



Tourism Vancouver

2014 AUDITED FINANCIAL STATEMENTS



Independent Auditors' Report

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

(Formerly Greater Vancouver Convention and Visitors Bureau)
(dba Tourism Vancouver)

Year ended December 31, 2014

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, 2014, 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, 2014, 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 Accountants

May 21, 2015
Vancouver, Canada

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

(Formerly Greater Vancouver Convention and Visitors Bureau)

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and short-term deposits	\$4,647,729	\$7,414,279
Hotel room tax receivable	1,432,026	1,403,146
Accounts receivable	103,737	179,789
Prepaid expenses and other assets	171,096	269,729
Pension investments (note 4)	125,723	-
	6,480,311	9,266,943
Investments restricted for business continuity fund (note 5)	2,105,579	2,040,634
Equipment and leasehold improvements (note 3)	609,597	720,943
Pension investments (note 4)	502,893	540,115
	\$9,698,380	\$12,568,635
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$1,480,787	\$2,257,433
Unearned membership fees and other revenues	814,099	1,379,889
Pension obligations (note 4)	125,723	-
	2,420,609	3,637,322
Pension obligations (note 4)	502,893	540,115
	2,923,502	4,177,437
Net assets:		
Internally restricted net assets (note 5):		
Business continuity fund	2,105,579	2,040,634
Program designated	4,528,886	6,210,151
Unrestricted net assets	140,413	140,413
	6,774,878	8,391,198
	\$9,698,380	\$12,568,635

Commitments and contingencies (note 5 and 8)

Subsequent event (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Bob Lindsay, Chair

Director



Ty Speer, President & CEO

Director

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

(Formerly Greater Vancouver Convention and Visitors Bureau)

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenues:		
Room tax	\$11,686,865	\$10,936,020
Program generated revenues:		
Experience Vancouver	616,957	545,034
Meetings and convention sales	227,021	161,910
Leisure travel trade and consumer sales	31,790	45,474
Member sales and services	875,429	870,490
Marketing communication and corporate sponsorship (note 6)	249,747	287,312
Special marketing grant - Province of BC (note 7)	-	3,255,000
Interest and other	197,783	160,764
	13,885,592	16,262,004
Expenditures:		
Sales, marketing and servicing:		
Meetings and convention sales	3,296,376	3,209,923
Leisure travel trade and consumer sales	2,059,336	2,170,246
Air and cruise market development	65,073	119,356
Marketing communication and corporate sponsorship	1,825,822	1,938,182
Experience Vancouver	1,375,524	1,608,311
Member sales and services	623,907	618,930
	9,246,038	9,664,948
Destination development:		
Rethink and industry engagement	71,923	187,654
Tourism industry contribution payments (note 8(c))	4,245,609	3,128,962
Industry funding development	27,043	32,885
Community and major events marketing	128,908	120,984
	4,473,483	3,470,485
Corporate planning and services:		
Board governance	14,492	19,103
Finance, administration, human resources and technology	1,649,527	1,471,296
Amortization	118,372	102,317
	1,782,391	1,592,716
	15,501,912	14,728,149
Surplus (deficiency) of revenues over expenditures for the year	(1,616,320)	1,533,855
Net assets, beginning of year	8,391,198	6,857,343
	\$6,774,878	\$8,391,198

See accompanying notes to financial statements.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

(Formerly Greater Vancouver Convention and Visitors Bureau)

Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative information for 2013

	Internally restricted			2014	2013
	Program designated	Business continuity fund	Unrestricted		
Balance, beginning of year	\$6,210,151	\$2,040,634	\$140,413	\$8,391,198	\$6,857,343
Surplus (deficiency) of revenues over expenditures	(1,733,265)	-	116,945	(1,616,320)	1,533,855
Amounts internally restricted during the year	52,000	64,945	(116,945)	-	-
Balance, end of year	\$4,528,886	\$2,105,579	\$140,413	\$6,774,878	\$8,391,198

See accompanying notes to financial statements.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

(Formerly Greater Vancouver Convention and Visitors Bureau)

