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Financial Statements

December 31, 2018

Contents

For the year ended December 31, 2018

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Management's Responsibility

To the Board of Directors of Calgary Economic Development Ltd.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards for Not-For-Profit Organizations and ensuring that all information in the annual report is consistent with the statements. 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 statements, 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 statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. 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 Company's external auditors.

MNP LLP is appointed by the Directors to audit the financial statements 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 29, 2019

Mary Moran
Chief Executive Officer

Sheila Will
Chief Financial Officer

Independent Auditor's Report

To the Board of Directors of Calgary Economic Development Ltd.:

Opinion

We have audited the financial statements of Calgary Economic Development Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Calgary, Alberta

MNP LLP

March 29, 2019

Chartered Professional Accountants

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Calgary Economic Development Ltd.
Statement of Financial Position
As at December 31, 2018

	2018	2017
Assets		
Current		
Cash	**1,943,452**	514,404
Accounts receivable and accrued revenue *(Note 3)*	**371,784**	1,182,863
Due from related parties *(Note 10)*	**130,105**	172,795
Prepaid expenses	**48,897**	46,647
Employee expense advances	**5,500**	9,380
Note receivable from a related party (*Note 8*)	**-**	700,000
	2,499,738	2,626,089
Restricted cash *(Note 7)*	**790,827**	2,074,166
Property and equipment *(Note 4)*	**119,939**	126,587
Intangible assets *(Note 5)*	**7,830**	23,513
	3,418,334	4,850,355
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 6)*	**1,077,773**	914,016
Deferred contributions *(Note 7)*	**790,827**	2,074,166
Salary and vacation payable	**505,138**	481,739
Due to related parties *(Note 10)*	**-**	4,385
	2,373,738	3,474,306
Commitments *(Note 12)*		
Net Assets		
Invested in property, equipment and intangible assets *(Note 9)*	**127,769**	150,100
Unrestricted	**916,827**	1,225,949
	1,044,596	1,376,049
	3,418,334	4,850,355

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

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Calgary Economic Development Ltd.
Statement of Operations
For the year ended December 31, 2018

	2018	2017
Revenue		
City of Calgary		
Operating grant *(Note 1)*	**5,808,765**	5,584,179
Other grants (*Note 10*)	**2,701,646**	2,453,699
Alberta government	**1,296,977**	1,227,431
Federal government	**232,939**	1,030,646
Business community *(Note 10)*	**1,265,426**	1,640,946
Expense recovery *(Note 10)*	**401,642**	173,347
Other revenue	**215,875**	200,845
Investment income *(Note 10)*	**77,978**	51,017
	12,001,248	12,362,110
Expenses		
Employee costs	**6,152,672**	5,314,538
Marketing and promotion *(Note 10)*	**3,126,203**	3,928,671
Program costs *(Note 10)*	**1,663,261**	1,529,430
Corporate services *(Note 10)*	**1,005,349**	915,874
Business travel	**290,017**	299,093
Amortization of property and equipment (*Note 4*)	**79,516**	48,542
Amortization of intangible assets (*Note 5*)	**14,291**	54,934
	12,331,309	12,091,082
(Deficiency) excess of revenue over expenses before other items	**(330,061)**	271,028
Other items		
Loss on disposal of property, equipment and intangibles	**(1,392)**	(27,233)
(Deficiency) excess of revenue over expenses	**(331,453)**	243,795

The accompanying notes are an integral part of these financial statements

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Calgary Economic Development Ltd.
Statement of Changes in Net Assets
For the year ended December 31, 2018

	Invested in property, equipment and intangible assets	*Unrestricted*	***2018***	*2017*
Net assets, beginning of year	150,100	1,225,949	**1,376,049**	1,132,254
(Deficiency) excess of revenue over expenses *(Note 9)*	(95,199)	(236,254)	**(331,453)**	243,795
Investment in property and equipment	72,868	(72,868)	**-**	-
Net assets, end of year	**127,769**	**916,827**	**1,044,596**	1,376,049

The accompanying notes are an integral part of these financial statements

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Calgary Economic Development Ltd.
Statement of Cash Flows
For the year ended December 31, 2018

