Financial statements of
The Calgary Convention Centre Authority

December 31, 2023

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Independent Auditor's Report

To the Directors of
The Calgary Convention Centre Authority

Opinion

We have audited the financial statements of The Calgary Convention Centre Authority (the "Authority") which comprise the statement of financial position as at December 31, 2023 and the statements of revenue, expense and operating reserve, change in net financial liabilities and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2023 and the results of its operations, changes in its net financial liabilities and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Authority 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 PSAS 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 Authority'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 Authority or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 GAAS 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 GAAS, 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 Authority’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 Authority’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 Authority 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.

Deloitte LLP

Chartered Professional Accountants
May 22, 2024

The Calgary Convention Centre Authority
Statement of financial position
As at December 31, 2023

	Notes	2023 $	2022 $
Financial assets			
Cash and cash equivalents	3	**713,652**	1,679,219
Accounts receivable		**1,734,907**	1,742,557
Due from The City of Calgary - major replacement reserve	4	**260,582**	476,807
Investments	5/3	**2,508,948**	2,130,127
		5,218,089	6,028,710
Financial liabilities			
Accounts payable and accrued liabilities		**4,306,019**	3,914,903
Client deposits		**2,331,286**	2,205,868
Lease obligations	14	**—**	8,822
		6,637,305	6,129,593
Net financial liabilities		**(1,419,216)**	(100,883)
Non-financial assets			
Tangible capital assets	6	**13,030,211**	13,044,784
Prepaid expenses		**352,790**	344,833
		13,383,001	13,389,617
Accumulated surplus is represented by			
Major replacement reserve	4	**260,582**	476,807
Operating reserve		**11,703,203**	12,811,927
		11,963,785	13,288,734

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

Approved by the Board

____________________, Wellington Holbrook, Director

____________________, Rob Palmer, Director

The Calgary Convention Centre Authority
Statement of revenue, expense and operating reserve
Year ended December 31, 2023

	Notes	2023 Budget $ (Note 11)	2023 Actual $	2022 Actual $
Revenue				
Operating	12	**20,197,512**	**23,467,591**	17,103,295
The City of Calgary – Operating		**3,194,765**	**2,935,672**	1,795,192
The City of Calgary – COFLEX		**—**	**—**	1,500,000
The City of Calgary – Capital	4, 10	**3,544,005**	**2,877,736**	2,262,819
		26,936,282	**29,280,999**	22,661,306
Expenses				
Administrative and general		**3,532,210**	**4,239,144**	3,291,924
Amortization		**3,478,372**	**2,891,600**	2,837,137
Marketing		**1,635,534**	**1,668,493**	1,188,730
Operations and maintenance	12	**17,986,456**	**21,590,486**	15,834,786
		26,632,572	**30,389,723**	23,152,577
Operating deficiency before the undernoted		**303,710**	**(1,108,724)**	(491,271)
Loss on disposal of tangible capital assets		**—**	**—**	(3,288)
Operating (deficiency) for the year		**303,710**	**(1,108,724)**	(494,559)
Operating reserve, beginning of year		**12,811,927**	**12,811,927**	13,306,486
Operating reserve, end of year		**13,115,637**	**11,703,203**	12,811,927

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

The Calgary Convention Centre Authority

Statement of change in net financial (liabilities) assets

Year ended December 31, 2023

	Notes	2023 Budget $ (Note 11)	2023 $	2022 $
Operating (deficiency) surplus for the year		**303,710**	**(1,108,724)**	(494,559)
Amortization	6	**3,478,372**	**2,891,600**	2,837,137
Change in prepaid expenses		**—**	**(7,957)**	(176,331)
Loss from disposal of tangible capital assets		**—**	**—**	3,288
Allocation to major replacement reserve	4	**—**	**180,000**	180,000
Use of major replacement reserve	4	**—**	**(396,225)**	(276,299)
Purchases of tangible capital assets	6	**(3,228,000)**	**(2,877,027)**	(2,187,913)
(Increase) decrease in net financial (liabilities) assets		**554,082**	**(1,318,333)**	(114,677)
Net financial (liabilities) assets, beginning of year		**(100,883)**	**(100,883)**	13,794
Net financial liabilities, end of year		**453,199**	**(1,419,216)**	(100,883)

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

The Calgary Convention Centre Authority
Statement of cash flows
Year ended December 31, 2023

