



calgary hotel
association
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2018 Annual Report.

COLLABORATE — EDUCATE — ADVOCATE

A LETTER FROM THE CHAIRMAN, RICHARD MAIN.

By their nature, annual reports are backward-looking. But I'd like to start by casting our eyes forward. Our industry has much to look forward to in the year ahead. Calgary will host country music fans from across Canada at Country Music Week and the Canadian Country Music Awards in September. CFL football fans will join us for the 107th Grey Cup in November. And if all goes well, for the first time ever, the X Games will come to Calgary in early 2020. We'll be working with Tourism Calgary to leverage these events and engage stakeholders in a new mandate for making Calgary a successful tier one convention city and live up to our name as The Ultimate Host.

We owe this positive momentum, and growing industry optimism, to the collective hard work of Calgary Hotel Association (CHA) members, Board, and staff, along with industry partners. It's astonishing to consider how much we have achieved together.

We entered 2018 with some big challenges: increased room supply, threats by the province to move DMF administration to the major municipalities, a growing and unregulated commercial short-term rental market, and a struggling economy. We've responded to each of these challenges, and can report the following milestones for 2018:

Increasing Room Nights Sold.

Overall, Calgary saw a 3.9 percent increase in Room Nights Sold in 2018. Rooms Sold in December 2018 were up 2.2 percent compared to December 2017 -- the 19th consecutive month of year-over-year improvement in Rooms Sold. While the Average Daily Rate grew by a modest 1.9 percent, the RevPAR was up by a strong 6.1 percent. These results confirm that the destination marketing efforts are working.

Growing Meetings, Conventions and Incentive Travel (MC&IT).

With a smaller 2018 operating Destination Marketing Fund (DMF), we had to be more strategic with our spending and establish return on investment parameters for investments. To that end, we hired a consultant to research competitive Meetings and Conventions models. Based on those recommendations, we made the strategic decision, in collaboration with the Calgary Telus Convention Centre, to move Meetings + Conventions Calgary (MCC) within Tourism Calgary. This move will help us continue to grow MC&IT, and leverage the marketing, visitor, and event expertise at Tourism Calgary to support the sales efforts of MCC.

Maintaining the management of the Destination Marketing Fund within the CHA.

After a great deal of coordinated effort from CHA, the Alberta Hotel and Lodging Association (AHLA) and Edmonton Destination Marketing Hotels (EDMH), the DMF was kept out of the City Charters. To minimize the risk of losing the DMF, and to increase the overall Fund, we made growing member participation in the DMF a priority. We now have the highest participation in the DMF program since inception.

Advocating for equal treatment between hotels and commercial operators of short term rentals.

The City has started down the road with developing some regulations - creating a by-law to require operators to register with The City.

Focused on coalescing support for capital projects in Calgary.

Because of the stimulating impact on tourism, we invested a great deal of effort into the Olympic Bid. Despite the negative result, the process helped us strengthen stakeholder relationships. Moving forward, we are focused on coalescing support for capital projects that will make Calgary a more competitive destination. Those projects include BMO Centre Expansion, Arts Commons, Field House, Winsport and McMahon Stadium upgrades.

Let's continue to move forward with optimism as we make the year ahead one of continued collaboration and continued growth.



Richard Main, Chairman of the Board
Calgary Hotel Association

A LETTER FROM EXECUTIVE DIRECTOR, PEGGY ATHANS.

Last year we needed hiking boots to climb over the major challenges facing the industry. This year, we needed running shoes to keep up with the pace of change. Based on the needs and values of our members, our areas of focus have included:

- Providing opportunities for two-way communication and member engagement through a balance of educational seminars, networking, and General Managers' round table events.
- Successful execution of a new membership drive. As of December 31, 2018, the CHA represents 78 percent of the hotels in Calgary and has signed five new members to the roster, an additional 727 rooms. 65 percent of the rooms in Calgary participate in the DMF program.
- Creating a professional and polished CHA brand which has enhanced our credibility and influence in the community. The brand message platform has been consistently integrated into our website, newsletter, annual report, and growing social media channels.
- Smart management of the DMF that includes developing and executing strategic plans for each District and establishing measures for evaluating the success of the DMF Program.
- Ensuring consistency with the Destination's brand by shifting District marketing activities to Tourism Calgary.

As we continue to navigate challenging economic and political times, our focus is on ensuring that our industry is not only sustainable, but robust. Through maintaining strong existing relationships, building new partnerships, and making strategic investments, we are pursuing growth initiatives with vigor as we continue to be the collective voice for our industry.



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 hospitality and 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 it provides.

STRATEGIC PILLARS.

Collaborate.

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

Educate.

