
Financial statements of The Calgary Convention Centre Authority

December 31, 2017

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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, 2017, 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, 2017 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.

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants
May 3, 2018

The Calgary Convention Centre Authority
Statement of financial position
as at December 31, 2017

	Notes	2017 \$	2016 \$
Financial assets			
Cash and cash equivalents		2,290,446	1,348,007
Restricted cash	12	106,313	67,441
Accounts receivable		1,658,257	2,231,537
Due from The City of Calgary - major replacement reserve		194,941	241,777
Investments	5	1,160,627	5,149,219
		5,410,584	9,037,981
Financial liabilities			
Accounts payable and accrued liabilities	8 and 12	3,246,098	4,706,268
Client deposits		1,822,965	2,205,984
		5,069,063	6,912,252
Net financial assets		341,521	2,125,729
Non-financial assets			
Tangible capital assets	6	4,645,167	2,274,986
Prepaid expenses		97,097	81,217
		4,742,264	2,356,203
Accumulated surplus is represented by			
Major replacement reserve	4	20,030	14,942
Operating reserve		5,063,755	4,466,990
		5,083,785	4,481,932

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

Approved by the Board



Director



Director

The Calgary Convention Centre Authority

Statement of revenue, expenses and operating reserve

year ended December 31, 2017

	Notes		2017	2016
		Budget (Note 11)		
		\$	\$	\$
Revenue				
Operating	12	21,013,072	19,145,823	18,291,022
Grants from The City of Calgary		1,878,170	1,878,171	1,817,137
		22,891,242	21,023,994	20,108,159
Expenses				
Administrative and general		2,101,952	1,993,086	2,516,636
Amortization		1,155,672	734,704	677,160
Marketing		1,362,225	1,346,395	1,262,522
Operations and maintenance	12	17,471,864	16,345,994	15,783,206
		22,091,713	20,420,179	20,239,524
Operating surplus before the undernoted		799,529	603,815	(131,365)
Major replacement reserve	4 and 10	—	(5,088)	46,836
Loss on disposal of tangible capital assets		—	(1,962)	(282)
Operating surplus (deficit) for the year		799,529	596,765	(84,811)
Operating reserve, beginning of year		4,466,990	4,466,990	4,551,801
Operating reserve, end of year		5,266,519	5,063,755	4,466,990

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

The Calgary Convention Centre Authority
Statement of changes in net financial assets
year ended December 31, 2017

	2017	2016
	\$	\$
Operating surplus (deficit) for the year	596,765	(84,811)
Amortization	734,704	677,160
Write-off of tangible capital assets	1,962	282
Proceeds from disposal of tangible capital assets	69,803	-
Change in prepaid expenses	(15,880)	(26,634)
Allocation to major replacement reserve	180,000	180,000
Usage of major replacement reserve	(174,912)	(226,836)
Purchases of tangible capital assets	(3,176,650)	(464,490)
Increase in net financial assets	(1,784,208)	54,671
Net financial assets, beginning of year	2,125,729	2,071,058
Net financial assets, end of year	341,521	2,125,729

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

The Calgary Convention Centre Authority
Statement of cash flows
year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Operating surplus (deficit) for the year	596,765	(84,811)
Items not affecting cash and equivalents		
Amortization	734,704	677,160
Loss on disposal of tangible capital assets	1,962	282
	1,333,431	592,631
Changes in non-cash working capital		
Accounts receivable	573,280	(949,888)
Accounts payable and accrued liabilities	(1,752,325)	(139,304)
Client deposits	(383,019)	65,666
Prepaid expenses	(15,880)	(26,634)
Major replacement reserve	5,088	(46,836)
	(239,425)	(504,365)
Investing activities		
Purchases of tangible capital assets	(3,176,650)	(464,490)
Proceeds from disposal of tangible capital assets	69,803	-
Change in restricted cash	(38,872)	21,464
Purchases of short-term investments	(1,919,166)	(4,701,863)
Proceeds from disposal of short-term investments	5,907,758	6,960,035
Changes in non-cash working capital		
Due from The City of Calgary - major replacement reserve	46,836	(28,673)
Accounts payable and accrued liabilities	292,155	200,990
	1,181,864	(1,552,748)
Net increase (decrease) in cash and cash equivalents	942,439	(2,057,113)
Cash and cash equivalents, beginning of year	1,348,007	3,405,120
Cash and cash equivalents, end of year	2,290,446	1,348,007
Represented by		
Cash	401,776	1,348,007
Cash equivalents	1,888,670	—
	2,290,446	1,348,007

