



Tourism Vancouver

2016 AUDITED FINANCIAL STATEMENTS



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Independent Auditors' Report

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Year ended December 31, 2016

To the Members of Metro Vancouver Convention and Visitors Bureau

We have audited the accompanying financial statements of Metro Vancouver Convention and Visitors Bureau, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditors' 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 our 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, we consider internal controls 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 Metro Vancouver Convention and Visitors Bureau as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants

May 30, 2017
Vancouver, Canada

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and short-term deposits	\$ 7,769,127	\$ 5,455,614
Room tax receivable	2,559,825	2,298,724
Accounts receivable	325,010	205,076
Prepaid expenses and other assets	364,258	201,248
Pension investments (note 4)	134,458	124,696
	<u>11,152,678</u>	<u>8,285,358</u>
Investments restricted for business continuity fund (note 5)	4,304,763	2,160,770
Capital and intangible assets (note 3)	557,998	630,346
Pension investments (note 4)	268,915	374,087
	<u>\$ 16,284,354</u>	<u>\$ 11,450,561</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,939,521	\$ 2,712,261
Unearned membership dues and other revenues	220,401	754,009
Pension obligations (note 4)	134,458	124,696
	<u>4,294,380</u>	<u>3,590,966</u>
Pension obligations (note 4)	268,915	374,087
	<u>4,563,295</u>	<u>3,965,053</u>
Net assets:		
Internally restricted net assets (note 5):		
Business continuity fund	4,304,763	2,160,770
Program designated	7,259,181	5,167,623
Unrestricted net assets	157,115	157,115
	<u>11,721,059</u>	<u>7,485,508</u>
	<u>\$ 16,284,354</u>	<u>\$ 11,450,561</u>

Commitments and contingencies (note 4 and 6)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Michael Cameron, Chair

Director



Marion Harper Treskin

Director

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Room tax	\$ 23,048,910	\$ 15,978,427
Less: Provincial contributions (note 6(c))	(7,684,507)	(5,753,953)
	15,364,403	10,224,474
Program generated revenues:		
Experience Vancouver	779,009	751,338
Meetings and convention sales	176,414	192,068
Leisure travel trade and consumer sales	58,017	31,455
Membership dues and events	976,026	907,420
Marketing communication and corporate sponsorship	263,752	159,536
Interest and other	110,649	130,319
	2,363,867	2,172,136
	17,728,270	12,396,610
Expenditures:		
Sales, marketing and servicing:		
Meetings and convention sales	3,731,831	3,623,242
Leisure travel trade and consumer sales	3,179,019	2,045,295
Marketing communication and corporate sponsorship	2,002,246	1,736,387
Experience Vancouver	1,307,430	1,653,201
	10,220,526	9,058,125
Destination development:		
Membership	663,853	661,009
Industry and destination development	364,505	195,725
Events and community development	486,001	101,225
	1,514,359	957,959
Corporate planning and services:		
Finance, administration, human resources and technology	1,607,834	1,567,198
Amortization	150,000	102,698
	1,757,834	1,669,896
	13,492,719	11,685,980
Surplus of revenues over expenditures for the year	4,235,551	710,630
Net assets, beginning of year	7,485,508	6,774,878
Net assets, end of year	\$ 11,721,059	\$ 7,485,508

See accompanying notes to financial statements.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	Internally restricted			2016	2015
	Program designated	Business continuity fund	Unrestricted		
Balance, beginning of year	\$ 5,167,623	\$ 2,160,770	\$ 157,115	\$ 7,485,508	\$ 6,774,878
Surplus of revenues over expenditures	(250,000)	-	4,485,551	4,235,551	710,630
Amounts internally restricted during the year	2,341,558	2,143,993	(4,485,551)	-	-
Balance, end of year	\$ 7,259,181	\$ 4,304,763	\$ 157,115	\$ 11,721,059	\$ 7,485,508

