

Calgary Hotel Association and Destination Marketing Fund
Financial Statements
December 31, 2021

Management's Responsibility

To the Members of Calgary Hotel Association and 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 Association. 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 Association'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 18, 2022

signed by "Sol Zia"

Executive Director

To the Members of Calgary Hotel Association and Destination Marketing Fund:

Opinion

We have audited the financial information of Calgary Hotel Association and Destination Marketing Fund (the "Association"), which comprise the statement of financial position as at December 31, 2021, 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 Association as at December 31, 2021, 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 Association 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 and 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 information as a whole is 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 Association'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 Association'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 Association 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 18, 2022

MNP LLP

Chartered Professional Accountants

Calgary Hotel Association and Destination Marketing Fund Statement of Financial Position

As at December 31, 2021

	2021	2020
Assets		
Current		
Cash	4,788,649	2,150,019
Accounts receivable	887,463	1,184,199
	5,676,112	3,334,218
Capital assets	977	977
Reserve fund (Note 3)	2,833,242	2,664,714
	8,510,331	5,999,909
Liabilities		
Current		
Accounts payable and accruals	59,511	41,957
Deferred revenue (Note 4)	5,983,138	3,518,613
CEBA loan	40,000	40,000
	6,082,649	3,600,570
Reserve (Note 3)	1,600,000	1,600,000
	7,682,649	5,200,570
Commitments (Note 5)		
Significant event (Note 6)		
Surplus	827,682	799,339
	8,510,331	5,999,909

Approved on behalf of the Board

signed by "Sarah Henshaw"

Director

signed by "Peter Catarino"

Director

The accompanying notes are an integral part of this financial information

Calgary Hotel Association and Destination Marketing Fund

Statement of Revenue, Expenses and Surplus

For the year ended December 31, 2021

	2021	2020
Revenue		
Deferred revenue recognized (Note 4)	1,856,123	3,724,233
Investment income	185,251	326,590
Government subsidies	117,636	59,573
Membership revenue	9,375	28,051
Interest income	5,188	11,540
	2,173,573	4,149,987
Direct expenses		
Tourism Calgary	1,578,571	2,500,000
Marketing program costs (recovery)	43,814	(59,980)
Meetings, convention and IT	-	727,341
	1,622,385	3,167,361
Excess of revenue over direct expenses	551,188	982,626
Operating expenses		
Salaries and benefits	232,504	225,471
Bad debts	108,337	50,198
Trustee	38,750	30,227
Professional fees	38,255	57,191
Office	33,943	27,434
Rent	27,553	35,583
Investment management fees	15,926	14,879
Membership expenses	11,317	14,821
Insurance	10,603	9,238
Scholarships and sponsorship	5,000	5,000
Bank charges	657	922
	522,845	470,964
Excess of revenue over expenses	28,343	511,662
Surplus, beginning of year	799,339	287,677
Surplus, end of year	827,682	799,339

The accompanying notes are an integral part of this financial information

Calgary Hotel Association and Destination Marketing Fund

Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	28,343	511,662
Amortization	-	372
Changes in working capital accounts		
Accounts receivable	296,736	155,954
Prepaid expenses	-	10,453
Accounts payable and accruals	17,554	(152,332)
Deferred revenue	2,464,525	(659,494)
	2,807,158	(133,385)
Financing		
Increase in CEBA	-	40,000
Investing		
Increase in reserve fund	(168,528)	(310,967)
Increase (decrease) in cash resources	2,638,630	(404,352)
Cash resources, beginning of year	2,150,019	2,554,371
Cash resources, end of year	4,788,649	2,150,019

The accompanying notes are an integral part of this financial information

Calgary Hotel Association and Destination Marketing Fund

Notes to the Financial Statements

For the year ended December 31, 2021

1. Nature of operations

The Destination Marketing Fund (the "Fund") is an operating program of the Calgary Hotel Association (the "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 Association 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 Association 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 Association 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 Association recognizes all other revenues on the accrual basis.

Expenditures

The Association contributes various amounts to projects and partners as a part of its nature of operations. As the Association 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. Reserve fund

The 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 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 Association.

Calgary Hotel Association and Destination Marketing Fund

Notes to the Financial Statements

For the year ended December 31, 2021

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:

	2021	2020
Balance, beginning of year	3,518,613	4,178,107
Marketing fees received or receivable from members during the year	4,320,648	3,064,739
Less: amount recognized as revenue during the year	(1,856,123)	(3,724,233)
Balance, end of year	5,983,138	3,518,613

5. Commitments

As part of normal operations, the Association has entered into master funding agreements with Tourism Calgary businesses with annual funding commitments. 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 Association 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 Association. The Association has reduced expenses in response.

Effective April 1, 2020 the Board of Directors passed a motion to temporarily suspend the use of Districts. 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 March 31, 2022 at which point the decision will be reassessed.

Calgary Hotel Association and Destination Marketing Fund
Schedule 1 -
Schedule of Calgary Destination Marketing Fund Revenue and Expenses by District
For the year ended December 31, 2021

	Calgary Hotel Association and Destination Marketing Fund General	<i>Downtown District</i>	<i>Northeast District</i>	<i>Northwest District</i>	<i>South District</i>	2021 Total	<i>2020 Total</i>
Revenue							
Deferred revenue recognized	1,856,123	-	-	-	-	1,856,123	3,701,813
Investment income	185,251	-	-	-	-	185,251	326,590
Interest income	4,910	-	-	-	-	4,910	11,349
	2,046,284	-	-	-	-	2,046,284	4,039,752
Direct expenses							
Tourism Calgary	1,578,571	-	-	-	-	1,578,571	2,500,000
Marketing program costs (recovery)	43,814	-	-	-	-	43,814	(59,980)
Meetings, convention and IT	-	-	-	-	-	-	1,267,002
	1,622,385	-	-	-	-	1,622,385	3,707,022
Excess of revenue over direct expenses	423,899	-	-	-	-	423,899	332,730
Fund operating expenses	418,989	-	-	-	-	418,989	321,382
Excess of revenue over expenses	4,910	-	-	-	-	4,910	11,348
Deferred revenue - beginning of year	3,518,613	-	-	-	-	3,518,613	4,178,107
Deferred revenue - end of year	5,983,138	-	-	-	-	5,983,138	3,518,613