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2017

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. Significant accounting policies

These financial statements are prepared in accordance with Canadian public sector accounting standards ("PSAS"). The Authority's significant accounting policies are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits in bank accounts at Canadian financial institutions and short-term investments with maturities of a short-term nature, usually less than 90 days.

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.

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.

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

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2017

2. Significant accounting policies (continued)

Tangible capital assets (continued)

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 PSAS, 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.

3. 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 1.57%% (2016 - 1.32%) per annum. As at December 31, 2017, the Authority held \$1,888,670 (2016 - \$938,412) in short-term GICs and \$1,160,627 (2016 - \$4,210,807) in long-term GICs (Note 5).

4. Major replacement reserve

The Authority records an annual appropriation for facility refurbishment and major renovations. The appropriation for the year totalled \$180,000 (2016 - \$180,000).

	Notes	2017	2016
		\$	\$
Balance, beginning of year		14,942	61,778
Increase in provision for the year		180,000	180,000
Major replacement expenditures	10	(174,912)	(226,836)
Balance, end of year		20,030	14,942

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2017

5. Investments

Investments consist of GICs with a maturity date not greater than five years from December 31, 2017 bearing interest from 1.10% to 2.00% (2016 - 0.60% to 1.75%) per annum. The fair value of the investments has been determined to be the principal plus interest earned to date.

	2017	
	Cost	Accrued interest
	\$	\$
Rate Riser Plus GIC 0036	597,500	32,352
Rate Riser Plus GIC 0038	506,250	24,525
	1,103,750	56,877
		1,160,627

	2016	
	Cost	Accrued interest
	\$	\$
Rate Riser Plus GIC 0036	597,500	20,847
Rate Riser Plus GIC 0037	597,500	20,847
Rate Riser Plus GIC 0038	506,250	16,138
Rate Riser Plus GIC 0041	610,000	12,662
Rate Riser Plus GIC 0042	610,000	12,662
Variable Rate GIC	1,200,000	6,400
Variable Rate GIC	415,000	1,660
Variable Rate GIC	521,294	459
	5,057,544	91,675
		5,149,219

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2017

6. 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, which was renewed on January 22, 2018 and is scheduled for renewal on January 22, 2021. The contract has a nominal fee, the cost of which has been recorded through operations and maintenance expense.

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Renovations	6,827,559	6,637,411	190,148
Building enhancements	2,125,156	856,621	1,268,535
Computer equipment	522,743	406,082	116,661
Other equipment	5,143,454	2,073,631	3,069,823
	14,618,912	9,973,745	4,645,167

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Renovations	7,368,693	6,951,422	417,271
Building enhancements	1,331,813	737,823	593,990
Computer equipment	712,416	607,920	104,496
Other equipment	3,259,927	2,100,698	1,159,229
	12,672,849	10,397,863	2,274,986

7. 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, 2016 audited financial statements), in total, the LAPP had an actuarial deficit of \$637 million (2015 - \$923 million).

The Authority is required to make current service contributions to the LAPP of 11.39% of pensionable payroll up to the yearly maximum pensionable earnings ("YMPE"), and 15.84% thereafter. Employees of the Authority are required to make current service contributions of 10.39% of pensionable salary up to the YMPE, and 14.84% 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 during the year, were \$592,119 (2016 - \$588,447). Total current service contributions by the employees of the Authority to the LAPP for the year were \$544,579 (2016 - \$541,245).