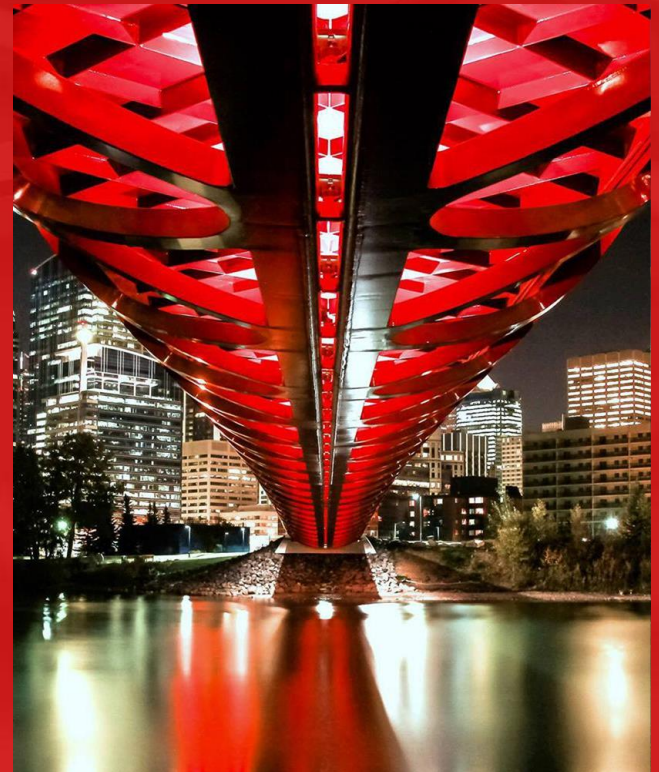
Lead an effective two-way engagement and education process between industry stakeholders, partners and all three levels of government.

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 2018 MEMBERSHIP.

As of December 31, 2018, we've welcomed five new DMF members to the CHA family.



97

Hotels in Calgary

14,562

Rooms in Calgary

#

CHA
Members

#

DMF
Members

17

Downtown
3,850 Rooms

14

Downtown
3,578 Rooms

14

South
2,198 Rooms

9

South
1,459 Rooms

27

Northeast
4,587 Rooms

22

Northeast
3,745 Rooms

6

Northwest
693 Rooms

6

Northwest
693 Rooms

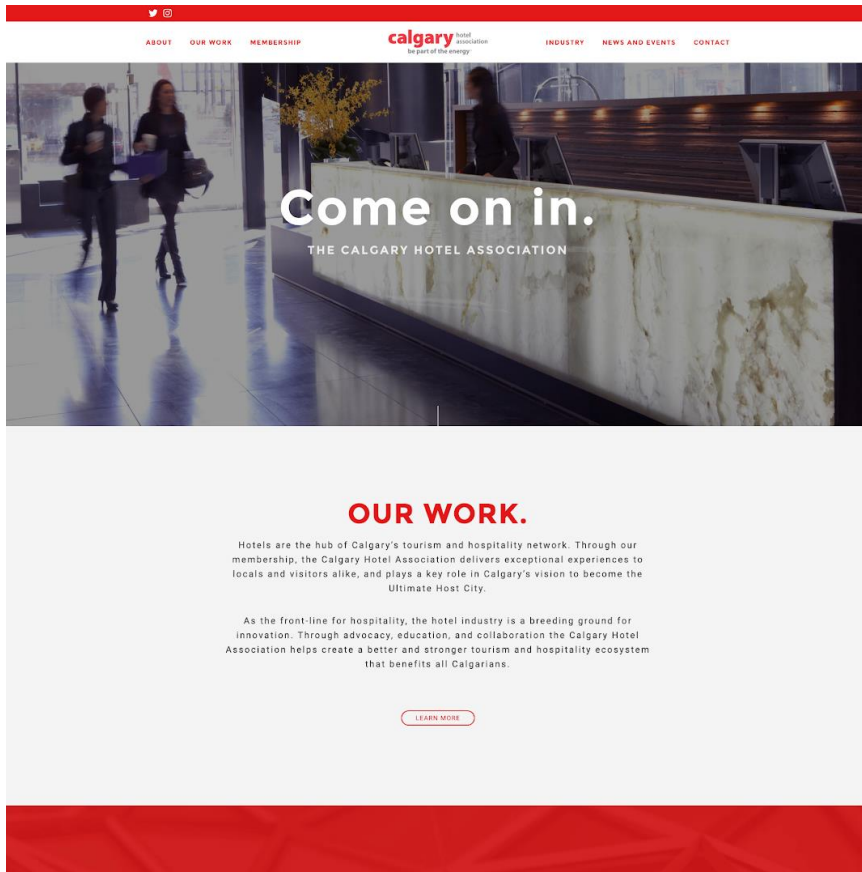
64

Total
11,328 Rooms
78% of Rooms
in Calgary

51

Total
9,475 Rooms
65% of Rooms
in Calgary

CHA BRANDING & COMMUNICATIONS.



