP)
- PharmaChoice 2019 Trade Show & Convention
- Pet Valu 2018 National Meeting and Tradeshow
- Progressive Conservative Association of Alberta (PCAA) 2017 Leadership Convention
- Association of Alberta Agricultural Fieldmen (AAAF) 2019 Provincial Agricultural Service Board Conference

\$ 2.49^M

**DMF dollars
invested**

55

**Events
Secured**

\$ 14.3^m

**Total economic
impact**

4

**City-wide
events**

38,864

**Definite
room nights**

World Stage Accomplishment

Meetings + Conventions Calgary, with support from two Calgary Champions, were successful in being awarded the largest city-wide convention in the last 20 years, the 2025 Rotary International Convention. More than 30,000 Rotarians from over 100 countries will be here in Calgary for the convention in 2025. The Convention will be held at the BMO Centre with their two plenary sessions at the Scotiabank Saddledome. MCC, the CHA, the Local Host Organizing Committee, the City of Calgary, the BMO Centre, and the Scotiabank Saddledome have come together to make this significant accomplishment on the global stage a reality.

CALGARY ARTS DEVELOPMENT.

In 2015, the Calgary Hotel Association renewed a three-year commitment to the Remarkable Experience Accelerator (REA) Program, and increased the investment to \$1.2 million over the three years. The Program develops customized, multi-year investment strategies with arts organizations who present a compelling vision for remarkable experience that benefit Calgarians and visitors alike. In 2017 alone, \$400,000 was invested in cash and consulting expertise to support the growth of this program. Overall, funds were allocated to the following organizations:

- Beakerhead (\$219,000 over three years)
- Calgary International Film Festival (\$150,000 over three years)
- Folk Festival Society of Calgary (\$195,000 over three years)
- Honens (\$130,000 over two years)
- Sled Island Arts Fellowship (\$160,000 over three years)
- Wordfest (\$135,500 over two years)

Through the 2017 investment, these organizations boosted Calgary's reputation as a cultural hotspot, engaging **236,000 attendees**, with **five percent of that audience from out of town**. Their activities generated over **2,300 known room nights**.

The Calgary Hotel Associations \$1.2 million DMF investment over three years allowed organizations in the REA program to take the risks they needed to grow into sustainable, regional, national and international draws for Calgary, while at the same time improving the experiences that contributed to Calgary's brand as a cultural tourism destination.

\$400K

**DMF dollars
invested**

11.8K

**Out of town guests
(5% of 236,000 total attendees)**

236K

**Attendees
engaged**

2,300

**Definite
Room nights**

In addition to the DMF Investment, the REA Program provided development advice based on each organization's needs and multi-year strategic plan. During 2015-2017, the REA Program also provided support to develop and implement tourism marketing strategies for three of the participating organizations.

38

Contracted
Events

\$300 K

DMF dollars invested

19,673

Room nights



WINSPORT.

In 2017, Winsport had 38 contracted events, including the successful events of Pinty's Grand Slam of Curling, and the AB Treaty Hockey Tournament, which both contributed significant room nights to Calgary.

These events, supported by the CHA, helped cultivate the number of known room nights to 19,673 in 2017, increased by 2,191 over 2016. CHA's support over the years has allowed Winsport to grow into one of the premier meeting and event facilities in the city. The final year of CHA's investment was utilized for acquiring and expanding annual events.



CALGARY STAMPEDE.

In the fifth year of the partnership between the CHA and the Calgary Stampede, 2017 funding assisted with Calgary's world class event through the support of many programming and marketing efforts. Increasing number of rooms sold during Stampede week by 8.7% from 2016, Calgary reached 87.5% hotel occupancy during Stampede, in July 2017. Capacity growth over the past several years enabled Stampede 2017 to set a new record for total room nights sold during the 11 nights.

In addition to these efforts, the DMF member hotels provided park admission access for the 10-day event on their guests behalf, joining 1.21 million other guests during "The Greatest Outdoor Show on Earth".