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2017

8. Accounts payable and accrued liabilities

In accordance with the Meetings, Conventions and Incentive Travel ("MC&IT") 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, 2017, an amount of \$221,472 (2016 - \$1,751,807) advanced by the Calgary Hotel Association is included in accounts payable and accrued liabilities as well as in cash and cash equivalents and investments to be used by the Authority in accordance with the Agreement as described above. Of the funds held, the amount held by the Authority for incentive funding is \$182,094 (2016 - \$1,726,496) and the amount held by the Authority for future operating expenses is \$39,378 (2016 - \$25,311).

During the year, the Authority disbursed from the incentive funds \$753,714 (2016 - \$467,455) to events held in the city, returned \$800,000 (2016 - \$Nil) to the Calgary Hotel Association and earned \$9,312 (2016 - \$25,527) in interest on the funds held. The Authority has committed on behalf of the Calgary Hotel Association a total of \$2,741,695 (2016 - \$2,734,653) for future events to be paid out over the years 2018 to 2025. Funding for the commitments that have been made on behalf of the Calgary Hotel Association for future events will be funded on an as needed basis.

9. 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.

10. Major capital additions

During the year, the Authority incurred \$3,176,650 (2016 - \$464,490) in expenditures for major capital additions, which have been capitalized as renovations, building enhancements and equipment. Of this amount, \$1,665,022 (2016 - \$237,654) was funded by the Authority's operating reserve and \$174,912 (2016 - \$226,836) was funded by the Authority's major replacement reserve. \$1,336,716 (2016 - \$656,867) was applied for and funded through The City's CPRiIP (Culture Parks Recreation Infrastructure Investment Fund) Program for the capital additions made in 2017.

11. 2017 Budget

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

The Calgary Convention Centre Authority
Notes to the financial statements
December 31, 2017

12. Calgary Convention Centre Authority responsibilities

Glenbow Museum

Through an agreement with The City, the Authority provides maintenance, engineering, housekeeping and capital project supervision for the Glenbow Museum. Expenses of \$1,289,330 (2016 - \$1,328,403) incurred in provision of these services are included in the expenses of the Authority. Recovery of the expenses plus a management fee of \$87,000 (2016 - \$87,000) totalling \$1,375,980 (2016 - \$1,415,554) are included in operating revenue of the Authority. Capital projects supervised by the Authority totalled \$7,880 (2016 - \$ Nil) during the year.

Retail spaces, North Building

The Authority provides basic property management services for the retail spaces and parkade in the north building. Expenses of \$418,271 (2016 - \$427,576) incurred in provision of these services are included in the expenses of the Authority. Recovery of the expenses plus a management fee \$455,655 (2016 - \$458,508) are included in operating revenue of the Authority.

Meetings & Conventions Calgary

Through an agreement with the Calgary Hotel Association, the Authority provides management and operation of destination sales and marketing for MC&IT. Expenses of \$2,904,914 (2016 - \$2,955,401) incurred in provision of these services are included in the expenses of the Authority. Funding to cover these expenses \$2,904,914 (2016 - \$2,955,401) is reported net of expenses. Pursuant to the agreement, effective January 1, 2014 the Authority charges an administration/marketing fee for management and operation of the program. The fee of \$185,964 (2016 - \$185,964) is included in the operating revenue of the Authority.

Convention Centres of Canada

The Authority holds and administers the restricted funds of the Convention Centres of Canada, an affiliation of 21 major Canadian convention centres. As at December 31, 2017, an amount of \$67,246 (2016 - \$45,874) is included in accounts payable and accrued liabilities as well as restricted cash.

Energy Cities Alliance

The Authority holds and administers the restricted funds of the Energy Cities Alliance, a marketing partnership of convention centres. As at December 31, 2017, an amount of \$9,689 (2016 - \$21,567) is included in accounts payable and accrued liabilities as well as restricted cash.

13. Commitments

As of December 31, 2017, the Authority has commitments related to the lease of office equipment payable within the next three years as follows.

	\$
2018	21,159
2019	19,335
2020	<u>8,756</u>