	2018	*2017*
Cash provided by (used for) the following activities		
Operating		
(Deficiency) excess of revenue over expenses	**(331,453)**	243,795
Amortization of intangible assets	**14,291**	54,934
Amortization of property and equipment	**79,516**	48,542
Loss on disposal of property, equipment and intangibles	**1,392**	27,233
	(236,254)	374,504
Changes in working capital accounts		
Accounts receivable and accrued revenue	**811,079**	(506,342)
Due from related party	**42,690**	74,059
Prepaid expenses and employee expense advances	**1,630**	17,562
Accounts payable and accrued liabilities	**163,757**	61,269
Due to related party	**(4,385)**	3,710
Salary and vacation payable	**23,399**	88,609
Deferred contributions	**(1,283,339)**	(1,200,095)
	(481,423)	(1,086,724)
Investing		
Purchase of property and equipment (*Note 4*)	**(72,868)**	(77,180)
Purchase of intangible assets (*Note 5*)	**-**	(952)
	(72,868)	(78,132)
Financing		
Note repaid by a related party	**900,000**	-
Note advanced to a related party	**(200,000)**	(700,000)
	700,000	(700,000)
Increase (decrease) in cash and cash equivalents	**145,709**	(1,864,856)
Cash and cash equivalents, beginning of year	**2,588,570**	4,453,426
Cash and cash equivalents, end of year	**2,734,279**	2,588,570
Cash and cash equivalents are composed of:		
Unrestricted cash	**1,943,452**	514,404
Restricted cash - external	**790,827**	2,074,166
	2,734,279	2,588,570

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Calgary Economic Development Ltd. (the "Company") was incorporated as Promoting Calgary Inc. under the Business Corporations Act in the Province of Alberta in July 1999. The Company changed its name to Calgary Economic Development Ltd. on January 1, 2003. The Company is registered as a non-profit organization under the Income Tax Act of Canada, and is exempt from income taxes. The Company is a controlled not-for-profit organization of the City of Calgary (the "City").

The mandate of Calgary Economic Development Ltd. is to lead the City of Calgary's economic development efforts in promoting the City's competitive advantages and pro-business climate. Successful economic development results in business growth and industry development, increased investment and trade activities. In turn, this fosters increased competitiveness, access to foreign markets, sustainable prosperity, diversification, productivity, high employment and a desirable quality of life.

The Company has been receiving contributions from the City since inception to sustain its operations. In the current year, the Company received an operating grant of $5,808,765 (2017 - $5,584,179) and the City has approved an increase in base operating grant for 2019 to $8,147,000, with a one-time incremental grant of $2,000,000.

2. Significant accounting policies

Basis of accounting

The financial statements are expressed in Canadian dollars. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations, with the optional 4200 series, as established by the Public Sector Accounting Board in Canada. The significant polices are described below.

Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment, and intangible assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Controlled not-for-profit

The Company's financial statements do not include the accounts of Calgary Film Centre Ltd. ("CFCL"), which is controlled by the Company. The required disclosures have been provided in Note 15.

All transactions with the subsidiary are disclosed as related party transactions (refer to Notes 8 and 10).

Revenue recognition

The Company follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions for the purchase of property and equipment are deferred and recognized on the same basis as amortization expense of the related asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Sponsorship (pledges) are recognized as revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Contributions for program related activities include amounts recovered from events and projects undertaken by the Company alone or with a number of economic partners.

Interest revenue is recognized on a pro rata basis over the term of the related deposit or investment.

2. Significant accounting policies *(Continued from previous page)*

Cash

Cash include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Property, equipment and intangible assets

Purchased property, equipment and intangible assets are recorded at cost. Contributed property, equipment and intangible assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives. Tenant improvements are amortized over the lease term.

	Method	Rate
Technology	straight-line	2 years
Furniture and fixtures	straight-line	5 years
Software	straight-line	1 year
Trademarks	straight-line	5 years
Website development costs	straight-line	30 %

Long-lived assets

Long-lived assets consist of property, equipment and intangible assets. Long-lived assets held for use are measured and amortized as described in the above accounting policy.