\$140K

DMF dollars invested

1.21M

Visitors to
Stampede

140,043

Room nights sold during
Stampede

(11 Nights) 7.9% Increase in Revenue

HIGHLIGHTS OF THE 2017 DMF DISTRICT INITIATIVES.



Strategy.

We have produced a strategic plan for DMF General and each of the four Districts – an intensive process that is providing long-term direction, goals, objectives, tactics, and performance milestones for each District.

Campaigns.

Through the planning process, the Districts continued to use DMF funds to support a diverse set of campaigns to increase occupancy in their respective hotels, which included a fall shopping campaign through DMF General, the Country Thunder music festival in the Northeast, Calgary Flames related events in the Downtown, ISU Speed Skating World Cup sponsorship in the Northwest, and the Shaw Charity Classic in the South.

Next Steps.

Execution of the district plans is set to begin in 2018. As tactical initiatives proceed, we look forward to reporting on our first years results in next year's report.

EVENT SPONSORSHIP & SCHOLARSHIPS.

In 2017, the CHA supported the following events
and provided scholarships to these local hospitality
institutions:

\$ 2k

Bow Valley
College Scholarship

\$ 5k

SAIT
Scholarship

\$ 5k

Travel Alberta
Alto Awards

\$ 15k

Tourism Calgary
White Hats Awards



2017 CHA FINANCIALS.

Calgary Hotel Association Statement of Financial Position

For the year ended December 31, 2017

	<i>Unaudited</i>	<i>Unaudited</i>
	<i>2017</i>	<i>2016</i>
Assets - Current		
Cash	91,983.89	67,447.99
Accounts Receivables	7,561.43	0.00
Prepaid Expenses	1,734.00	1,433.00
Total Current Assets	101,279.32	68,880.99
Capital Assets <i>(net of amortization)</i>	2,865.86	2,865.86
	<u>104,145.18</u>	<u>71,746.85</u>
Liabilities & Equity		
Liabilities – Current	38,960.11	1,041.17
Total Credit Cards	4,697.43	0.00
Other Liabilities	4,332.04	2,848.31
Total Current Liabilities	47,989.58	3,889.48
General Fund	56,155.60	67,857.37
	<u>104,145.18</u>	<u>71,746.85</u>

2017 DMF FINANCIALS.

Independent Auditors' Report

To the Members of Calgary Destination Marketing Fund:

We have audited the accompanying financial information of Calgary Destination Marketing Fund, which comprise the statement of financial position as at December 31, 2017, and the statements of revenue, expenses and surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. This financial information has been prepared using the basis of accounting disclosed in Note 2 to the financial information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with the basis of accounting disclosed in Note 2 to the financial information, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

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

Opinion

In our opinion, the financial information present fairly, in all material respects, the financial position of Calgary Destination Marketing Fund as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting disclosed in Note 2 to the financial information.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial information, which describes the basis of accounting. This financial information, which has not been, and was not intended to be, prepared in accordance with Canadian accounting standards for not-for-profit organizations, is solely for the information and use of the members of Calgary Destination Marketing Fund. As a result, the financial information may not be suitable for another purpose. The financial information is not intended to be and should not be used by anyone other than specified users or for any other purpose.

Edmonton, Alberta

March 15, 2018

MNP LLP

Chartered Professional Accountants

2017 DMF FINANCIALS.

Calgary Destination Marketing Fund Statement of Financial Position

As at December 31, 2017

	2017	2016
Assets		
Current		
Cash	1,449,418	1,264,298
Accounts receivable	1,245,911	881,895
	2,695,329	2,146,193
Reserve fund (Note 4)	2,163,550	2,056,781
	4,858,879	4,202,974
Liabilities		
Current		
Accounts payable and accruals	464,538	261,467
Deferred revenue (Note 3)	2,581,627	2,135,379
	3,046,165	2,396,846
Reserve (Note 4)	1,600,000	1,600,000
	4,646,165	3,996,846
Surplus	212,714	206,128
	4,858,879	4,202,974

