

**Calgary Hotel Association Destination Marketing Fund**  
**Financial Statements**  
*December 31, 2020*

## **Management's Responsibility**

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To the Members of Calgary Hotel Association 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 members 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.

May 3, 2021

*signed by "Sol Zia"*

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Executive Director

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To the Members of Calgary Hotel Association Destination Marketing Fund:

## Opinion

We have audited the financial information of Calgary Hotel Association Destination Marketing Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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 of 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 Hotel Association 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.

## 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 Responsibilities for the Audit of the Financial Information

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 this 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

May 3, 2021

*MNP LLP*

Chartered Professional Accountants

# Calgary Hotel Association Destination Marketing Fund Statement of Financial Position

*As at December 31, 2020*

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current</b>		
Cash	1,577,903	2,523,680
Accounts receivable	1,176,816	1,331,589
	2,754,719	3,855,269
<b>Reserve fund (Note 3)</b>	2,664,714	2,353,747
	5,419,433	6,209,016
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	38,301	179,738
Deferred revenue (Note 4)	3,518,613	4,178,107
	3,556,914	4,357,845
<b>Reserve (Note 3)</b>	1,600,000	1,600,000
	5,156,914	5,957,845
<b>Commitments (Note 5)</b>		
<b>Significant event (Note 6)</b>		
<b>Surplus</b>	262,519	251,171
	5,419,433	6,209,016

Approved on behalf of the Board

signed by "Sarah Henshaw"  
Director

signed by "Richard Main"  
Director

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

## Calgary Hotel Association Destination Marketing Fund Statement of Revenue, Expenses and Surplus

*For the year ended December 31, 2020*

	2020	2019
<b>Revenue</b>		
Deferred revenue recognized (Note 4)	3,724,233	9,408,003
Investment income	326,590	201,451
Interest income	11,349	23,537
	4,062,172	9,632,991
<b>Direct expenses</b>		
Tourism Calgary	2,500,000	5,000,000
Meetings, convention and IT	1,267,002	3,244,706
Marketing program costs (recovery)	(59,980)	826,104
	3,707,022	9,070,810
<b>Excess of revenue over direct expenses</b>	355,150	562,181
<b>Operating expenses</b>		
Office	233,851	447,307
Bad debts	50,198	-
Trustee	30,227	50,000
Investment management fees	14,879	14,354
Professional fees	14,250	25,786
Bank charges	397	1,196
	343,802	538,643
<b>Excess of revenue over expenses</b>	11,348	23,538
<b>Surplus, beginning of year</b>	251,171	227,633
<b>Surplus, end of year</b>	262,519	251,171

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

# Calgary Hotel Association Destination Marketing Fund

## Statement of Cash Flows

*For the year ended December 31, 2020*

	<b>2020</b>	<b>2019</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	11,348	23,538
Changes in working capital accounts		
Accounts receivable	154,773	(95,918)
Accounts payable and accruals	(141,437)	(359,461)
Deferred revenue	(659,494)	1,272,057
	<b>(634,810)</b>	840,216
<b>Investing</b>		
Increase in reserve fund	(310,967)	(186,379)
<b>Increase (decrease) in cash resources</b>	<b>(945,777)</b>	653,837
<b>Cash resources, beginning of year</b>	<b>2,523,680</b>	1,869,843
<b>Cash resources, end of year</b>	<b>1,577,903</b>	2,523,680

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

# Calgary Hotel Association Destination Marketing Fund

## Notes to the Financial Statements

For the year ended December 31, 2020

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### 1. Nature of operations

The Calgary Hotel Association 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 Board of Directors and 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 and 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 and partners as a part of its nature of operations. As the Fund does not have control on how this funding is used after project commitment is established, amounts are expensed at the earlier of when the payment is made or the completion of the project.

### 3. 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 Board of Directors may require that additional funds be added to the reserve to fund obligations consistent with the Trust and Governance Agreement and the By-laws of the Calgary Hotel Association. 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.



# Calgary Hotel Association Destination Marketing Fund

## Notes to the Financial Statements

For the year ended December 31, 2020

#### 4. 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:

	2020	2019
Balance, beginning of year	4,178,107	2,906,050
Marketing fees received or receivable from members during the year	3,064,739	10,680,060
Less: amount recognized as revenue during the year	<b>(3,724,233)</b>	(9,408,003)
Balance, end of year	<b>3,518,613</b>	4,178,107

#### 5. Commitments

As part of normal operations, the Fund has entered into master funding agreements with Tourism Calgary and Meetings and Conventions Calgary with annual funding commitments of \$5.0 million and \$2.5 million respectively. In addition, the Fund regularly enters into a variety of other marketing commitments which extend into future periods.

#### 6. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by Canadian federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Fund as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the ultimate extent of the impact is unknown, the outbreak has caused significant reductions to members' revenues, which directly corresponds to reductions in remittances to the Fund. The Fund has reduced expenses in response.

Effective April 1, 2020 the Board of Directors passed a motion to temporarily suspend the use of Quadrants. On April 1, 2020 all remittances received by the Fund were allocated to the general fund to allow for more strategic use of the funds. This suspension has currently been approved by the Board until June 30, 2021 at which point the decision will be reassessed.

## Calgary Hotel Association Destination Marketing Fund Schedule 1 - Schedule of Revenue and Expenses by Quadrant

*For the year ended December 31, 2020*

	<i>General</i>	<i>Downtown Quadrant</i>	<i>Northeast Quadrant</i>	<i>Northwest Quadrant</i>	<i>South Quadrant</i>	<b>2020 Total</b>	<i>2019 Total</i>
<b>Revenue</b>							
Deferred revenue recognized	3,188,143	501,937	5,201	1,260	5,272	<b>3,701,813</b>	9,408,003
Investment income	326,590	-	-	-	-	<b>326,590</b>	201,451
Interest income	11,349	-	-	-	-	<b>11,349</b>	23,537
	<b>3,526,082</b>	<b>501,937</b>	<b>5,201</b>	<b>1,260</b>	<b>5,272</b>	<b>4,039,752</b>	<b>9,632,991</b>
<b>Direct expenses</b>							
Tourism Calgary	2,500,000	-	-	-	-	<b>2,500,000</b>	5,000,000
Meetings, convention and IT	770,291	496,711	-	-	-	<b>1,267,002</b>	3,244,706
Marketing program costs (recovery)	(60,335)	(1,835)	-	-	2,190	<b>(59,980)</b>	826,104
	<b>3,209,956</b>	<b>494,876</b>	<b>-</b>	<b>-</b>	<b>2,190</b>	<b>3,707,022</b>	<b>9,070,810</b>
<b>Excess of revenue over direct expenses</b>	<b>316,126</b>	<b>7,061</b>	<b>5,201</b>	<b>1,260</b>	<b>3,082</b>	<b>332,730</b>	<b>562,181</b>
<b>Operating expenses</b>	<b>304,778</b>	<b>7,061</b>	<b>5,201</b>	<b>1,260</b>	<b>3,082</b>	<b>321,382</b>	<b>538,643</b>
<b>Excess of revenue over expenses</b>	<b>11,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,348</b>	<b>23,538</b>
Deferred revenue - beginning of year	3,721,094	423,357	23,083	5,110	5,463	<b>4,178,107</b>	2,906,050
Deferred revenue - end of year	3,518,613	-	-	-	-	<b>3,518,613</b>	4,178,107