When the Company determines that a long-lived asset no longer has any long-term service potential to the Company, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Financial instruments

The Company recognizes its financial instruments when the Company becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with PSAS Section 4260 *Disclosure of Related Party Transactions By Not-For-Profit Organizations* (refer to Note 10).

At initial recognition, the Company may irrevocably elect to subsequently measure any financial instrument at fair value. The Company has not made such an election during the year.

Transaction costs related to financial instruments remeasured at fair value at each reporting date are expensed in the period, whereas they are added to the carrying value of the financial instrument for those measured at cost or amortized cost.

Financial asset impairment

The Company assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Company determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Company reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year deficiency of revenue over expenses. The Company reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

2. Significant accounting policies (*Continued from previous page)*

Contributed materials and services

The Company receives various contributions in the form of material or services that it uses to carry out its objectives. Because of the difficulty in determining the fair value of these materials and services, the Company does not recognize the amounts in the financial statement.

3. Accounts receivable and accrued revenue

Accounts receivable and accrued revenue relate to the following:

	2018	*2017*
Trade accounts receivable	**249,828**	172,123
Goods and Services Tax receivable	**107,506**	108,514
Accrued revenue	**14,450**	902,226
	371,784	1,182,863

As at December 31, 2018, accounts receivable includes $31,032 (2017 - $6,533) in amounts outstanding greater than 90 days, of which $29,498 was subsequently received (2017 - $5,000). Accounts receivable have been recorded at their net realizable value, based on management's best estimate of the recoverable amounts.

4. Property and equipment

	Technology	*Furniture and fixtures*	*Tenant improvements*	***Total***
Cost:				
Balance December 31, 2017	742,312	385,062	2,606,413	**3,733,787**
Additions	54,304	18,564	-	**72,868**
Balance at December 31, 2018	**796,616**	**403,626**	**2,606,413**	**3,806,655**
Accumulated amortization:				
Balance December 31, 2017	(671,060)	(344,267)	(2,591,873)	**(3,607,200)**
Amortization	(57,506)	(12,393)	(9,617)	**(79,516)**
Balance at December 31, 2018	**(728,566)**	**(356,660)**	**(2,601,490)**	**(3,686,716)**
Net book value December 31, 2017	71,252	40,795	14,540	126,587
Net book value December 31, 2018	**68,050**	**46,966**	**4,923**	**119,939**

5. Intangible assets

	Software	*Trademarks*	*Website development costs*	***Total***
Cost:				
Balance December 31, 2017	265,959	1,954	438,121	**706,034**
Additions	-	-	-	**-**
Disposals	-	-	(3,180)	**(3,180)**
Balance at December 31, 2018	**265,959**	**1,954**	**434,941**	**702,854**
Accumulated amortization:				
Balance December 31, 2017	(265,959)	(1,129)	(415,433)	**(682,521)**
Additions	-	(191)	(14,100)	**(14,291)**
Disposals	-	-	1,788	**1,788**
Balance at December 31, 2018	**(265,959)**	**(1,320)**	**(427,745)**	**(695,024)**
Net book value December 31, 2017	-	825	22,688	23,513
Net book value December 31, 2018	**-**	**634**	**7,196**	**7,830**

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities relate to the following:

	2018	*2017*
Accrued liabilities	**569,570**	136,586
Trade accounts payable	**508,203**	777,430
	1,077,773	914,016

7. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for programs. Recognition of these amounts as revenue is deferred to periods when the specified expenses are made. Changes in the deferred contribution balance are as follows:

	2018	*2017*
Balance, beginning of year	**2,074,166**	3,274,261
Amount received during the year	**3,170,395**	3,152,292
Less: Amount recognized as revenue during the year	**(4,450,497)**	(4,338,578)
Less: Funds held for return as accrued liability	**(3,237)**	(13,809)
Balance, end of year	**790,827**	2,074,166

8. Note receivable from related party

On June 29, 2017, the Company and CFCL entered into an agreement which enabled CFCL to draw on a demand loan of up to $500,000, with an interest rate at prime. On September 29, 2017 the available funds on this loan were increased to $700,000, which were fully drawn in 2017. On December 12, 2017 the available funds were further increased to $900,000. Additional funds of $200,000 were drawn in 2018. On October 23, 2018 CFCL utilized proceeds received from the sale of assets and repaid the note receivable in full.

