

CALGARY CONVENTION CENTRE AUTHORITY

2016 FINANCIAL STATEMENTS

Financial statements of

**The Calgary Convention
Centre Authority**

December 31, 2016

The Calgary Convention Centre Authority

December 31, 2016

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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, 2016, 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, 2016 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 Professional Accountants
June 7, 2017

The Calgary Convention Centre Authority

Statement of financial position as at December 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	1,348,007	3,405,120
Restricted cash (Note 12)	67,441	88,905
Accounts receivable	2,231,537	1,281,649
Due from The City of Calgary - major replacement reserve	241,777	213,104
Investments (Note 5)	5,149,219	3,867,180
	9,037,981	8,855,958
Financial liabilities		
Accounts payable and accrued liabilities (Notes 8 and 12)	4,706,268	4,644,582
Client deposits	2,205,984	2,140,318
	6,912,252	6,784,900
Net financial assets	2,125,729	2,071,058
Non-financial assets		
Tangible capital assets (Note 6)	2,274,986	2,487,938
Prepaid expenses	81,217	54,583
	2,356,203	2,542,521
Accumulated surplus is represented by		
Major replacement reserve (Note 4)	14,942	61,778
Operating reserve	4,466,990	4,551,801
	4,481,932	4,613,579

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, 2016

		2016	2015
	Budget (Note 11)		
	\$	\$	\$
Revenue			
Operating (Note 12)	21,307,747	18,291,022	21,470,498
Grants from The City of Calgary	1,817,136	1,817,137	1,758,207
	23,124,883	20,108,159	23,228,705
Expenses			
Administrative and general	2,392,078	2,516,636	2,057,680
Amortization	656,220	677,160	553,195
Marketing	1,549,791	1,262,522	1,279,814
Operations and maintenance (Note 12)	19,254,374	15,783,206	18,984,662
	23,852,463	20,239,524	22,875,351
Operating surplus before the undernoted	(727,580)	(131,365)	353,354
Major replacement reserve (Notes 4 and 10)	-	46,836	(28,673)
Write-off of tangible capital assets	-	(282)	(29,448)
Operating (deficit) surplus for the year	(727,580)	(84,811)	295,233
Operating reserve, beginning of year	4,551,801	4,551,801	4,256,568
Operating reserve, end of year	3,824,221	4,466,990	4,551,801

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, 2016

	2016	2015
	\$	\$
Operating (deficit) surplus for the year	(84,811)	295,233
Amortization	677,160	553,195
Write-off of tangible capital assets	282	29,448
Change in prepaid expenses	(26,634)	15,116
Allocation to major replacement reserve	180,000	180,000
Usage of major replacement reserve	(226,836)	(151,327)
Purchases of tangible capital assets	(464,490)	(763,664)
Increase in net financial assets	54,671	158,001
Net financial assets, beginning of year	2,071,058	1,913,057
Net financial assets, end of year	2,125,729	2,071,058

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, 2016

	2016	2015
	\$	\$
Operating activities		
Operating (deficit) surplus for the year	(84,811)	295,233
Items not affecting cash and equivalents		
Amortization	677,160	553,195
Write-off of tangible capital assets	282	29,448
	592,631	877,876
Changes in non-cash working capital		
Accounts receivable	(949,888)	870,128
Accounts payable and accrued liabilities	(139,304)	(1,538,287)
Client deposits	65,666	(46,668)
Prepaid expenses	(26,634)	15,116
Major replacement reserve	(46,836)	28,673
	(504,365)	206,838
Investing activities		
Purchases of tangible capital assets	(464,490)	(763,664)
Change in restricted cash	21,464	8,925
Proceeds from short-term investments, net of purchases	(1,282,039)	2,070,529
Changes in non-cash working capital		
Due from The City of Calgary - major replacement reserve	(28,673)	40,288
Accounts payable and accrued liabilities	200,990	13,684
	(1,552,748)	1,369,762
Net (decrease) increase in cash and cash equivalents	(2,057,113)	1,576,600
Cash and cash equivalents, beginning of year	3,405,120	1,828,520
Cash and cash equivalents, end of year	1,348,007	3,405,120

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, 2016

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

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.