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Surplus (deficiency) of revenues over expenditures	\$(1,616,320)	\$1,533,855
Amortization, an item not affecting cash	118,372	102,317
Changes in non-cash operating accounts:		
Investment restricted for business continuity fund	(64,945)	(31,057)
Hotel room tax receivable	(28,880)	(292,402)
Accounts receivable	76,052	49,632
Prepaid expenses and other assets	98,633	(5,985)
Accounts payable and accrued liabilities	(776,646)	267,716
Unearned membership and other fees	(565,790)	747,768
	(2,759,524)	2,371,844
Investments:		
Expenditures on equipment and leasehold improvements	(7,026)	(710,355)
Increase (decrease) in cash and short-term deposits	(2,766,550)	1,661,489
Cash and short-term deposits, beginning of year	7,414,279	5,752,790
Cash and short-term deposits, end of year	\$4,647,729	\$7,414,279

See accompanying notes to financial statements.

Metro Vancouver Convention and Visitors Bureau

(Formerly Greater Vancouver Convention and Visitors Bureau)

Notes to Financial Statements

Year ended December 31, 2014

1. Operations:

The Metro Vancouver Convention and Visitors Bureau (the "Bureau") changed its name from the Greater Vancouver Convention and Visitors Bureau on February 4, 2014. 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) Equipment and leasehold improvements:

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.

(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. Contributions have ceased as of June 30, 2014 upon the retirement of the CEO.

(d) Recognition of revenue:

(i) Room tax revenue:

Room tax revenue consists of proceeds from the incremental Hotel Room Tax levied by the Province of British Columbia (the "Province of BC") on hotel room revenue in the City of Vancouver (the "City"). Effective March 1, 2004, Tourism Vancouver was designated as an "eligible entity" under Provincial regulation with the room tax revenue flowing directly from the Province of BC to the Bureau. According to provincial legislation, these funds may be used for the purpose of convention centre marketing and tourism promotions, projects and programs and for the tourism industry's contribution to the expansion of the Vancouver Convention Centre. 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 collected for the year ended December 31.

Metro Vancouver Convention and Visitors Bureau

(Formerly Greater Vancouver Convention and Visitors Bureau)

Notes to Financial Statements

Year ended December 31, 2014

(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 fees:

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

(iv) Special marketing grant - Province of BC:

The special marketing grant consists of funding received from the Province of BC for joint tourism promotional related activities.

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 portion of investments related to employee benefits not invested in equity securities, investments restricted for business continuity fund and employee benefit 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 \$1,483,507 (2013 - \$1,159,984), which are netted against related expenditures of \$1,483,507 (2013 - \$1,159,984).

Metro Vancouver Convention and Visitors Bureau

(Formerly Greater Vancouver Convention and Visitors Bureau)

Notes to Financial Statements

Year ended December 31, 2014

3. Equipment and leasehold improvements:

December 31, 2014	Cost	Accumulated amortization	Net book value
Equipment	\$870,323	\$783,960	\$86,363
Leasehold improvements	664,338	141,104	523,234
	<u>\$1,534,661</u>	<u>\$925,064</u>	<u>\$609,597</u>

December 31, 2013	Cost	Accumulated amortization	Net book value
Equipment	\$863,298	\$732,023	\$131,275
Leasehold improvements	664,338	74,670	589,668
	<u>\$1,527,636</u>	<u>\$806,693</u>	<u>\$720,943</u>

4. Pension Investments and pension obligations:

The Bureau has a defined contribution plan providing pension benefits for its former CEO. Upon retirement or termination of employment of the CEO, the Bureau will pay a supplemental allowance equal to the unconditional and conditional deposits plus interest. Amounts to be paid under this plan vested on December 31, 2006. In 2014, the Bureau contributed a total of \$21,994 (2013 - \$43,988) in monthly unconditional and conditional deposits. At December 31, 2014, the Bureau held investments related to this plan of \$628,616 (2013 - \$540,115) to fund the expected liabilities of \$628,616 (2013 - \$540,115). Payments from the plan will be made in 2015 to 2019. These funds are invested in equities, fixed income and cash with an investment manager.