In September 2018, the Company approved a reduction in the available demand loan to CFCL to $300,000. As of December 31, 2018, no draws had been made on the demand loan.

9. Net assets invested in property, equipment and intangible assets

	2018	*2017*
Property and equipment	**119,939**	126,587
Intangible assets	**7,830**	23,513
Invested in property, equipment and intangible assets	**127,769**	150,100
Amortization of intangible assets	**(14,291)**	(54,934)
Amortization of property and equipment	**(79,516)**	(48,542)
Loss on disposal of property, equipment and intangibles	**(1,392)**	(27,233)
Deficiency of revenue over expenses	**(95,199)**	(130,709)

10. Related party transactions

CFCL

The Company entered into a Management Services Agreement with CFCL, whereby CFCL is required to pay for management fees and other expenses incurred by the Company on behalf of CFCL.

Related party balances and transactions with CFCL consist of:

	2018	*2017*
Due from related party:		
Management Services Agreement and other	**82,096**	168,687
Interest on note receivable from related party	**-**	4,108
Note receivable from a related party	**-**	700,000
Due to related party	**-**	4,385
Revenue recognized from CFCL:		
Management Services Agreement	**168,612**	168,612
Recoveries netted against expenses (incl. $37,035 of legal fees for Film Centre sale)	**38,091**	4,185
Interest on note receivable from related party	**23,398**	4,108
Expenses paid to CFCL for website development and other marketing activities	**9,058**	25,245

City

Related party balances and transactions with the City consist of:

	2018	*2017*
Accounts receivable	**-**	5,250
Accounts payable	**190**	1,195
Revenue and expense recovery (excluding operating grant identified in Note 1)	**2,701,646**	2,463,958
Expenses paid to City	**201,798**	191,613

10. Related party transactions *(Continued from previous page)*

Opportunity Calgary Investment Fund ("OCIF")

The Company and OCIF are related by virtue of common control as they are wholly owned subsidiaries of the City, share two common Board of Director members and have common management.

OCIF entered into an Administrative Services and Fund Management Agreement with the Company effective April 19, 2018. This agreement is in consideration of the performance of the administrative services and the management of the Reserve Fund by the Company for a management fee of $1 per month.

In addition, the Company will be reimbursed by OCIF for reasonable out-of-pocket costs and expense incurred directly by the Company in connection with the performance of the administrative services, the Fund management and any additional services including travel and lodging. The Company will not be reimbursed for any of its ongoing overhead costs and expenses unless such costs or expenses are incurred by the retention of any additional personnel specifically for OCIF.

Related party balances and transactions with OCIF consist of:

	2018	*2017*
Due from related party	**48,009**	-
Expense recovery of administrative services	**138,612**	-

Other companies related through common ownership

The Company had the following balances and transactions with other companies related through common ownership by the City:

	2018	*2017*
Accounts receivable	**-**	35,000
Accounts payable	**18,426**	7,497
Revenue recognized from companies related by common ownership	**129,028**	85,000
Expenses paid to companies related by common ownership	**322,408**	403,425
(These transactions include expenses for event space and catering, and staff for parking)		

Other companies related to directors

The Company paid to organizations related to directors of the Company for other services totaling $145,610 (2017 - $64,113), of which $86,000 (2017 - $64,000) is included in program costs, $58,855 (2017 - $113) is included in corporate services expense, and $754 (2017 - $ nil) is included in marketing and promotion. At year end, $792 was outstanding (2017 - $23,100) and included in accounts payable. The Company also recognized revenue from these companies totaling $114,000 (2017 - $232,781), which is included in business community revenue related to Action Calgary and other programming. At year end, $25,000 (2017 - $62,500) of this amount was outstanding and included in accounts receivable.

All transactions are in the normal course of operations and have been recorded at the agreed to exchange amounts that have been negotiated between the parties.

11. Income taxes

The Company is a tax-exempt organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes. In order to maintain its tax-exempt status under the Act, the Company must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

12. Commitments

Facility lease

On September 16, 2016, the Company entered a five-year lease with the related party, City of Calgary Corporate Properties, with an effective date of January 1, 2015. Annual rent for 2019 is $74,473 plus operating costs (2018 - $63,834 plus operating costs).