In 2018 we created a focused brand and message platform with a cohesive

- Website;
- Banners;
- Newsletter;
- Annual Report.

CHA Social Media Channels

Facebook – we have almost doubled our page views, reach and likes since December 31, 2017

Instagram – we created a new account in January 2018 and have 400+ followers

Twitter – we continue to share industry related posts, and communicate with industry partners.

CHA COLLABORATION & EDUCATION.

To ensure ongoing opportunities for networking and professional development, the CHA hosted multiple member events including educational seminars, General Managers' round tables, a town hall, and our annual networking event. Community and collaboration are the key themes of these events, because they provide a platform for understanding member priorities and establishing greater coordination of initiatives. Last year's events were our best attended ever -- and we are optimistic about what these new connections and collective developments will mean for the year ahead.

February: Russ Dantu – Create your WOW, Eliminate your OW

Russ is an experienced employee and customer retention specialist who discussed how to establish and maintain a strong organizational culture, the value of open communication, best practices for each department within hotels, and building trust within a team. His insights encouraged participants to identify the X-Factors that would eliminate their "OW" and create the "WOW" for employees and clients.

May & October: SPRING and FALL General Managers' Round Table

During the Spring General Managers' Round Table, over 20 GMs from all four districts shared their insights on the industry and discussed the CHA's goals, priorities, challenges, and opportunities. The biggest feedback we get from General Managers? Hold these sessions more frequently throughout the year! So, in October we hosted our Fall Round Table with again, great turnout and engaged discussion amongst our members.

July: Olympic 2026 Town Hall

To prepare a coordinated industry response for Calgary's bid for the 2026 Olympic and Paralympic Games, this Town Hall included an overview of the Olympic Accommodations Agreement by Francisco Gomez - Lead for Calgary 2026, Scott Hutcheson - Chair of Calgary 2026 Bid Corporation, Terry Wright - Project Lead for Calgary 2026, and Cindy Ady - Tourism Calgary CEO. This team explained the impact the Bid would have on tourism in Calgary in general and the hotel industry in particular. Despite the 'No' vote, the bid process helped us enhance relationships and partnerships within the community which will be beneficial for years to come.

September: Hotel Financial Leadership

Based on his 30 years in Finance and Hotel Management, David Lund, the Hotel Financial Coach, taught our members how to create a financially engaged leadership team within a hotel and engage members from across departments such as finance, sales, and management. This presentation was extremely well received by our members.

"The presentation by David Lund on Hotel Financial Leadership was a great 1 1/2 hours spent reminding me of the need to teach financial processes and tools to up and coming leaders, ensuring they are prepared for the future. It is important that our Managers think and act like business partners, and financial leadership is part of the overall competencies required."

– John Mytz, Calgary Ramada Plaza DT

November: Cyber Security with CPS and TELUS

With the growing threat of cyber security in the hospitality industry, TELUS and the Calgary Police Service (CPS) discussed best practices for reporting cyber crime, insurance coverage, compliance for security breaches, and digital trends for the industry. This seminar was one of our best attended seminars to date.

"I really enjoyed the cyber security seminar which opened our eyes even more on the importance of the issue. The topics were very informative and focused on providing more knowledge to protect our guests and employees. The presentation was very organized and easy to understand. The whole event was very organized with a very friendly atmosphere."

– Emad Khalila, Four Points by Sheraton Hotel & Suites Calgary West

December: CHA Annual Networking Event

Our annual networking event for all CHA Members and stakeholders is always one of the most popular and positive events of the year. Hosted at the Shoe & Canoe in the Delta Hotels by Marriott Calgary Downtown, the event had the highest turnout to date, and featured giveaways graciously donated by members and partners.

CHA COLLABORATION & ADVOCACY.

Collaborative advocacy is one of the major priorities of the CHA. We work with industry stakeholders to establish a position and direction on various issues, providing administrators and government leaders with the insight and information they need to make policy decisions that foster a healthy climate for the hospitality and tourism industry.

2018 was a busy year! We worked hard to establish our voice

- 38 meetings with Provincial and Municipal leaders and administration.
- 87 stakeholder meetings and events.
- Participation in the AHLA Provincial Government Reception in Edmonton and HAC Hotel Day on the Hill.

The City Charter & Destination Marketing Fund (DMF)

Along with the AHLA and EDMH, the CHA opposed moving authority for the administration of the DMF to our two largest municipalities. After a coordinated advocacy campaign, the province accepted our position. However, the DMF remains at risk. We continue to advocate for the voluntary system - one that is led by the tourism sector, is autonomous, highly effective, and low cost. Since the DMF administration costs remain low at 5 percent, more dollars go directly to tourism promotion - a level of efficiency City administration is unlikely to match.

