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Attachment 6

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CENTRE AUTHORITY

2013 FINANCIAL STATEMENTS

Financial statements of

The Calgary Convention Centre Authority

December 31, 2013

The Calgary Convention Centre Authority
December 31, 2013

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Independent Auditor's Report

To The Directors of
The Calgary Convention Centre Authority

We have audited the accompanying financial statements of The Calgary Convention Centre Authority, which comprise the statement of financial position as at December 31, 2013, the statements of revenue, expenses and operating reserve, changes in net financial assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Calgary Convention Centre Authority as at December 31, 2013 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
June 11, 2014

Financial liabilities		
Accounts payable and accrued liabilities (Note 9)	**7,724,167**	5,202,781
Client deposits	**1,999,913**	2,294,679
	9,724,080	7,497,460
Net financial assets	**2,345,081**	2,249,641
Non-financial assets		
Tangible capital assets (Note 7)	**2,270,981**	1,966,923
Prepaid expenses	**117,136**	92,148
	2,388,117	2,059,071
Accumulated surplus is represented by		
Major replacement reserve (Note 5)	**73,393**	122,535
Operating reserve	**4,659,805**	4,186,177
	4,733,198	4,308,712

Approved by the Board


___ Director


Director

The accompanying notes to the financial statements are an integral part of this financial statement.

The Calgary Convention Centre Authority

Statement of revenue, expenses and operating reserve
year ended December 31, 2013

		2013	2012
	Budget (Unaudited - Note 12)		
	$	**$**	$
Revenue			
Operating	24,342,881	**24,294,441**	23,534,751
Grants from The City of Calgary	1,699,838	**1,699,838**	1,685,569
	26,042,719	**25,994,279**	25,220,320
Expenses			
Administrative and general	2,129,670	**2,209,106**	2,236,489
Amortization	408,000	**512,006**	480,307
Marketing	1,812,480	**1,827,353**	1,594,597
Operations and maintenance	21,846,633	**21,019,520**	20,244,788
	26,196,783	**25,567,985**	24,556,181
Excess of revenue over expenses	(154,064)	**426,294**	664,139
Major replacement reserve (Notes 5 and 11)	-	**(49,142)**	(9,433)
Loss on disposal of tangible capital assets	-	**(1,808)**	(15,917)
Operating surplus for the year	(154,064)	**473,628**	657,655
Operating reserve, beginning of year	4,186,177	**4,186,177**	3,528,522
Operating reserve, end of year	4,032,113	**4,659,805**	4,186,177

The accompanying notes to the financial statements are an integral part of this financial statement.

The Calgary Convention Centre Authority

Statement of changes in net financial assets
year ended December 31, 2013

	2013	2012
	$	$
Operating surplus for the year	**473,628**	657,655
Amortization	**512,006**	480,307
Loss on disposal of tangible capital assets	**1,808**	15,917
Proceeds from disposal of tangible capital assets	**21,000**	-
Prepaid expenses	**(24,988)**	(25,164)
Allocation to major replacement reserve	**180,000**	180,000
Usage of major replacement reserve	**(229,142)**	(189,433)
Acquisition of tangible capital assets	**(838,872)**	(951,766)
Increase in net financial assets	**95,440**	167,516
Net financial assets, beginning of year	**2,249,641**	2,082,125
Net financial assets, end of year	**2,345,081**	2,249,641

The accompanying notes to the financial statements are an integral part of this financial statement.

The Calgary Convention Centre Authority
Statement of cash flows
year ended December 31, 2013

	2013	2012
	$	$
Operating activities		
Operating surplus for the year	**473,628**	657,655
Amortization	**512,006**	480,307
Loss on disposal of tangible capital assets	**1,808**	15,917
Changes in non-cash working capital balances		
Accounts receivable	**311,685**	(735,517)
Prepaid expenses	**(24,988)**	(25,164)
Accounts payable and accrued liabilities	**2,390,309**	679,220
Client deposits	**(294,766)**	(116,566)
Major replacement reserve	**(49,142)**	(9,433)
	3,320,540	946,419
Investing activities		
Purchases of tangible capital assets	**(838,872)**	(951,766)
Proceeds from disposal of tangible capital assets	**21,000**	-
Changes in non-cash working capital balances		
Due from The City of Calgary - major replacement reserve	**9,434**	3,061
Accounts payable and accrued liabilities	**131,077**	264,298
Purchase of short-term investments	**(2,649,831)**	(3,745,961)
	(3,327,192)	(4,430,368)
Net decrease in cash and cash equivalents	**(6,652)**	(3,483,949)
Cash and cash equivalents, beginning of year	**552,048**	4,035,997
Cash and cash equivalents, end of year	**545,396**	552,048

The accompanying notes to the financial statements are an integral part of this financial statement.

