

2019

AT A GLANCE

717

AHLA MEMBERS

> **80%** of Guest Rooms in Alberta

> **96%** Member Retention

> **36%** of Members Have Liquor Licenses

> **18%** of Members Have VLTs

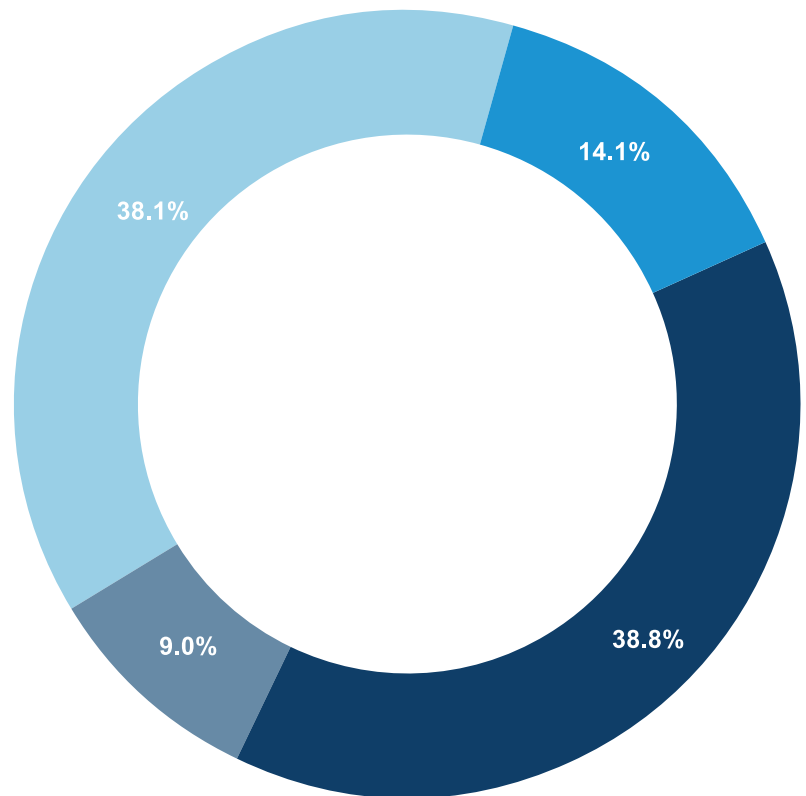
ec of > **102**
EMPLOYER OF CHOICE RECIPIENTS

> **21%** of People in the Industry Working for an Employer of Choice

 > **101**
HOUSEKEEPING AWARD RECIPIENTS

2019 REVENUE STREAMS

- **38.8%** : Membership Communications
- **38.1%** : Member Value Programs
- **9.0%** : Accounting & Admin Services
- **14.1%** : HR Programs



28,975

EMPLOYEES WORKING IN THE INDUSTRY

Source: Workers' Compensation Board of Alberta

THE 5 BIGGEST ISSUES FOR AHLA MEMBERS ARE

Prevailing Economic Conditions



Occupancy/Average Daily Rate



Labour Costs



Staffing



Operating Costs



WAGES PAID IN THE ALBERTA HOSPITALITY INDUSTRY

➤ **\$17.36** : Line Cooks

➤ **\$16.14** : Front Desk Agents

➤ **\$15.83** : Housekeeping / Room Attendants

➤ **\$15.08** : Food And Beverage Servers

➤ **\$15.58** : Dishwasher

*Wages do not include gratuities. Source: 2019 AHLA Wage Survey

ADVOCACY HIGHLIGHTS

SUCCESSFULLY LOBBIED FOR:

- Changes to labour legislation to ensure that employers are able to provide fair compensation for their employees, including a new youth job creation wage and changes to holiday pay calculations.
- Legislation to apply the provincial Tourism Levy to short-term rentals (STRs).
- Bylaws in Edmonton and Calgary requiring STRs to pay for business licences.