Approved on behalf of the Board



Director



Director

2017 DMF FINANCIALS.

Calgary Destination Marketing Fund Statement of Revenue, Expenses and Surplus *For the year ended December 31, 2017*

	2017	2016
Revenue		
Deferred revenue recognized (Note 3)	9,188,548	9,646,230
Investment income	121,243	144,985
Interest income	6,586	4,712
Co-operative funding	2,740	40,535
	9,319,117	9,836,462
Direct expenses		
Tourism Calgary	5,000,000	5,000,000
Meetings, convention and IT	2,110,875	2,532,000
Marketing program costs	1,797,428	1,930,750
	8,908,303	9,462,750
Excess of revenue over direct expenses	410,814	373,712
Operating expenses		
Office	270,339	263,898
Professional fees	66,869	40,583
Trustee	50,000	50,000
Investment management fees	13,784	13,286
Committee	2,178	139
Bank charges	1,058	1,094
	404,228	369,000
Excess of revenue over expenses	6,586	4,712
Surplus, beginning of year	206,128	201,416
Surplus, end of year	212,714	206,128

2017 DMF FINANCIALS.

Calgary Destination Marketing Fund Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	6,586	4,712
Changes in working capital accounts		
Accounts receivable	(364,016)	32,910
Prepaid expenses	-	10,125
Accounts payable and accruals	203,071	121,219
Deferred revenue	446,248	(1,060,455)
	291,889	(891,489)
Investing		
Increase in reserve fund	(106,769)	(134,539)
Increase (decrease) in cash resources	185,120	(1,026,028)
Cash resources, beginning of year	1,264,298	2,290,326
Cash resources, end of year	1,449,418	1,264,298

2017 DMF FINANCIALS.

Calgary Destination Marketing Fund Notes to the Financial Information

For the year ended December 31, 2017

1. Nature of operations

The Calgary Destination Marketing Fund (the Fund) is an operating program of the Calgary Hotel Association. The Calgary Hotel Association is registered as a not-for-profit organization under the Societies' Act of Alberta and is exempt from income taxes.

The Fund has been created by participating Calgary Hotel Association members in part for the purpose of funding the acquisition and/or activation of marketing programs and services that promote Calgary as a destination for leisure and business travel. The Fund is maintained and operated under the direction of the Destination Marketing Fund Committee.

2. Significant accounting policies

Basis of presentation

This financial information has been prepared by management in accordance with the Trust and Governance Agreement and the Operational Program Participation Agreement. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial information for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. This financial information has, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Cash

Cash consists of cash on deposits with banks.

Revenue recognition

The Fund records marketing fees calculated in accordance with the Operational Program Participation Agreement, based on representations from the member hotels. Marketing fees received are recorded as deferred revenues until the monies are spent on marketing initiatives as outlined in the Operational Program Participation Agreement. The Fund recognizes all other revenues on the accrual basis.

Expenditures

The Fund contributes various amounts to projects as a part of its nature of operations. As the Fund does not have control on how this funding is used after commitment is established, amounts are expensed at the earlier of when the payment is made or the completion of the project.

3. Deferred revenue

Deferred revenue consists of unspent funds that the Fund is required to spend on marketing initiatives as outlined in the Operational Program Participation Agreement. Changes in the deferred revenue balance are as follows:

	2017	2016
Balance, beginning of year	2,135,379	3,195,834
Marketing fees received from members during the year	9,634,796	8,585,775
Less: amount recognized as revenue during the year	(9,188,548)	(9,646,230)
Balance, end of year	2,581,627	2,135,379

4. Reserve fund

The Calgary Hotel Association requires that no less than 15% of funds collected over a three-year term be set up as a reserve fund. The reserve fund consists of investments in mutual funds. The corresponding funds initially invested are presented as long-term deferred revenue in the statement of financial position.

The investments are carried at their fair value. In accordance with the Operational Program Participation Agreement, earnings of the reserve fund investments are for purposes of destination marketing services and are therefore included in general revenues of the Fund.

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Outgoing Board Members

We thank the following individuals for their time and dedication to the Calgary Hotel Association Board of Directors.

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