The Calgary Convention Centre Authority

Notes to the financial statements
December 31, 2013

1. The Calgary Convention Centre Authority

The Calgary Convention Centre Authority (the "Authority") is incorporated under the laws of the Province of Alberta and operated as the Calgary TELUS Convention Centre (the "Centre") pursuant to an operating agreement between the Authority and The City of Calgary ("The City"). The land, building, furniture and equipment are owned by The City, which also contributes a grant towards the operating costs of the Centre. In accordance with an amendment to the operating agreement, the Authority retains operating surpluses. Surpluses are placed in an operating reserve and are used to cover capital expenditures, extraordinary expenditures and any annual deficits, which may be incurred.

Under an extended lease agreement to expire in 2039, the Calgary Marriott acts as the exclusive caterer to the Centre.

2. Adoption of new accounting standards

The following new accounting standards were issued by the Public Sector Accounting Board ("PSAB") and are effective for fiscal years beginning on or after April 1, 2012. The Authority was required to adopt the new standards effective January 1, 2013:

PS 1201, Financial Statement Presentation
PS 2601, Foreign Currency Translation
PS 3410 (Revised), Government Transfers
PS 3450, Financial Instruments
PS 3510, Tax Revenue

The Authority has determined that PS 2601, Financial Currency Translation, PS 3450, Financial Instruments, and PS 3510, Tax Revenue, do not apply to the Authority and as such these standards did not have any impact on the December 31, 2013 year-end financial statements.

PS 3410 (Revised), Government Transfers, did not have an impact on the December 31, 2013 year-end financial statements as the Authority was recording government funding in accordance with the requirements of this section.

PS 1201, Financial Statement Presentation, requires the Authority to include a statement of remeasurement gains and losses as part of the financial statements. Such a statement has not been included as part of the December 31, 2013 year-end financial statements as PS 2601 and PS 3450 do not apply to the Authority and as such there are no remeasurement gains or losses incurred.

3. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for local government established by the PSAB of Chartered Professional Accountants of Canada ("CPA Canada"). The Authority's significant accounting policies are as follows:

Investments

Investments represent Guaranteed Investment Certificates ("GIC") with original maturities greater than 90 days. Investments are recorded at fair value.

Client deposits

Client deposits represent amounts received from customers for events that have not yet occurred. These amounts are recognized as revenue in the period when the related event occurs.

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2013

Revenue recognition

Revenue comprises revenues earned from convention services, functions, food and beverage services and grant revenue received from The City. Revenues for convention services, functions and food and beverage services are recognized when the service is performed, the price is determinable and collection is reasonably assured. Grant revenue is received from The City on a quarterly basis. A proportionate amount is recognized each month. Revenue and expenses are recognized on a gross basis.

3. Significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development, or betterment of the asset. Donated assets are recorded as capital items, with the offset to revenue at their estimated fair value upon acquisition. Interest charges are not capitalized. The cost, less residual value, of tangible capital assets is amortized on a straight-line or declining-balance basis over the assets' estimated useful lives as follows:

Renovations	3 year straight-line
Building enhancements	20% declining-balance
Computer equipment	55% declining-balance
Other equipment	20% declining-balance

Revenue from government grants and transfers relating to capital acquisitions will be recognized on a straight-line basis as the capital expenditure is incurred.

Impairment of tangible capital assets

Tangible capital assets are reviewed periodically for impairment. An impairment loss will be recognized in the period when the service potential of a capital asset will be either substantially reduced or eliminated altogether by an intervening event such as natural disaster, accident and obsolescence.

Use of estimates

The financial statements are prepared in accordance with GAAP for local government organizations as established by the PSAB, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue, expenses and operating reserve during the year. Items subject to estimation include the valuation allowance pertaining to receivables, estimated useful lives, amortization and potential impairment of tangible capital assets, and the impact of contingencies on accrued liabilities. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

4. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term GICs with original maturities of 90 days or less at the date of acquisition and are recorded at cost plus interest earned. The effective interest rate on the GICs held during the year was 1.11% (2012 - 1.36%) per annum. As at December 31, 2013, the Authority did not hold any short-term GICs (2012 - $Nil) but held long-term GICs of $9,059,658 (2012 - $6,409,827) (Note 6).