The Company has a ten-year rental agreement, effective June 15, 2009, with a third-party corporation, for office space in the Neilson Block which is part of the TELUS Convention Centre facility. The term of the agreement is for ten years with an option to not continue after the first five years. On March 27, 2014, the Company agreed to continue the lease for another five years. There are no rental costs and the Company does pay operating costs.

The Company has a five year lease agreement for office printing/copying equipment that was signed in September 2016, and runs until September 30, 2021. Annual lease cost is $11,256, plus printing/usage costs.

The estimated minimum annual payments on leases for facilities and equipment are as follows:

2019	85,729
2020	11,256
2021	8,442
	105,427

13. Financial instruments

General objectives, policies and processes

The Board of Directors, through the Audit Committee, has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's senior management. The Board of Directors receives quarterly reports from the Company's senior management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Company, as part of its operations, carries a number of financial instruments. The nature of these instruments and the Company's operations expose the Company to credit, interest rate and liquidity risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

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13. Financial instruments *(Continued from previous page)*

Credit risk

Credit risk is the risk that the Company will incur a financial loss because a contributor or counterparty has failed to discharge an obligation. The Company is exposed to credit risk on its amounts receivable. This risk is somewhat mitigated because the trade accounts receivable and accrued revenue are comprised of amounts due from the City of Calgary and the provincial and federal governments. To further mitigate this risk, the Company regularly reviews its amounts receivable and follows up on collections in a timely manner. The amounts outstanding at year end, which is the Company's maximum exposure to credit risk, are disclosed in Notes 3, 8, and 10, and summarized below.

	Current	*0-30 days*	*31-60 days*	*61-90 days*	*91 days and older*	*Total*
2018						
Trade accounts receivable	**138,771**	**52,207**	**27,344**	**525**	**30,981**	**249,828**
Accrued revenue	**14,450**	**-**	**-**	**-**	**-**	**14,450**
Due from related parties	**89,141**	**26,913**	**14,051**	**-**	**-**	**130,105**
Employee advances	**5,500**	**-**	**-**	**-**	**-**	**5,500**
Total	**247,862**	**79,120**	**41,395**	**525**	**30,981**	**399,883**
2017						
Trade accounts receivable	67,000	41,046	55,544	2,000	6,533	172,123
Accrued revenue	280,758	150,479	184,622	155,846	130,521	902,226
Due from related party	18,159	14,126	14,051	14,051	112,408	172,795
Employee advances	7,200	2,180	-	-	-	9,380
Note receivable	245,000	85,000	85,000	85,000	200,000	700,000
Total	618,117	292,831	339,217	256,897	449,462	1,956,524

Credit concentration

As at December 31, 2018, one member accounted for 38% of accounts receivable and accrued revenue (2017 – one member, 78%); the Company believes that there is no unusual exposure associated with the collection of these amounts. The balance of accounts receivable is widely distributed amongst the remainder of the Company's large membership base. The Company performs regular credit checks and provides allowances for potentially uncollectible accounts receivable.

Interest rate risk

The Company is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the fair value of financial instruments. As at December 31, 2018 a 1% change in interest rate, with all other variables held constant would impact the excess of revenue over expenses by $26,788 (2017 - $25,886).

13. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term requirements, considering its anticipated cash flows from operations and its holdings of cash and cash equivalents.

	0-90 days	***91 days and older***	***Total***
2018			
Accrued liabilities	**569,570**	**-**	**569,570**
Trade accounts payable	**508,203**	**-**	**508,203**
Total	**1,077,773**	**-**	**1,077,773**

2017			
Trade accounts payable	777,430	-	777,430
Accrued liabilities	128,136	8,450	136,586
Due to related party	4,385	-	4,385
Total	909,951	8,450	918,401

14. Defined contribution pension plan

The Company established a defined contribution pension plan for its salaried employees on January 1, 2000. The total expense incurred for the year ended December 31, 2018 was $171,879 (2017 - $152,198).