See accompanying notes to financial statements.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Surplus of revenues over expenditures	\$ 4,235,551	\$ 710,630
Amortization, an item not affecting cash	150,000	102,698
Changes in non-cash operating accounts:		
Investments restricted for business continuity fund	(2,143,993)	(55,191)
Hotel room tax receivable	(261,101)	(866,698)
Accounts receivable	(119,934)	(101,339)
Prepaid expenses and other assets	(163,010)	(30,152)
Accounts payable and accrued liabilities	1,227,260	1,182,019
Unearned membership dues and other revenues	(533,608)	(10,635)
	2,391,165	931,332
Investments:		
Expenditures on capital and intangible assets	(77,652)	(123,447)
Increase in cash and short-term deposits	2,313,513	807,885
Cash and short-term deposits, beginning of year	5,455,614	4,647,729
Cash and short-term deposits, end of year	\$ 7,769,127	\$ 5,455,614

See accompanying notes to financial statements.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Notes to Financial Statements

Year ended December 31, 2016

1. Operations:

The Metro Vancouver Convention and Visitors Bureau (the "Bureau") is incorporated under the Society Act of British Columbia and operates under the name of Tourism Vancouver. The principal business activity of the Bureau is the promotion and marketing of Metro Vancouver as a tourist and convention destination. The Bureau also provides tourist and convention information and support services.

On January 1, 2013, the Bureau adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook. These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

2. Significant accounting policies:

(a) Cash and short-term deposits:

Cash and short-term deposits consist of cash and highly-liquid investments that are readily convertible to known amounts of cash.

(b) Capital and intangible assets:

Equipment and leasehold improvements are stated at cost. Amortization for equipment is provided on a straight-line basis over the estimated useful lives of the respective assets while amortization for leasehold improvements is provided on a straight-line basis over the lease term, in each case ranging from three to ten years.

Intangible assets consist of costs incurred to develop the Bureau's website. These costs are amortized over the estimated useful life of 3 years, commencing when the website has been completed.

(c) Pension benefits:

The Bureau has a defined contribution plan providing pension benefits for its former Chief Executive Officer ("CEO"). The cost of the defined contribution plan is recognized based on the contributions required to be made during each period.

(d) Recognition of revenue:

(i) Room tax revenue:

Room tax revenue consists of proceeds from the incremental Municipal Regional District Tax ("MRDT") levied by the Province of British Columbia (the "Province of BC") on hotel room revenue in the City of Vancouver (the "City"). Effective September 1, 2015, the Province of BC increased the MRDT from 2% to 3% of hotel room revenue. The Bureau is entitled to the MRDT, less provincial contributions for the Tourism Industry Contribution Agreement (TICA) and Tourism Events Program. The amount of incremental room tax disbursed by the Province of BC to the Bureau and recognized as revenue for the year is based on room tax revenue, net of provincial contributions, collected for the year ended December 31.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Notes to Financial Statements

Year ended December 31, 2016

2. Significant accounting policies (continued):

(d) Recognition of revenue (continued):

(ii) Program generated revenues:

Program and event participation revenues in support of operating activities or specific marketing programs are recorded as revenue upon receipt of notification. Program and event participation revenues for programs in progress over December 31 each year are deferred and recognized as revenue over the period of the program.

(iii) Membership dues:

Membership dues are recognized as revenue over the term of the related membership.

(iv) Deferred revenues:

Other funding that is restricted is deferred and recognized as revenue in the period in which the related expenses are incurred. Other funding that is not restricted is recognized as revenue upon receipt of notification.

(v) Externally restricted contributions:

Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

(vi) Donated services and materials:

The Bureau receives services and materials from its corporate signature partners (note 6) and members for its tourism and marketing activities. The values of such services and materials are not reflected in the Bureau's accounts as such values are not readily determinable.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Bureau has elected to carry the pension investments, investments restricted for business continuity fund and pension obligations at fair value. Changes in fair value are recognized in net income in the period incurred.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(f) Income taxes:

The Bureau is a not-for-profit entity that is not subject to income taxes.

(g) Net revenue presentation:

The Bureau acts as an agent for the Vancouver Hotel Destination Association (the "VHDA") in managing specific marketing programs on behalf of the VHDA. The Bureau recorded destination marketing fees from the VHDA of \$1,317,943 (2015 - \$1,056,448), which are netted against related expenditures of \$1,317,943 (2015 - \$1,056,448).