	Notes	2023 $	2022 $
Operating activities			
Operating deficiency for the year		**(1,108,724)**	(494,559)
Items not affecting cash and equivalents			
Amortization	6	**2,891,600**	2,837,137
Loss on disposal of tangible capital asset		**—**	3,288
		1,782,876	2,345,866
Changes in non-cash working capital			
Accounts receivable		**7,650**	(438,955)
Accounts payable and accrued liabilities		**(561,586)**	811,646
Client deposits		**125,418**	(712,532)
Lease obligations		**(8,822)**	(116,928)
Prepaid expenses		**(7,957)**	(176,331)
Major replacement reserve		**(216,225)**	(96,299)
		1,121,354	1,616,467
Capital activities			
Purchases of tangible capital assets	6	**(2,877,027)**	(2,187,913)
Accounts payable and accrued liabilities		**952,703**	524,523
		(1,924,324)	(1,663,390)
Investing activities			
Net purchases of investments		**(378,822)**	(20,886)
Changes in non-cash working capital			
Due from The City of Calgary - major replacement reserve		**216,225**	96,299
		(162,597)	75,413
Net (decrease) increase in cash and cash equivalents		**(965,567)**	28,490
Cash and cash equivalents, beginning of year		**1,679,219**	1,650,729
Cash and cash equivalents, end of year		**713,652**	1,679,219
Represented by			
Cash		**713,652**	1,345,552
Cash equivalents	3	**—**	333,667
		713,652	1,679,219

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

1. The Calgary Convention Centre Authority

The Calgary Convention Centre Authority ("the Authority") is incorporated under the laws of the province of Alberta and operates 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 from December 31, 2023.

Investments

Investments represent Guaranteed Investment Certificates ("GIC") with maturities greater than 90 days from December 31, 2023. 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

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.

Adoption of new accounting standards

As at January 1, 2023 The Authority was required to adopt PS3280 - Asset Retirement Obligations ("ARO") effective January 1, 2023. This standard provides guidance over the reporting of legal obligations associated with the retirement of capital assets that are either currently in productive use or no longer in productive use and controlled by the entity, and the costs associated with the retirement of these assets.

Based on management's assessment, the adoption of this standard did not impact the Authority's financial statements.

Future accounting pronouncements

The following new accounting standards were issued by the Public Sector Accounting Board ("PSAB"). The Authority continues to assess the impacts of the standards.

Effective for fiscal years beginning on or after April 1, 2023

PS 3400 Revenue provides guidance on the recognition of revenue that distinguishes between revenue that arises from transactions that include performance obligations and from transactions that do not have performance obligations. This standard will be effective for the Authority on January 1, 2024.

Purchased Intangibles (Public Sector Guideline-8) provides guidance on the recognition and reporting of purchased intangibles acquired through arm's length exchange transactions. This standard will be effective for the Authority on January 1, 2024.

Management is currently assessing the impact of the above standards on the Authority's financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term GICs with maturities of 90 days or less as at the year ended December 31, 2023 and are recorded at fair value. The effective interest rate on the GICs held during the year was 2.92% (2022 - 1.73%) per annum. As at December 31, 2023, the Authority held $Nil (2022 - $333,667) in short-term GICs and $2,508,948 (2022 - $2,130,127) 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 totaled $180,000 (2022 - $180,000).

	2023 $	2022 $
Balance, beginning of year	**476,807**	573,106
Increase in provision for the year	**180,000**	180,000
Major replacement expenditures	**(396,225)**	(276,299)
Balance, end of year	**260,582**	476,807

5. Investments

Investments consist of GICs with a maturity date not greater than five years from December 31, 2023 bearing interest from 1.15% to 5.45% (2022 – 1.15% to 5.45%) per annum. The fair value of the investments has been determined to be the principal plus interest earned to date.

	Cost $	**Accrued Interest $**	**2023 Fair Value $**
Rate Riser Plus GIC 0044	**655,787**	**5,283**	**661,070**
Fixed Rate GIC 0041	**973,688**	**41,804**	**1,015,492**
Variable Rate GIC 0042	**782,269**	**50,117**	**832,386**
	2,411,744	**97,204**	**2,508,948**

	Cost $	Accrued Interest $	2022 Fair Value $
Rate Riser Plus GIC 0044	655,787	3,643	659,430
Fixed Rate GIC 0041	653,689	15,087	668,776
Variable Rate GIC 0042	782,269	19,652	801,921
	2,091,745	38,382	2,130,127

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, 2021 and is scheduled for renewal automatically on January 22, 2024. The contract has a nominal fee, the cost of which has been recorded through operations and maintenance expense. Capital leases of $111,655 (2022 - $155,948) are included in other equipment. Assets under construction include $1,479,991 (2022 – $574,544) for which no amortization has been charged.

	2023 Opening Net book Value	**Additions**	**Transfers**	**Disposals**	**Amortization**	**2023 Closing Net book Value**
	$	**$**	**$**	**$**	**$**	**$**
Assets under construction	**574,545**	**2,877,027**	**(1,971,579)**	—	—	**1,479,993**
Building enhancements	**5,858,555**	—	**1,191,446**	—	**1,270,139**	**5,779,862**
Computer equipment	**436,174**	—	**89,668**	—	**260,903**	**264,939**
Other equipment	**6,175,510**	—	**690,465**	—	**1,360,558**	**5,505,417**
	13,044,784	**2,877,027**	**—**	—	**2,891,600**	**13,030,211**

