



Tourism Vancouver

2015 AUDITED FINANCIAL STATEMENTS



Independent Auditors' Report

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Year ended December 31, 2015

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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, 2015, 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, 2015, 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 4, 2016
Vancouver, Canada

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and short-term deposits	\$5,455,614	\$4,647,729
Room tax receivable	2,298,724	1,432,026
Accounts receivable	205,076	103,737
Prepaid expenses and other assets	201,248	171,096
Pension investments (note 4)	124,696	125,723
	8,285,358	6,480,311
Investments restricted for business continuity fund (note 5)	2,160,770	2,105,579
Capital and intangible assets (note 3)	630,346	609,597
Pension investments (note 4)	374,087	502,893
	\$11,450,561	\$9,698,380
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$2,712,261	\$1,530,242
Unearned membership dues and other revenues	754,009	764,644
Pension obligations (note 4)	124,696	125,723
	3,590,966	2,420,609
Pension obligations (note 4)	374,087	502,893
	3,965,053	2,923,502
Net assets:		
Internally restricted net assets (note 5):		
Business continuity fund	2,160,770	2,105,579
Program designated	5,167,623	4,528,886
Unrestricted net assets	157,115	140,413
	7,485,508	6,774,878
	\$11,450,561	\$9,698,380

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, 2015, with comparative information for 2014

	2015	2014
Revenues:		
Room tax	\$15,978,427	\$11,686,865
Less: Provincial contributions (note 6(c))	(5,753,953)	(4,245,609)
	\$10,224,474	\$7,441,256
Program generated revenues:		
Experience Vancouver	751,338	616,957
Meetings and convention sales	192,068	227,021
Leisure travel trade and consumer sales	31,455	77,360
Membership dues and events	907,420	875,429
Marketing communication and corporate sponsorship	159,536	249,747
Interest and other	130,319	152,213
	2,172,136	2,198,727
	12,396,610	9,639,983
Expenditures:		
Sales, marketing and servicing:		
Meetings and convention sales	3,623,242	3,296,376
Leisure travel trade and consumer sales	2,045,295	2,059,336
Marketing communication and corporate sponsorship	1,852,245	1,743,306
Experience Vancouver	1,653,201	1,375,524
	9,173,983	8,474,542
Destination development:		
Membership	661,009	623,907
Industry and destination development	105,910	246,555
Events and community development	89,564	128,908
	856,483	999,370
Corporate planning and services:		
Finance, administration, human resources and technology	1,552,816	1,664,019
Amortization	102,698	118,372
	1,655,514	1,782,391
	11,685,980	11,256,303
Surplus (deficiency) of revenues over expenditures for the year	710,630	(1,616,320)
Net assets, beginning of year	6,774,878	8,391,198
	\$7,485,508	\$6,774,878

See accompanying notes to financial statements.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Internally restricted		Unrestricted	2015	2014
	Program designated	Business continuity fund			
Balance, beginning of year	\$4,528,886	\$2,105,579	\$140,413	\$6,774,878	\$8,391,198
Surplus (deficiency) of revenues over expenditures	(1,361,263)	-	2,071,893	710,630	(1,616,320)
Amounts internally restricted during the year	2,000,000	55,191	(2,055,191)	-	-
Balance, end of year	\$5,167,623	\$2,160,770	\$157,115	\$7,485,508	\$6,774,878

See accompanying notes to financial statements.

METRO VANCOUVER CONVENTION AND VISITORS BUREAU

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Surplus (deficiency) of revenues over expenditures	\$710,630	\$(1,616,320)
Amortization, an item not affecting cash	102,698	118,372
Changes in non-cash operating accounts:		
Investment restricted for business continuity fund	(55,191)	(64,945)
Hotel room tax receivable	(866,698)	(28,880)
Accounts receivable	(101,339)	76,052
Prepaid expenses and other assets	(30,152)	98,633
Accounts payable and accrued liabilities	1,182,019	(727,191)
Unearned membership dues and other revenues	(10,635)	(615,245)
	931,332	(2,759,524)
Investments:		
Expenditures on capital and intangible assets	(123,447)	(7,026)
Increase (decrease) in cash and short-term deposits	807,885	(2,766,550)
Cash and short-term deposits, beginning of year	4,647,729	7,414,279
Cash and short-term deposits, end of year	\$5,455,614	\$4,647,729

See accompanying notes to financial statements.