Olympic Bid

The CHA supported Tourism Calgary on the Yes Campaign and worked with Bidco to create an Accommodation Agreement that the hotel industry could support. Although we did not win the Plebiscite, the process did solidify our stakeholder relationships. Moving forward, we are coalescing support for capital projects that will make Calgary a more competitive destination. Those projects include BMO Centre Expansion, Arts Commons, Field House, Winsport and the McMahon Stadium upgrades.

Short Term Rentals (STR)

In 2017, City Council directed administration to explore short term rental bylaws. We collaborated with the Hotel Association of Canada (HAC) and the AHLA to present a united voice on this issue.

Our message has been clear. We fully support an open and fair competitive market for short term rentals. And 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. These commercial operations are not regulated, taxed, or engaged in destination marketing strategies as hotels are, representing an unlevel playing field for hotels.

The CHA has offered to work with the City of Calgary to develop a regulatory framework that protects consumers and treats all commercial operators equally and fairly. We are pleased to see initial regulations to require operators to register with the City. In addition, we have strongly recommended that the City consider measures to minimize the unintended consequences of commercial STRs such as health and safety risks, noise, criminal activity, and the impact on affordable housing.

Meetings, Conventions and Incentive Travel

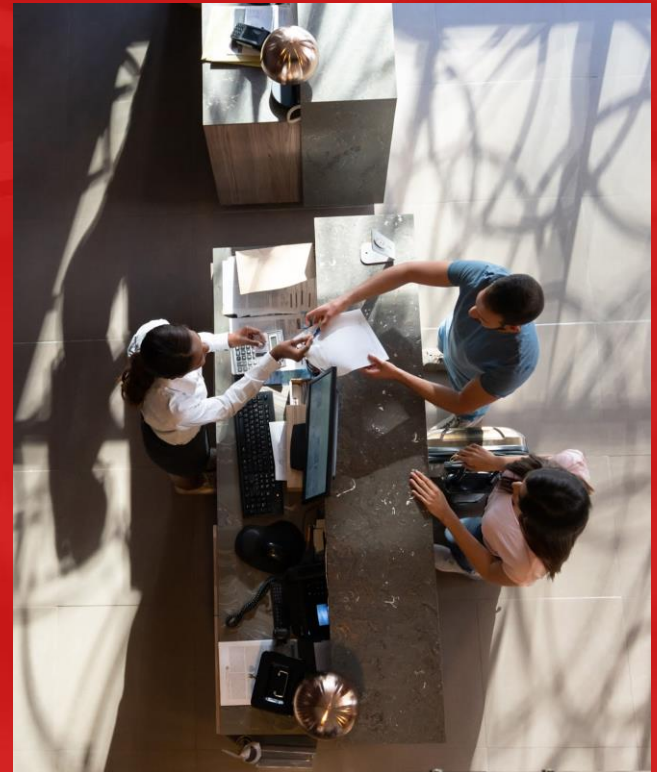
In collaboration with the Calgary Telus Convention Centre, we made the strategic decision to move Meetings + Convention Calgary (MCC) within Tourism Calgary. This move will help us continue grow Meetings, Conventions and Incentive Travel (MC&IT), and leverage the marketing, visitor, and event expertise at Tourism Calgary to support the sales efforts of MCC. We'll be working with Tourism Calgary to leverage existing MC&IT events and engage key stakeholders in a new mandate focused on making Calgary a successful tier one convention city.

CHA COLLABORATION & DMF INVESTMENTS.

Since 2005, the CHA has invested nearly \$90 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.

The majority of the DMF funding goes to:

- Tourism Calgary
- Meetings + Conventions Calgary
- DMF District Initiatives
- Sponsorships & Scholarships



TOURISM CALGARY.

Calgarians are ultimate hosts, and as the city's official destination marketing and development organization, Tourism Calgary's aspiration is to make ours the ultimate host city.

Guided by Calgary's stakeholder-led Destination Strategy, Tourism Calgary implemented its 2018-2020 strategic plan and started working toward seven new key performance indicators. To achieve success, the organization marketed the city locally, nationally and internationally and advocated for its ongoing development as a destination. Tourism Calgary was also instrumental in hosting and attracting events and visitors and activating the city by fostering shareable, memorable experiences.

In 2018, Calgary welcomed more than 7.7 million visitors who injected an estimated \$2 billion into the economy and supported jobs in multiple industries. Since January 2017, Tourism Calgary's efforts have also contributed to the tourism industry seeing 25 out of 27 months of increased hotel room demand.

To drive inspiration, facilitate exploration and effectively tell Calgary's story, Tourism Calgary launched the new [visitcalgary.com](https://www.visitcalgary.com) in 2018. The new design positively impacted audience interaction, leading to more than 2.2 million visits. Hyper-targeted digital advertising was also used to influence potential travellers to add Calgary to their itineraries, which generated over 16,000 room nights and over \$2 million in revenue for participating hotel partners.