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Notes to Financial Statements

Year ended December 31, 2016

3. Capital and intangible assets:

December 31, 2016	Cost	Accumulated amortization	Net book value
Equipment	\$ 811,574	\$ 719,905	\$ 91,669
Leasehold improvements	664,338	273,432	390,906
Intangible assets	113,134	37,711	75,423
	<u>\$ 1,589,046</u>	<u>\$ 1,031,048</u>	<u>\$ 557,998</u>

December 31, 2015	Cost	Accumulated amortization	Net book value
Equipment	\$ 821,395	\$ 760,984	\$ 60,411
Leasehold improvements	664,338	207,537	456,801
Intangible assets	113,134	-	113,134
	<u>\$ 1,598,867</u>	<u>\$ 968,521</u>	<u>\$ 630,346</u>

4. Pension Investments and pension obligations:

The Bureau has a defined contribution plan providing pension benefits for its former CEO. Amounts to be paid under this plan vested on December 31, 2006. Upon retirement of the CEO in 2015, the Bureau is committed to paying a supplemental allowance equal to the unconditional and conditional deposits plus interest. Payments from the plan commenced in 2015 and will continue through 2019. Contributions ceased as of June 30, 2014 upon the retirement of the CEO, hence in 2016, the Bureau contributed nil (2015 - nil) in monthly unconditional and conditional deposits, and paid out \$134,458 (2015 - \$125,723) to the former CEO. At December 31, 2016, the Bureau held investments related to this plan of \$403,373 (2015 - \$498,783) to fund the expected liabilities of \$403,373 (2015 - \$498,783). These funds are invested in equities, fixed income and cash with an investment manager.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Notes to Financial Statements

Year ended December 31, 2016

5. Internally restricted net assets:

During the current and prior years, the Directors of the Bureau restricted net assets to be used for future expenditures on certain programs and equipment considered necessary to provide ongoing services to members.

The Board instituted a business continuity fund (the "BCF") in 1999. As at December 31, 2016, the amount accumulated in the BCF was \$4,304,763 (2015 - \$2,160,770). Since 2007, the Bureau has segregated the investments relating to the BCF in a separate investment account. The account contains low-risk medium-term investments, which is in accordance with the Bureau's statement of investment policies and procedures. At December 31, 2016, \$2,204,763 of the BCF's assets are invested in a fixed income short-term bond and a mortgage fund with an investment manager and mutual funds. The remaining \$2,100,000 was contributed to the BCF in November 2016 and is held in cash at December 31, 2016. The BCF is measured at fair value at each reporting date with all changes in fair value included in net income in the period in which they arise.

In accordance with the Bureau's Articles of Association, and in the event of the winding-up or dissolution of the Bureau, any remaining net assets will be distributed in accordance with the Society Act of British Columbia.

6. Commitments and contingencies:

(a) Lease commitments:

The Bureau leases various office space under long-term operating leases, which expire at various dates through 2023. The future minimum lease payments required in each of the next five years and thereafter are approximately as follows:

2017	\$ 844,300
2018	900,028
2019	900,648
2020	926,972
2021	953,932
Thereafter	865,433
	<hr/>
	\$ 5,391,313

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Notes to Financial Statements

Year ended December 31, 2016

6. Commitments and contingencies (continued):

(b) Banking facility:

As at December 31, 2016, the Bureau has available \$1,000,000 (2015 - \$1,000,000) by way of lines of credit which are secured by a general assignment of accounts receivable. No amounts were drawn under this facility at December 31, 2016 or 2015.

(c) Provincial Contributions

(i) TICA payments:

On October 31, 2003, the Bureau and the Province of BC entered into the Tourism Industry Contribution Agreement (the "TICA"), whereby the Bureau agreed to fund the \$90,000,000 future industry contribution for the Vancouver Convention Centre expansion by contributing a portion of the incremental MRDT to the Province ("Contribution Payments").