OCCUPANCY

CITY	2019 Occupancy	ADR Average Daily Rate	RevPar Revenue Per Available Room
Airdrie	50.2%	\$94.63	\$47.54
Banff	70.5%	\$268.05	\$189.06
Bonnyville	45.1%	\$87.63	\$39.53
Calgary*	60.6%	\$145.08	\$87.97
Canmore	63.1%	\$211.16	\$133.17
Drayton Valley	38.7%	\$102.27	\$39.55
Drumheller	42.0%	\$140.56	\$59.09
Edmonton*	55.5%	\$126.28	\$70.03
Edson	57.9%	\$109.33	\$63.27
Fort McMurray	42.1%	\$134.50	\$56.61
Fort Saskatchewan	35.7%	\$93.66	\$33.46
Grande Prairie	60.9%	\$133.62	\$81.38
High Level	54.2%	\$131.86	\$71.50
Hinton	62.7%	\$129.46	\$81.14
Jasper	67.1%	\$280.93	\$188.40
Leduc	50.3%	\$96.36	\$48.45
Lethbridge	57.5%	\$110.39	\$63.49
Lloydminster	51.5%	\$106.23	\$54.73
Medicine Hat	59.0%	\$106.97	\$63.16
Nisku	53.3%	\$97.02	\$51.68
Red Deer	42.2%	\$108.18	\$45.67
Sherwood Park	38.4%	\$113.27	\$43.55
Whitecourt	41.2%	\$102.16	\$42.06
TOTAL ALBERTA	55.6%	\$153.73	\$85.43

Source: STR Inc. Republication or other re-use of this data without the express written permission of STR is strictly prohibited.

*Occupancy rates and average daily room rates are based on monthly averages of all reporting hotels, motels and motor hotels in each designated region. Source: CBRE Hotels Trends in the Hotel Industry National Market Report, with reproduction and use of information subject to CBRE Disclaimer and Restrictions as detailed at www.cbre.ca



ALBERTA HOTEL & LODGING ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019



Management's Responsibility

To the Members of Alberta Hotel & Lodging Association:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 20, 2020

signed by "Dave Kaiser"

President & Chief Executive Officer

signed by "Sandra Schweitzer"

Director of Finance

Independent Auditor's Report

To the Members of Alberta Hotel & Lodging Association:

Opinion

We have audited the consolidated financial statements of Alberta Hotel & Lodging Association (the "Association") and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of revenues and expenses, changes in surplus and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as at December 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Association in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of Matter – Subsequent Event

We draw attention to Note 17 of the consolidated financial statements, which describes the subsequent event of the Association's acquisition of the assets and liabilities of Alberta Hospitality Safety Association. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the annual report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Association'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 Association'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 consolidated 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Edmonton, Alberta

April 20, 2020

MNP LLP

Chartered Professional Accountants

MNP

Alberta Hotel & Lodging Association
Consolidated Statement of Financial Position

As at December 31, 2019

	2019	<i>2018</i> <i>Restated</i> <i>(Note 18)</i>
Assets		
Current		
Cash and cash equivalents (Note 3)	60,390	17,487
Trading investments (Note 4)	26,059	23,014
Accounts receivable and prepaid expenses (Note 5)	367,361	368,067
Receivable from Alberta Hospitality Safety Association (Note 6)	1,574	7,035
	455,384	415,603
Other assets (Note 7)	508	1,379
Capital assets (Note 8)	3,278,529	3,366,133
Intangible assets (Note 9)	244,189	354,850
	3,978,610	4,137,965
Liabilities		
Current		
Bank indebtedness (Note 10)	-	68,856
Accounts payable and accrued liabilities (Note 11)	237,611	248,106
Deferred revenue (Note 12)	358,071	443,137
Income taxes payable	14,643	-
	610,325	760,099
Surplus	3,368,285	3,377,866
	3,978,610	4,137,965

Approved on behalf of the Board

signed by "Leanne Shaw"
Director

signed by "Chris Barr"
Director

Alberta Hotel & Lodging Association Consolidated Statement of Revenue and Expenses

For the year ended December 31, 2019

	2019	2018
Member Value Programs <i>(Schedule 1)</i>		
Revenue	1,157,576	1,202,357
Expenses	213,697	369,576
Excess of revenue over expenses	943,879	832,781
Human Resource Programs <i>(Schedule 1)</i>		
Revenue	427,080	108,041
Expenses	426,781	187,233
Excess (deficiency) of revenue over expenses	299	(79,192)
Membership Communications <i>(Schedule 1)</i>		
Revenue	1,179,469	1,035,480
Expenses	825,591	659,171
Excess of revenue over expenses	353,878	376,309
Government Advocacy & Industry Relations <i>(Schedule 1)</i>		
Revenue	21,000	21,063
Expenses	124,301	152,904
Deficiency of revenue over expenses	(103,301)	(131,841)
Excess of revenue of expenses of segments	1,194,755	998,057
Other income <i>(Schedule 1), (Note 14)</i>	532,465	470,112
General expenses <i>(Schedule 1)</i>	(1,722,158)	(1,615,559)
Other expense <i>(Schedule 1)</i>	(14,643)	(9,064)
Deficiency of revenue over expenses for the year	(9,581)	(156,454)
Total revenue	2,785,125	2,366,941
Total expenses	(1,590,370)	(1,368,884)
Other income <i>(Note 14)</i>	532,465	470,112
General expenses <i>(Schedule 1)</i>	(1,722,158)	(1,615,559)
Other expense <i>(Schedule 1)</i>	(14,643)	(9,064)
Deficiency of revenue over expenses for the year	(9,581)	(156,454)