Tourism Calgary achieved a new organizational record by working with 719 industry partners in 2018. The organization was also pleased and grateful to learn that 90% of stakeholders believe Tourism Calgary is an effective champion for industry.

In 2018, the Calgary Sport + Major Events committee was formed and Tourism Calgary supported a record 89 events, which generated \$108 million in economic impact. Tourism Calgary also secured 58 future events including the 2019 Canadian Country Music Awards and Week and 2019 Grey Cup Championship and Festival.

As ultimate hosts, Tourism Calgary fostered a destination that is welcoming, innovative and experience-rich. In 2018, this included facilitating a record 1,202,019 digital and face-to-face partner referrals through programs like the online concierge and #askmeyyc roaming team. Calgary also hosted GoMedia Canada, which garnered over 49,000 social media engagements and landed Calgary on New York Times' Top 52 places to go in 2019 list.

7.788 m

Total visits to Calgary

\$ 2 b

**Injected into Calgary's
economy through visitor
spending**

2.247 m

**Visits to the newly launched
[visitcalgary.com](https://www.visitcalgary.com)**

90%

**of stakeholders agree
Tourism Calgary is an
effective champion for
industry**

89

**sport, culture and major
events supported**

30

**travel trade joint marketing
agreements signed**

1.202 m

**digital and face-to-face
referrals to industry partners**

MEETINGS + CONVENTIONS CALGARY.

In 2018, the CHA and Meetings + Conventions Calgary (MCC) continued their long-term partnership agreement. With the CHA's support of \$2.493M, MCC forwarded 147 leads totaling 195,328 room nights and secured 53 conferences (including two city-wide conventions) for a total of 79,486 room nights. Including the two city-wide conventions, these are some of the major events secured in 2018:

- 2025 Rotary International Convention
- 2020 Joint World Conference on Social Work and Social Development
- 2021 Colleges and Institutes Canada (CICan) Annual Conference
- Canadian Credit Union Association (CCUA) 2020 National Conference
- Canadian Wind Energy Association (CanWEA) 2019 Annual Conference & Exhibition
- Soaring: Indigenous Youth Empowerment Gathering & Indspire Awards 2019
- Chartered Professional Accountants of Canada (CPA Canada) 2020 ONE Conference
- Canadian Urban Transit Association (CUTA) 2019 Fall Conference and Trans-Expo
- Master Brewers Association of the Americas (MBAA) 2019 Annual Conference

MCC, with support from the Lions Multiple District C, were successful in securing the USA Canada Lions Leadership Forum in September 2022. MCC has been working with Lions Multiple District C since 2012 and started the bidding process for the 2022 USA/Canada Lions Leadership Forum in 2017. The annual Forum is the largest Lions Club Leadership training event and brings together 2,500 Lions from across North America. Calgary was competing against York, Pennsylvania and Long Beach, California for the right to host the 2022 Forum. The client is in the process of finalizing their commitments with the meeting venue and DMF hotels, and we look forward to hosting them in 2022.

\$ 2.493 m

DMF Investment

79,486

Definite Room Nights

53

Events Secured

\$ 29.3 m

Total Economic Impact

2

City-Wide Events

\$ 17.3 m

**Economic Impact from
City-Wides**

HIGHLIGHTS OF 2018 DMF DISTRICT INITIATIVES.

The District Strategic Plans provide long-term direction, goals, objectives, tactics and performance milestones for each district. Listed are a few examples of initiatives that supported the strategic direction of each of the four districts through DMF investment:

DMF General – Panda Campaign

An initiative of the CHA, Tourism Calgary, and the Calgary Zoo, the very successful city-wide Panda Campaign featured accommodation, Zoo admission, and a set of panda headbands. The campaign was executed by Tourism Calgary and resulted in 2,426 room night bookings at the 41 participating DMF hotels with a strong ROI of 4:1 (revenue; excluding zoo revenues).

DMF General – Summer Attractions Campaign

Working with our attraction partners, who offered discounted pricing, our DMF hotels have developed popular promotional packages that bundled accommodation and admission to a variety of attractions. In 2018, we reimbursed participating DMF hotels with over \$94k in attractions pass purchases, which directly invested \$189k into local attractions. This campaign enhances the visitor experience, and supports the industry, and our partners. DMF hotels have committed to making this campaign an annual initiative.



HIGHLIGHTS OF 2018 DMF DISTRICT INITIATIVES.

Downtown – Meetings + Conventions Calgary (MCC) Opportunity Fund

To grow our reputation as a tier-one location for meetings, conferences and conventions, the Downtown district has been evaluating opportunities to bring MC&IT business to Calgary through the MCC Opportunity Fund. To date, the district has supported 25 leads received in 2018, representing 43,049 potential room nights (for future years).