	2022 Opening Net book Value	Additions	Transfers	Disposals	Amortization	2022 Closing Net book Value
	$	$	$	$	$	$
Assets under construction	1,860,076	2,003,093	(3,288,624)	—	—	574,545
Building enhancements	4,886,244	137,070	2,045,996	—	1,210,755	5,858,555
Computer equipment	83,193	8,975	504,132	—	160,126	436,174
Other equipment	6,867,783	38,775	738,496	(3,288)	1,466,256	6,175,510
	13,697,296	2,187,913	—	(3,288)	2,837,137	13,044,784

7. Bank Indebtedness

The Authority has an operating demand loan facility to a maximum of $3,500,000 (2022 $3,500,000). This facility is secured by GICs in the amount of $2,400,000 and a Registered General Security Agreement. The interest rate on the facility fluctuates with the Bank of Montreal's prime rate per annum. At December 31, 2023, the balance of the facility was $Nil (2022 – $Nil).

The total bank indebtedness at December 31, 2023 was $Nil (2022 - $Nil).

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, 2022 audited financial statements), in total, the LAPP had an actuarial surplus of $12.7 billion (2021 - Surplus of $11.9 billion). The surplus applies to the entire plan and the Authority's portion cannot be determined.
The Authority is required to make current service contributions to the LAPP of 8.45% of pensionable payroll up to the yearly maximum pensionable earnings ("YMPE"), and 12.23% thereafter. Employees of the Authority are required to make current service contributions of 7.45% of pensionable salary up to the YMPE, and 11.23% 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 $504,327 (2022 - $416,743). Total current service contributions by the employees of the Authority to the LAPP for the year were $449,241 (2022 - $371,725).

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, bank indebtedness, accounts payable and accrued liabilities, and client deposits.

Except for investments quoted in an active market that are recorded at fair value, all financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of these investments upon initial recognition and amortized using the effective interest rate method. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of revenue, expense and operating reserve. Interest and dividends attributable to financial instruments are reported in the statement of revenue, expense and operating reserve. There are no measurement gains or losses during the periods presented; therefore, no statement of remeasurement gains or losses is included in these financial statements.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

All financial instruments measured at fair value must be classified into one of the following levels:

- Level 1 – Quoted prices in active markets for identical assets/liabilities
- Level 2 – Inputs other than those in Level 1, that are either directly or indirectly observable for the assets or liability; and
- Level 3 – inputs that are not based on observable market data

Investments are classified as Level 1 financial instruments. There have not been significant transfers of financial instruments between categories.

Interest Rate Risk

Interest rate risk reflects the sensitivity of the Authority's financial results and condition to movements in interest rates. Interest rate risk is limited to the line of credit which bears interest at the prime rate (Note 7).

Credit Risk

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.

Liquidity Risk

Liquidity risk is the risk that the Authority will be unable to meet its contractual cash outflow obligations as they come due. The Authority mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash on hand. Contractual obligations related to accounts payable and accruals are due within 12 months.

10. Major capital additions

During the year, the Authority incurred $2,877,736 (2022 - $2,262,819) in expenditures for major capital additions, which have been capitalized as building enhancements and equipment. $2,481,511 (2022 - $1,986,520) was applied for and funded through The City's Convention Centre Lifecycle Program for the capital additions made in 2023. This amount has been recognized in operating revenues in the statement of revenue, expense and operating reserve. $396,225 (2022 - $276,299) was funded through the Major Replacement Reserve, see Note 4.

11. 2023 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 $1,336,150 (2022 - $1,321,209) 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 (2022 - $87,000) totaling $1,423,150 (2022 - $1,408,209) are included in operating revenue of the Authority.

Retail spaces, North Building

The Authority provides basic property management services for the retail spaces and parkade in the north building to the City of Calgary Real Estate and Development Services and the

Calgary Parking Authority respectively. Expenses of $364,007 (2022 - $275,188) incurred in provision of these services are included in the expenses of the Authority. Recovery of the expenses plus a management fee of $394,690 (2022 - $289,574) are included in operating revenue of the Authority.

13. Commitments

As of December 31, 2023, the Authority has commitments related to the lease of office equipment, furniture, housekeeping equipment, and communications equipment payable within the next four years as follows:

	$
2024	15,000
2025	7,830
2026	165
2027	-
	22,995

14. Capital lease obligations

As of December 31, 2023 the Authority has the following capital lease obligations.

	2023	2022
	$	$
Obligation under capital lease for floor scrubber with interest at a rate of 6.990%, matured on July 1, 2023	**–**	8,822
	–	8,822
Less current portion	**–**	8,822
	–	–

15. Contractual rights

Contractual rights are rights of the Authority to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contract or agreements are met. As of December 31, 2023 the Authority has the following contractual rights.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Lease of Space or Equipment	Licensing payments	Total
	$	$	$
2024	20,000	177,000	197,000
2025	20,000	175,000	195,000
2026	20,000	175,000	195,000
2027	20,000	122,917	142,917
2028	20,000	50,000	70,000
Thereafter	48,333	550,000	598,333
	148,333	1,249,917	1,398,250