Alberta Hotel & Lodging Association
Consolidated Statement of Changes in Surplus

For the year ended December 31, 2019

	2019	2018
Surplus, beginning of year	3,377,866	3,534,320
Deficiency of revenue over expenses	(9,581)	(156,454)
<hr/>		
Surplus, end of year (Note 13)	3,368,285	3,377,866

Alberta Hotel & Lodging Association Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(9,581)	(156,454)
Amortization of capital, intangible and other assets	267,063	353,840
Reinvested investment income, net (Note 4)	(3,045)	(2,332)
Change in note payable	-	(69,000)
Write-off of loan to CHLA	-	9,064
	254,437	135,118
Changes in working capital accounts		
Accounts receivable and prepaid expenses	706	(24,193)
Accounts payable and accrued liabilities	(10,495)	72,089
Deferred revenue	(85,066)	(14,857)
Receivable from Alberta Hospitality Safety Association	5,461	(4,559)
Income taxes payable	14,643	-
	179,686	163,598
Financing		
Advances of bank indebtedness	-	68,856
Repayment of bank indebtedness	(68,856)	-
Repayment of long-term debt	-	(611,080)
	(68,856)	(542,224)
Investing		
Redemption of trading investments	-	533,296
Purchase of capital assets	(4,527)	(20,323)
Purchase of intangible assets	(63,400)	(190,614)
CHLA loan collected	-	13,436
	(67,927)	335,795
Increase (decrease) in cash resources	42,903	(42,831)
Cash resources, beginning of year	17,487	60,318
Cash resources, end of year	60,390	17,487

Alberta Hotel & Lodging Association

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. Incorporation and nature of the association

Alberta Hotel & Lodging Association (the "Association") is registered as a not-for-profit organization under the Societies Act of Alberta and is exempt from income taxes under Section 149 of the Income Tax Act. The consolidated financial statements include Alberta Hotel & Lodging Association and its wholly-owned subsidiary AHLA Services Corporation (collectively the "Association"). Assets, liabilities, revenues and expenses of the subsidiary have been consolidated. All inter-company transactions and balances with subsidiary have been eliminated.

The Association is a voluntary association, established in 1919, that serves Alberta's tourism and hospitality industry. With approximately 720 member properties across Alberta, the Association represents hotels, motels, inns, resorts and lodges.

The Association has some common directors with the Alberta Hospitality Safety Association (AHSA). The AHSA is registered as a not-for-profit organization under the Societies' Act of Alberta and is exempt from income taxes under Section 149 of the Income Tax Act. The AHSA was established in 1999 to assist hotels in the implementation of health and safety programs. The purpose is to reduce injuries and claims by increasing awareness and responsibility of health and safety within the industry.

The Association has a common director with the Canadian Hotel and Lodging Association Inc. (CHLA). The CHLA is registered as a not-for-profit organization under the Canada Corporations' Act – Part II and is exempt from income taxes under Section 149 of the Income Tax Act. The CHLA was established in 2009, to fund, facilitate, promote and carry out activities and programs for the advancement of the hospitality industry in Canada.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Handbook.

Investment in a profit-oriented subsidiary

The Association's consolidated financial statements include the accounts of its wholly-owned subsidiary, AHLA Services Corporation. Consolidated financial statements are prepared by aggregating the accounts of AHLA Services Corporation with those of the Association. Transactions between the organizations and inter-organization balances have been eliminated in the consolidated financial statements.

Revenue recognition

The Association follows the deferral method of accounting, which results in the following:

Sales are recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental revenue from leases is recognized on a straight-line basis over the lease term.

Revenue from guide and internet advertising is recognized when the information for publication is available for distribution.

Net investment and other income are recognized in the period in which it was earned.

Advances received for services to be rendered by the Association are deferred and recognized in the statement of revenue and expenses in the period in which the service is provided.