Metro Vancouver Convention and Visitors Bureau

(Formerly Greater Vancouver Convention and Visitors Bureau)

Notes to Financial Statements

Year ended December 31, 2014

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 has instituted a business continuity fund (the "BCF") since 1999. As of December 31, 2014, the amount accumulated in the BCF was \$2,105,579 (2013 - \$2,040,634). Since 2007, the Bureau 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, 2014, most of the investments are invested in a fixed income short-term bond and mortgage fund with an investment manager while the balance is invested in mutual funds. 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. Marketing communication and corporate sponsorship:

Corporate sponsorship consists of the Signature Partners Program which is an alliance of seven corporate partners and the Bureau with a view to combine marketing investments and knowledge to more effectively promote Metro Vancouver. Under the program, each corporate partner contributes a combination of cash, services and materials to the Bureau in exchange for having their services promoted in the Bureau's publications and consideration for involvement in relevant marketing strategies. The value of these services and materials has not been recorded in these financial statements in accordance with the Bureau's accounting policy for donated services and materials received.

7. Partnership funding:

In April 2013, the Bureau received a one-time grant from the Province of BC in the amount of \$3,255,000 to assist with ongoing operations while the Bureau continues to make its required payments under the Tourism Industry Contribution Agreement. As the grant was made for general destination marketing purposes, the entire amount was recognized in revenue in fiscal 2013.

8. 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:

2015	\$ 748,571
2016	735,597
2017	755,544
2018	806,805
2019	837,950
2020 and thereafter	2,560,998
	<hr/>
	\$ 6,445,465

Metro Vancouver Convention and Visitors Bureau

(Formerly Greater Vancouver Convention and Visitors Bureau)

Notes to Financial Statements

Year ended December 31, 2014

(b) Banking facility:

As at December 31, 2014, the Bureau has available \$1,000,000 (2013 - \$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, 2014 or 2013.

(c) Vancouver Convention Centre expansion:

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 Hotel Room Tax payable by the Province of BC to the Bureau ("Contribution Payments").

In 2014, the Bureau made Contribution Payments of \$4,245,609 (2013 - \$3,128,962). The percentage of future incremental hotel room tax collected to be paid to the Province of BC is as follows:

	Percentage of incremental hotel room tax collected
January 1, 2014 to March 31, 2014	30.10%
April 1, 2014 to March 31, 2022	37.50%
April 1, 2022 and thereafter	42.50%

At the 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 \$1,482,715 (2013 - \$2,222,565). The estimated remaining total obligation at December 31, 2014 was \$112,235,686.

(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 2014, the Bureau contributed \$100,000 to the CDF (2013 - \$100,000). The Bureau has committed to contribute \$100,000 in 2015. Contributions to the CDF are recognized as an expense once paid.

Metro Vancouver Convention and Visitors Bureau

(Formerly Greater Vancouver Convention and Visitors Bureau)

Notes to Financial Statements

Year ended December 31, 2014

9. 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 1.25% and 1.89% and have maturities ranging from 57 days to 2.76 years.

10. Related party transactions:

The Bureau paid US\$45,000 (2013 - US\$40,000) to BestCities Global Alliance, which is related to the Bureau by virtue of certain directors, for annual partnership fees.

11. Comparative information:

Certain comparative information has been reclassified to conform to the presentation of the fiscal 2014 financial statements.

12. Subsequent event:

In early 2015, the Bureau completed a re-organization of its operations, incurring transition costs of approximately \$865,000.

Board of Directors 2014 - 2015

Chair

Bob Lindsay
Owner/Operator
Lift Bar Grill View

First Deputy Chair (Chair 2015-2016):

Michael Cameron
General Manager
Grouse Mountain Resorts

Directors

George Bartel
President
Cantrav Services

Ken Cretney
President & CEO (Interim)
BC Pavilion Corporation

Marion Harper Treskin
General Manager
The Westin Bayshore, Vancouver

Nicholas Gandossi
General Manager
Opus Hotel Vancouver

Catherine Runnals
President
brand.LIVE

Peggie Terry
Publisher
WHERE Vancouver

Nancy Stibbard
President/Owner
Capilano Suspension Bridge

Philip M. Barnes
*Regional Vice President,
Pacific Northwest*
General Manager,
Fairmont Pacific Rim

Hal Wake
Artistic Director
Vancouver Writers Fest

Johnny Tsang
General Manager
Empire Landmark Hotel

Stephen Geddes
President
Soaring Attractions LP

Kari Koskela
General Manager
Shangri-La Hotel Vancouver

Support to Board of Directors

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