The Calgary Convention Centre Authority

Notes to the financial statements

December 31, 2016

2. Significant accounting policies (continued)

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 1.32% (2015 - 1.24%) per annum. As at December 31, 2016, the Authority held \$938,412 (2015 - \$3,540,211) in short-term GICs and \$4,210,807 (2015 - \$3,867,180) 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 (2015 - \$180,000).

	2016	2015
	\$	\$
Balance, beginning of year	61,778	33,105
Increase in provision for the year	180,000	180,000
Major replacement expenditures (Note 10)	(226,836)	(151,327)
Balance, end of year	14,942	61,778

5. Investments

Investments consist of GICs with a maturity date not greater than five years from December 31, 2016 bearing interest from 0.60% to 1.75% (2015 - 0.90% to 1.60%) per annum. The fair value of the investments has been determined to be the principal plus interest earned to date.

The Calgary Convention Centre Authority

Notes to the financial statements

December 31, 2016

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, 2015 and is scheduled for renewal on January 22, 2018. The contract has a nominal fee, the cost of which has been recorded through operations and maintenance expense.

			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

			2015
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Renovations	7,352,791	6,724,300	628,491
Building enhancements	1,288,881	596,652	692,229
Computer equipment	647,764	558,024	89,740
Other equipment	2,945,195	1,867,717	1,077,478
	12,234,631	9,746,693	2,487,938

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, 2015 audited financial statements), in total, the LAPP had an actuarial deficit of \$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 \$588,447 (2015 - \$640,152). Total current service contributions by the employees of the Authority to the LAPP for the year were \$541,245 (2015 - \$588,776).

The Calgary Convention Centre Authority

Notes to the financial statements

December 31, 2016

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, 2016, an amount of \$1,751,807 (2015 - \$2,204,771) 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.

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 \$464,490 (2015 - \$763,664) in expenditures for major capital additions, which have been capitalized as renovations, building enhancements and equipment. Of this amount, \$237,654 (2015 - \$279,606) was funded by the Authority's operating reserve and \$226,836 (2015 - \$151,327) was funded by the Authority's major replacement reserve. \$656,867 (2015 - \$332,731) was applied for and funded through The City's CPRiP (Culture Parks Recreation Infrastructure Investment Fund) Program for the capital additions to be made in 2017 (Note 13).

11. 2016 Budget

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

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 \$1,328,403 (2015 - \$1,515,635) incurred in provision of these services are included in the expenses of the Authority. Recovery of the expenses plus a management fee of \$1,415,554 (2015 - \$1,602,635) are included in operating revenue of the Authority. Capital projects supervised by the Authority totalled \$Nil (2015 - \$148,194) 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 \$427,576 (2015 - \$458,581) incurred in provision of these services are included in the expenses of the Authority. Recovery of the expenses plus a management fee \$458,508 (2015 - \$499,919) are included in operating revenue of the Authority.

The Calgary Convention Centre Authority

Notes to the financial statements

December 31, 2016

12. Calgary Convention Centre Authority responsibilities (continued)

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 \$2,955,401 (2015 - \$3,084,251) incurred in provision of these services are included in the expenses of the Authority. Funding to cover these expenses \$2,955,401 (2015 - \$3,084,251) 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 (2015 - \$181,851) 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, 2016, an amount of \$45,874 (2015 - \$53,071) 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, 2016, an amount of \$21,567 (2015 - \$35,834) is included in accounts payable and accrued liabilities as well as restricted cash.

13. Commitments

As of December 31, 2016, the Authority made commitments of \$856,250 related to upgrades for the Convention Centre which are expected to be paid in 2017.