Metro Vancouver Convention and Visitors Bureau

Notes to Financial Statements

Year ended December 31, 2015

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, 2015

(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 \$1,056,448 (2014 - \$1,483,507), which are netted against related expenditures of \$1,056,448 (2014 - \$1,483,507).

Metro Vancouver Convention and Visitors Bureau

Notes to Financial Statements

Year ended December 31, 2015

3. Capital and intangible assets:

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>

December 31, 2014	Cost	Accumulated amortization	Net book value
Equipment	\$870,323	\$783,960	\$86,363
Leasehold improvements	664,338	141,104	523,234
Intangible assets	-	-	-
	<u>\$1,534,661</u>	<u>\$925,064</u>	<u>\$609,597</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 2015, the Bureau contributed nil (2014 - \$21,994) in monthly unconditional and conditional deposits, and paid out \$125,723 (2014 - \$nil) to the former CEO. At December 31, 2015, the Bureau held investments related to this plan of \$498,783 (2014 - \$628,616) to fund the expected liabilities of \$498,783 (2014 - \$628,616). 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, 2015

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, 2015, the amount accumulated in the BCF was \$2,160,770 (2014 - \$2,105,579). 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, 2015, most of the investments are invested in a fixed income short-term bond and a 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. 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:

2016	\$ 767,341
2017	788,721
2018	838,434
2019	837,950
2020	862,567
Thereafter	1,698,431
	<u>\$ 5,793,444</u>

Metro Vancouver Convention and Visitors Bureau

Notes to Financial Statements

Year ended December 31, 2015

(b) Banking facility:

As at December 31, 2015, the Bureau has available \$1,000,000 (2014 - \$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, 2015 or 2014.

(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 2015, the Bureau made Contribution Payments of \$5,372,421 (2014 - \$4,245,609).

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 \$744,477 (2014 - \$1,482,715). The estimated remaining total obligation of the Bureau at December 31, 2015, payable out of future MRDT revenue, was \$113,773,303 (2014 - \$112,235,686).

(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 that is intended to increase tourism for all regions of the Province. Sponsorship payments commenced on September 1, 2015 and totaled \$381,532 in 2015.

(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 2015, the Bureau contributed \$100,000 to the CDF (2014 - \$100,000). The Bureau has committed to contribute \$100,000 in 2016. Contributions to the CDF are recognized as an expense once paid.

(e) Connecting America:

In partnership with Destination Canada, the Bureau has confirmed its support for the 'Connecting America' program in the amount of \$250,000 for 2016. 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 Sport Hosting Vancouver plan was finalized in December 2015 and the Bureau has committed to invest \$250,000 in the plan for 2016.

Metro Vancouver Convention and Visitors Bureau

Notes to Financial Statements

Year ended December 31, 2015

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. Comparative information:

Certain comparative information has been reclassified to conform to the presentation of the fiscal 2015 financial statements.

Board of Directors 2015 - 2016

Chair

Michael Cameron
Interim President
Grouse Mountain Resorts

Past Chair:

Bob Lindsay
Owner/Operator
Lift Bar Grill View

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

Johnny Tsang
General Manager
Empire Landmark Hotel

Stephen Geddes
President
Soaring Attractions LP

Kari Koskela
General Manager
Shangri-La Hotel Vancouver

Michael Doyle
Executive Vice President & Arena GM
Canucks Sports & Entertainment

Robyn McVicker
Director, Marketing & Communications
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Support to Board of Directors

Ty Speer
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