Downtown – Fall Shopping Campaign

The fall shopping campaign, which had previously operated city-wide, is now exclusively run through the Downtown district. Executed through Tourism Calgary, this campaign bundled accommodation with gift cards to one of three local malls. Supporting the goal of increasing leisure traffic, the campaign delivered a strong 2.3:1 ROI (revenue).



HIGHLIGHTS OF 2018 DMF DISTRICT INITIATIVES.

Northeast – Country Thunder Music Festival

The Northeast district entered their first sponsorship agreement with the Country Thunder Music Festival in 2016 and has since invested annually in this event, which brings in more than 17,000 attendees each year. To boost their collective reputation as major festival hosts, and enhance the guest experience, the hotels offered complimentary shuttle service between all district hotels and the festival venue, and hosted private client events at the festival.

Northeast – Calaway Park

The Northeast district has a long-standing relationship with Calaway Park. Through this DMF-funded exclusive sponsorship, Northeast hotels are featured on various Calaway Park media channels which increased leisure visitation to the Northeast and 686 packages sold.



HIGHLIGHTS OF 2018 DMF DISTRICT INITIATIVES.

Northwest – Basecamp to the Rockies

The Basecamp to the Rockies campaign, nestled under Tourism Calgary's broader Intercept AB Campaign, was designed to entice visitors en route to the mountains to add a night in a Northwest hotel. With a message to visitors that the mountains are less than an hours drive from the Northwest, hotel packages included a \$50 gas card. The campaign resulted in an ROI of 2:1 (revenue).

Northwest – Sports sponsorships

The Northwest district is heavily focused on attracting revenue from sports, catering to guests of various tournaments in their district. Northwest hotels sponsor the Calgary Minor Soccer Association and the University of Calgary/Olympic Oval for International Skating Union events. Through website and on-site recognition, hotels gain exposure with guests and build meaningful relationships with local sports organizers.



HIGHLIGHTS OF 2018 DMF DISTRICT INITIATIVES.

South – Corporate Client Event “Black & White Affair”

In 2018, the South district hotels hosted over 150 corporate clients at an event at the Calgary Zoo to welcome the giant pandas. With the goal of attracting new business and elevating existing client relationships, the event was very well received and provided a great opportunity for each hotel to showcase their individual strengths and unique properties.

South – Sports sponsorships

In support of the goal of establishing the South as Alberta's sports tournament destination, the participating DMF hotels are supporting local facilities through annual sponsorships. Recognizing South hotels online and on-site as the preferred accommodation partners, sponsorship agreements include the Great Plains Recreation Facility and the Calgary Minor Soccer Association.



EVENT SPONSORSHIP & SCHOLARSHIPS.

In 2018, the CHA supported the following events and provided scholarships to these local hospitality institutions:

\$ 15,000

Tourism Calgary White
Hat Awards

\$ 5,000

Travel Alberta Alto Awards

\$ 5,000

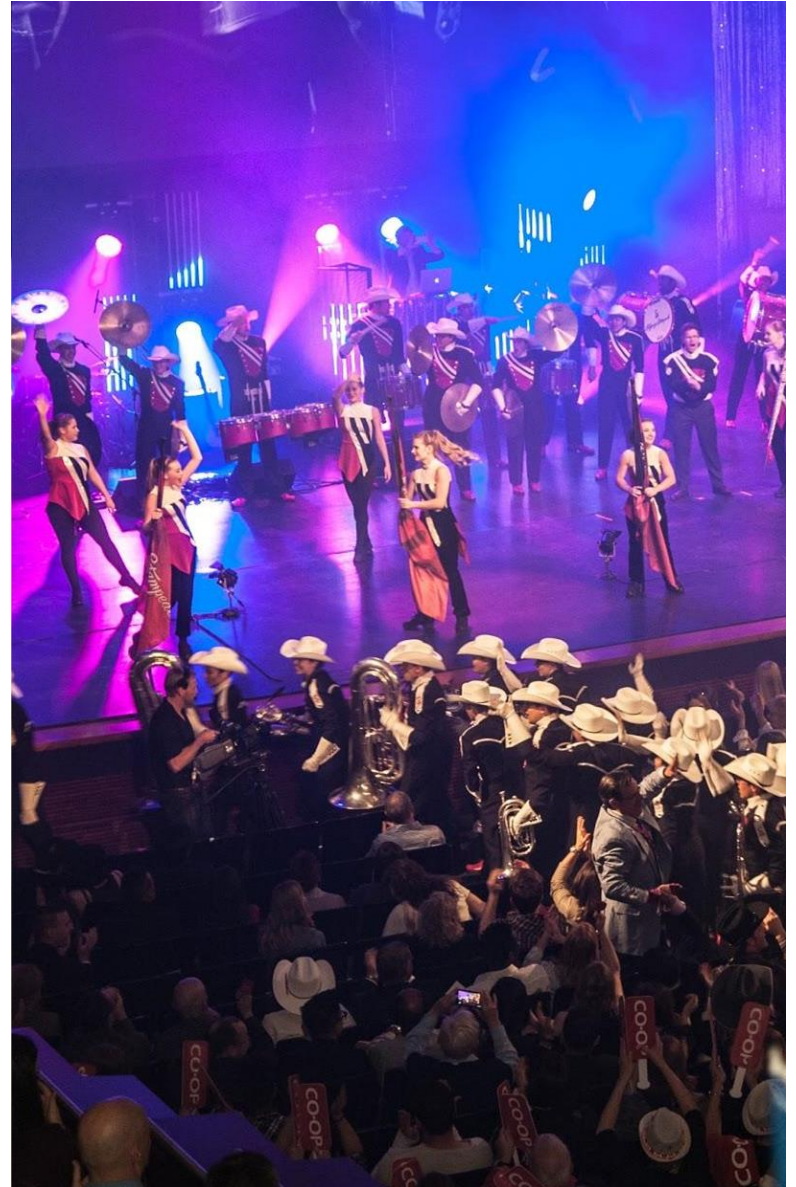
SAIT scholarship

\$ 2,000

Bow Valley College scholarship

\$ 500

Alberta Hospitality Safety
Association



2018 CHA FINANCIALS.

CALGARY HOTEL ASSOCIATION

Statement of Financial Position

December 31, 2018

(Unaudited - See Notice To Reader)

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 86,663	\$ 91,984
Goods and services tax recoverable	1,240	3,384
Prepaid expenses	4,534	1,734
Due from related party	-	1,561
	<u>92,437</u>	<u>98,663</u>
CAPITAL ASSETS <i>(Net of accumulated amortization)</i>	<u>1,971</u>	<u>3,095</u>
	<u>\$ 94,408</u>	<u>\$ 101,758</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 12,455	\$ 51,432
Employee deductions payable	4,729	7,291
Due to related party	4,666	-
	<u>21,850</u>	<u>58,723</u>
NET ASSETS	<u>72,558</u>	<u>43,035</u>
	<u>\$ 94,408</u>	<u>\$ 101,758</u>

2018 DMF FINANCIALS.

Management's Responsibility

To the Members of Calgary Destination Marketing Fund:

Management is responsible for the preparation and presentation of the accompanying financial information, including responsibility for significant accounting judgments and estimates in accordance with the basis of accounting disclosed in Note 2 to the financial information. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial information, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial information.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Fund. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Fund's external auditors.

MNP LLP is appointed by the memners to audit the financial information and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 20, 2019

signed "Peggy Athans"

Executive Director

2018 DMF FINANCIALS.

Independent Auditor's Report

To the Members of Calgary Destination Marketing Fund:

Opinion

We have audited the financial information of Calgary Destination Marketing Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues, expenses, and surplus and cash flows for the year then ended, and notes to the financial information, including 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.

In our opinion, the accompanying financial information present fairly, in all material respects, the financial position of the Fund as at December 31, 2018, 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 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 Information section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Auditor's report continued on next page

2018 DMF FINANCIALS.

Independent Auditor's Report

Information Other than the Financial Information and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information, other than the financial information and our auditor's report thereon, included in the annual report.

Our opinion on the financial information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial information or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of our auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Information

Management is responsible for the preparation and fair presentation of the 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 are free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's report continued on next page

2018 DMF FINANCIALS.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information 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 the financial information.

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 information, 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 Fund'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 Fund'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 information 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information 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.

Edmonton, Alberta

March 20, 2019

The image shows a handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive, with the "M" and "N" being particularly prominent.

Chartered Professional Accountants

2018 DMF FINANCIALS.

Calgary Destination Marketing Fund

Statement of Financial Position

As at December 31, 2018

	2018	2017
Assets		
Current		
Cash	1,869,843	1,449,418
Accounts receivable	1,235,671	1,245,911
	3,105,514	2,695,329
Reserve fund (Note 4)	2,167,368	2,163,550
	5,272,882	4,858,879
Liabilities		
Current		
Accounts payable and accruals	539,199	464,538
Deferred revenue (Note 3)	2,906,050	2,581,627
	3,445,249	3,046,165
Reserve (Note 4)	1,600,000	1,600,000
	5,045,249	4,646,165
Surplus	227,633	212,714
	5,272,882	4,858,879

Approved on behalf of the Board

signed "Richard Main"

Director

signed "Danny Marshall"

Director

The accompanying notes are an integral part of this financial information.