15. Controlled not-for-profit

The Company controls its wholly owned subsidiary, the Calgary Film Centre Ltd., formerly The Alberta Creative Hub. The companies are under common management. CFCL has not been consolidated in the Company's financial statements, but its financial statements are available on request. CFCL was incorporated under the authority of the Alberta Companies Act on December 17, 2009 and commenced operations on January 1, 2010. The Company is registered as a not-for-profit organization and thus is exempt from income taxes under the Income Tax Act of Canada. It was formed with the primary purpose of supporting the growth and development of the film, television, media and other creative industries.

The following is condensed financial information of CFCL as at and for the years ended December 31, 2018 and December 31, 2017. This information was prepared using the same accounting policies as Calgary Economic Development Ltd.

15. Controlled not-for-profit *(Continued from previous page)*

	2018	*2017*
Financial position		
Total assets	**415,523**	27,274,112
Total liabilities	**(372,872)**	(23,797,571)
Total net assets	**42,651**	3,476,541
Statement of operations		
Revenue	**1,870,248**	1,709,255
Expenses	**2,458,601**	2,540,526
Loss on disposal of property	**(2,845,537)**	-
Deficiency of revenue over expenses	**(3,433,890)**	(831,271)
Cash flows		
Cash flows from operating activities	**(439,667)**	(842,922)
Cash flows from investing activities	**12,673,695**	(111,187)
Cash flows from financing activities	**(12,412,744)**	478,971
Decrease in cash and cash equivalents	**(178,716)**	(475,138)

CFCL has entered into a management agreement with the Company that sets out the terms and conditions by which the Company is to provide services of its employees in relation to general day-to-day administration and management services in connection with the business of CFCL (Note 10).

On October 19, 2018, CFCL and The City executed an agreement of purchase and sale transferring all land, buildings and a portion of furniture, fixtures, and equipment with a carrying value of $25,876,318 for proceeds of $12,679,332 plus proceeds from the settlement of swap agreements related to the construction loan of the related assets of the sale which amounted to $626,106. The remaining balance of deferred contributions related to property, equipment and intangibles were recognized resulting in a loss on disposal of $2,845,537. This amount was used to retire all debt facilities, including amounts owed to the Company by CFCL.

Proceeds from sale of property and equipment	12,679,332
Proceeds from settlement of swap agreements	626,106
Deferred revenue balance related to property, equipment and intangibles	9,725,343
Carrying value of assets disposed	(25,876,318)
Loss on disposal	(2,845,537)

CFCL had entered into a term loan agreement of $900,000 with the Company, to provide interim financing (Note 8); this amount was fully repaid on October 23, 2018, using proceeds from the sale of land, buildings, and other assets to the City. The Board of the Company approved in September 2018, a reduction in the available term loan to $300,000.

In June 2015, CFCL entered into a credit facility for interim construction financing of up to $13,000,000, bearing interest at a rate of prime. On August 2, 2016, CFCL converted the $12,431,163 drawn on the interim construction loan to a term facility, in the form of one 5-year and one 10-year interest rate swap. On October 19, 2016, CFCL entered into a new credit facility of up to $550,000, bearing interest at prime. On October 19, 2018 all outstanding debt was fully repaid. As at December 31, 2018, CFCL has bank indebtedness of $nil (2017 - $12,338,850), and the $550,000 demand loan has been cancelled.

The credit facilities, as noted above, were secured by a general security agreement with a Canadian Chartered Bank representing first charge on all CFCL's present and after acquired personal property, and all other property, assets and undertakings and by a continuing collateral mortgage representing a first charge on CFCL's real property in the principal amount of $14,100,000, beneficially owned by and registered in the name of CFCL. On October 19, 2018 this agreement was concluded when the debt was fully repaid.

15. Controlled not-for-profit *(Continued from previous page)*

CFCL's continuation as a going concern is dependent upon the continuing support of its related parties, generating excess revenue over expenses through increased occupancy, and the ability to generate sufficient cash from operations. CFCL eliminated all debt in 2018 using the proceeds resulting from the sale of its assets to The City.

CFCL's management is currently reviewing its options to increase revenue of the Centre with the support of its related parties and anticipates it will continue operating as a going concern. There can be, however, no assurance that the actions described above will be sufficient for CFCL to continue operating as a going concern.

The Company's financial statements and CFCL's financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate for CFCL.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.