The Calgary Convention Centre Authority

Notes to the financial statements
December 31, 2013

5. Major replacement reserve

The Authority records an annual appropriation for facility refurbishment and major renovations. The appropriation for the year totalled $180,000 (2012 - $180,000).

	2013	2012
	$	$
Balance, beginning of year	**122,535**	131,968
Increase in provision for the year	**180,000**	180,000
Major replacement expenditures (Note 11)	**(229,142)**	(189,433)
Balance, end of year	**73,393**	122,535

6. Investments

Investments consist of GICs with a maturity date not greater than two years from December 31, 2013 bearing interest from 1.20% to 1.70% (2012 - 1.15% to1.35%) per annum. The fair value of the investments has been determined to be the principal plus interest earned to date.

7. Tangible capital assets

In accordance with PSAB Handbook Section 3150, The City has performed a review of the ownership and control of the land, building enhancements and equipment of the Centre. Accordingly, the Centre is recorded on the financial statements of The City. The Authority currently has an operating lease with The City due to be renewed on January 22, 2015. The contract has a nominal fee, the cost of which has been recorded through operations and maintenance expense.

			2013
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Renovations	**6,687,330**	**6,687,330**	**-**
Building enhancements	**1,099,962**	**274,866**	**825,096**
Computer equipment	**764,703**	**561,574**	**203,129**
Other equipment	**2,640,439**	**1,397,683**	**1,242,756**
	11,192,434	**8,921,453**	**2,270,981**

			2012
	Cost	Accumulated amortization	Net book value
	$	$	$
Renovations	6,687,330	6,687,330	-
Building enhancements	851,095	149,728	701,367
Computer equipment	569,889	414,484	155,405
Other equipment	2,308,817	1,198,666	1,110,151
	10,417,131	8,450,208	1,966,923

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2013

8. Employee benefits

The Authority participates in the Local Authorities Pension Plan (“LAPP”), which is a multi-employer benefit plan. This plan is governed by the Public Sector Pension Plans Act. Based on the latest information available (December 31, 2012 audited financial statements), in total, the LAPP had an actuarial deficit of $4.98 billion.

The Authority is required to make current service contributions to the LAPP of 10.43% of pensionable payroll up to the yearly maximum pensionable earnings (“YMPE”), and 14.47% thereafter. Employees of the Authority are required to make current service contributions of 9.43% of pensionable salary up to the YMPE, and 13.47% thereafter. Contributions for current services are recorded as expenditures in the year in which they become due.

Total current service contributions, as reflected in the administrative and general, marketing and operations and maintenance expenses in the statement of revenue, expenses and operating reserve by the Authority to the LAPP in 2013, were $554,916 (2012 - $524,504). Total current service contributions by the employees of the Authority to the LAPP in 2013 were $506,572 (2012 - $466,648).

9. Accounts payable and accrued liabilities

In accordance with the Meetings, Conventions and Incentive Travel marketing funding and management agreement (the “Agreement”) between the Calgary Hotel Association and the Authority, the Calgary Hotel Association advances funds to the Authority to fund incentive payments for future events through Meetings & Conventions Calgary as well as to cover operating expenses incurred by the Authority. As at December 31, 2013, an amount of $2,842,301 (2012 - $2,035,095) advanced by the Calgary Hotel Association is included in accounts payable and accrued liabilities as well as in cash and investments to be used by the Authority in accordance with the Agreement as described above.

10. Financial instruments

The Authority’s financial instruments are cash and cash equivalents, accounts receivable, due from The City of Calgary - major replacement reserve, investments, accounts payable and accrued liabilities, and client deposits. The carrying values of these items approximate their fair values due to their short-term nature.

The Authority’s financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash is placed with major financial institutions. Concentration of credit risk with respect to receivables is limited due to the large number of customers and their dispersion across geographic areas.

11. Major capital additions

During the year, the Authority incurred $838,872 (2012 - $951,766) in expenditures for major capital additions, which have been capitalized as renovations, building enhancements and equipment. Of this amount, $247,737 (2012 - $574,385) was funded by the Authority’s operating reserve and $229,142 (2012 - $189,433) was funded by the Authority’s major replacement reserve. The balance was funded through The City’s CPRiiP (Culture Parks Recreation Infrastructure Investment Fund) Program $72,053 (2012 - $187,948), The City’s Municipal Sustainability Initiative Fund $189,890, and through the Government of Canada Western Economic Diversification Fund $100,050.

12. 2013 budget - unaudited

The budgeted amounts presented in the financial statements are based on operating and capital budgets approved by the board of directors.