2018 DMF FINANCIALS.

Calgary Destination Marketing Fund

Statement of Revenue, Expenses and Surplus

For the year ended December 31, 2018

	2018	2017
Revenue		
Deferred revenue recognized (Note 3)	9,541,004	9,188,548
Investment income	18,613	121,243
Interest income	14,919	6,586
Co-operative funding	-	2,740
	9,574,536	9,319,117
Direct expenses		
Tourism Calgary	5,000,000	5,000,000
Meetings, convention and IT	2,762,850	2,110,875
Marketing program costs	1,237,879	1,797,428
	9,000,729	8,908,303
Excess of revenue over direct expenses	573,807	410,814
Operating expenses		
Office	437,431	270,339
Professional fees	56,148	66,869
Trustee	50,000	50,000
Investment management fees	14,090	13,784
Bank charges	1,219	1,058
Committee	-	2,178
	558,888	404,228
Excess of revenue over expenses	14,919	6,586
Surplus, beginning of year	212,714	206,128
Surplus, end of year	227,633	212,714

The accompanying notes are an integral part of this financial information.

2018 DMF FINANCIALS.

Calgary Destination Marketing Fund

Statement of Cash Flows

For the year ended December 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	14,919	6,586
Changes in working capital accounts		
Accounts receivable	10,240	(364,016)
Accounts payable and accruals	74,661	203,071
Deferred revenue	324,423	446,248
	424,243	291,889
Investing		
Increase in reserve fund	(3,818)	(106,769)
Increase in cash resources	420,425	185,120
Cash resources, beginning of year	1,449,418	1,264,298
Cash resources, end of year	1,869,843	1,449,418

The accompanying notes are an integral part of this financial information.

2018 DMF FINANCIALS.

Calgary Destination Marketing Fund

Notes to the Financial Information

For the year ended December 31, 2018

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.

Notes to the Financial Information continued on next page

2018 DMF FINANCIALS.

Calgary Destination Marketing Fund Notes to the Financial Information *For the year ended December 31, 2018*

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:

	2018	2017
Balance, beginning of year	2,581,627	2,135,379
Marketing fees received from members during the year	9,865,427	9,634,796
Less: amount recognized as revenue during the year	(9,541,004)	(9,188,548)
Balance, end of year	2,906,050	2,581,627

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.

2018 DMF FINANCIALS.

Calgary Destination Marketing Fund Schedule 1 - Schedule of of Revenue and Expenses by Quadrant *For the year ended December 31, 2018*

	<i>General</i>	<i>Downtown Quadrant</i>	<i>Northeast Quadrant</i>	<i>Northwest Quadrant</i>	<i>South Quadrant</i>	2018 Total	<i>2017 Total</i>
Revenue							
Deferred revenue recognized	7,910,247	742,154	519,692	93,752	275,159	9,541,004	9,188,548
Investment income	18,613	-	-	-	-	18,613	121,243
Interest income	14,919	-	-	-	-	14,919	6,586
Co-operative funding	-	-	-	-	-	-	2,740
	7,943,779	742,154	519,692	93,752	275,159	9,574,536	9,319,117
Direct expenses							
Tourism Calgary	5,000,000	-	-	-	-	5,000,000	5,000,000
Meetings, convention and IT	2,493,850	269,000	-	-	-	2,762,850	2,110,875
Marketing program costs	252,099	363,157	386,099	73,390	163,134	1,237,879	1,797,428
	7,745,949	632,157	386,099	73,390	163,134	9,000,729	8,908,303
Excess of revenue over direct expenses	197,830	109,997	133,593	20,362	112,025	573,807	410,814
Operating expenses	495,600	30,458	19,714	3,760	9,356	558,888	404,228
Excess (deficiency) of revenue over expenses	(297,770)	79,539	113,879	16,602	102,669	14,919	6,586
Deferred revenue - beginning of year	2,014,487	403,770	87,000	1,370	75,000	2,581,627	2,135,379
Deferred revenue - end of year	2,489,850	408,400	3,000	1,700	3,100	2,906,050	2,581,627

OUR PEOPLE.

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Richard Main

General Manager,
Delta Hotels by Marriott Calgary
Downtown

Past - Chairman

Dan DeSantis

General Manager,
Delta Hotels by Marriott Calgary
Airport and Calgary Airport Marriott In-
Terminal Hotel

Chair of Audit and Finance

Danny Marshall

Director of Marketing,
Royal Hotel Group

Chair of DMF General

Karim Ismail

General Manager,
Best Western Premier Calgary Plaza
Hotel & Conference Centre

Chair of Governance

Arjun Channa

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Director at Large

Kevin Yates

Hotel Manager,
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General Manager,
University of Calgary, Hotel Alma and
Seasonal Residences

Director at Large

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General Manager,
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Vice Chair

Magdalena Goss

Downtown District

Lisa Kiehl

Northwest District

Sara Bibi-

Colbourne

Northeast District

Kelly Mytz

South District

Rick Dickison

Outgoing Board Members

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

Director at Large

Sarah Henshaw

Calgary Hotel Association Staff

Executive Director

Peggy Athans

Destination Marketing Fund Project Manager

Svenja Sievers

Communications Coordinator Administrative Assistant

Meg Kubica



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