In March 2015, the B.C. Government passed legislation to increase MRDT from 2% to 3%, effective September 1, 2015 and a modified agreement relating to the TICA payments was signed. Under the new arrangement with the Province of BC, TICA payments will remain constant at 26.67% of actual MRDT collected until the obligation is fully amortized. In 2016, the Bureau made Contribution Payments of \$6,147,145 (2015 - \$5,372,421).

On commencement of the Contribution Payments, the obligation became interest bearing at a rate of 6.1% compounding monthly, offset by specified adjustments relating to notional construction draws as defined under the TICA. The estimated interest accrued in excess of contributions during the year was \$123,629 (2015 - \$744,477). The estimated remaining total obligation of the Bureau at December 31, 2016, payable out of future MRDT revenue, was \$114,486,133 (2015 - \$113,773,303) and the remaining repayment period, based on management's assumptions and estimates at December 31, 2016, is expected to be between 21 and 36 years.

(ii) Tourism Events Program Sponsorship:

In accordance with the amended Tourism Industry Contribution Agreement dated July 15, 2015, the Bureau agreed to sponsor and make contributions to a provincial Tourism Events Program which commenced on September 1, 2015 that is intended to increase tourism for all regions of the Province. Sponsorship payments for the year ended December 31, 2016 totaled \$1,537,362 (2015 - \$381,532).

(d) Convention development fund:

In March 2010, the Bureau formed the Convention Development Fund (the "CDF") with two other parties. The purpose of the CDF is to provide funding for marketing and incentive programs to develop and secure convention business hosted in Vancouver. Each year, the fund members mutually determine the contributions to be made in the upcoming year. In 2016, the Bureau contributed \$100,000 to the CDF (2015 - \$100,000). The Bureau has committed to contribute \$100,000 in 2017. Contributions to the CDF are recognized as an expense once paid.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Notes to Financial Statements

Year ended December 31, 2016

6. Commitments and contingencies (continued):

(e) Connecting America:

In partnership with Destination Canada, the Bureau has confirmed its support for the 'Connecting America' program in the amount of \$200,000 for 2017. This initiative is focused on the US market to increase visitation to Canada from the USA.

(f) Sport Hosting Vancouver:

The Sport Hosting Initiative is a partnership between the Bureau and four other partners to help enable the attraction of sporting events to Vancouver. The Bureau has committed to invest \$250,000 in the initiative for 2017.

7. Financial risks:

The Bureau manages its investments relating to the business continuity fund to earn investment income and invests according to the Bureau's Statement of Investment Policy and Procedures approved by the Board. The Bureau is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Bureau believes that it is not exposed to significant interest rate, market, credit or cash flow risk arising from its financial instruments.

Liquidity risk is the risk that the Bureau will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Bureau manages its liquidity risk by monitoring its operating requirements and by ensuring that its investments are liquid. The Bureau prepares budget and cash flow forecasts to ensure that it has sufficient funds to fulfill its obligations. All investments are held in instruments that are highly liquid and can be realized to settle commitments. The fixed income securities yield interest between 0.83% and 1.55% and have maturities ranging from 58 days to 2.97 years.

8. Remuneration of employees and contractors:

Of the Bureau's total employees and contractors, 27 individuals received remuneration of \$75,000 or greater, and the total remuneration paid to these 27 individuals was \$3,454,549 for the fiscal year ending December 31, 2016.

9. Comparative information:

Certain comparative information has been reclassified to conform to the presentation of the fiscal 2016 financial statements.

BOARD OF DIRECTORS 2016 - 2017

Chair

Michael Cameron
President
Grouse Mountain Resorts

Past Chair:

Bob Lindsay
Owner/Operator
Lift Bar Grill View

Directors

George Bartel
President
Cantrav Services

Peter Catarino
General Manager
Delta Vancouver Suites

Ken Cretney
President & CEO
BC Pavilion Corporation

Michael Doyle
President
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Vice President, Global Marketing & Communications
Rocky Mountaineer

Marion Harper Treskin
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Vancouver Airport Authority

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President
Brand Live Management Group

Nancy Stibbard
Owner & CEO
Capilano Suspension Bridge Park

Peggie Terry
Publisher
WHERE Vancouver

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Ty Speer
President & CEO
Tourism Vancouver

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