Government assistance received toward current expenses is recognized in revenue in the current period. Government assistance received relating to expenses of future accounting periods is deferred and amortized to income as related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term investments with maturities of three months or less.

Alberta Hotel & Lodging Association

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. Significant accounting policies (Continued from previous page)

Other assets

Other assets consist of lease inducements related to tenant improvements and direct costs associated with the lease agreement. These costs are amortized on a straight-line basis over five years, which is the term of the lease.

Capital assets

Capital assets are recorded at cost.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	40 years
Office furniture and fixtures	straight-line	10 years
Computer equipment	straight-line	3 years
Photocopiers	straight-line	5 years
Telephone system	straight-line	5 years
Other office equipment	straight-line	4 years

Intangible assets

All of the Association's intangible assets have limited useful lives and primarily include capitalized computer software.

Development costs that are directly associated with identifiable and unique software controlled by the Association are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalized costs include staff costs of the software development team, costs incurred on contracts with third party developers and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets are amortized using the straight-line method over their useful lives.

Capitalized internal software development costs, software costs and website costs are amortized on a straight-line basis over three years. Capitalized program development costs are amortized on a straight-line basis over five years.

Long-lived assets

Long-lived assets consist of capital assets and intangible assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Association writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Association's ability to provide goods and services. The asset is also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Association determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

Contributed materials

Contributions of materials are recognized both as contributions and expenses in the statement of revenue and expenses when a fair value can be reasonably estimated and when the materials are used in the normal course of the Association's operations and would otherwise have been purchased. No contributed materials (2018 - \$nil) were recorded in the year.

Allocation of expenses

The Association records a number of its expenses by pillar, including tourism marketing, member value programs, human resource development, membership communications, government and industry relations, and scholarships. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing these services. Labour costs are allocated based on actual time spent as reported in approved timesheets.

The Association also incurs a number of general support expenses that are common to the administration of the Association and each of its pillars. General support expenses, which include Board of Directors, information technology, and office overhead costs, are included in general expenses.

Alberta Hotel & Lodging Association

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3480 Related Party Transactions (refer to Note 6). At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Association assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess (deficiency) of revenues over expenses.

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable and related party receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets and intangible assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. Cash and cash equivalents

	2019	2018
Cash on hand	300	300
Cash in bank non-interest bearing accounts	18,628	-
Bank balances payable on demand - weighted average annual interest rate of 1.70% (2018 - 1.45%)	41,462	17,187
	60,390	17,487

4. Trading investments

	2019	2018
Corporate bonds - Canadian issuers	7,564	6,161
Corporate stock - Canadian companies	5,917	6,223
Canadian Provincial Government bonds	5,494	5,065
Canadian Federal Government bonds	4,238	2,911
Corporate stock - US companies	1,389	1,472
Convertible bonds	712	565
Cash	745	617
	26,059	23,014

Alberta Hotel & Lodging Association Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. Trading investments *(Continued from previous page)*

	2019	2018
Change in investments		
Investments, beginning of year	23,014	553,978
Reinvested interest income	532	3,848
Reinvested net gain (loss)	2,328	(3,290)
Reinvested dividend income	185	1,774
Cash withdrawals from investments	-	(533,296)
Investments, end of year	26,059	23,014

None of the trading investments are pledged as collateral.

5. Accounts receivable and prepaid expenses

	2019	2018 <i>Restated (Note 18)</i>
Trade receivables	287,242	321,959
GST receivable	49,785	9,095
Prepaid expenses	32,736	37,902
Allowance for doubtful accounts	(2,402)	(889)
	367,361	368,067

6. Receivable from Alberta Hospitality Safety Association

During the year, office rent of \$36,000 (2018 - \$36,000), financial and administrative services of \$27,000 (2018 - \$27,000) and management services of \$48,673 (2018 - \$nil) were received from the Alberta Hospitality Safety Association. These transactions have been measured at the exchange amount, which is the amount of consideration agreed upon by the parties.

Amounts owing from Alberta Hospitality Safety Association are non-interest bearing, unsecured and due on demand.

7. Other assets

	Cost	Accumulated amortization	2019 Net	2018 Net
Tenant improvements	54,354	53,846	508	1,379

For the year ended December 31, 2019, amortization of \$871 (2018 - \$871) was expensed relating to other assets.

Alberta Hotel & Lodging Association
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

8. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>	<i>2018 Net book value</i>
Land	927,021	-	927,021	927,021
Buildings	3,128,444	788,284	2,340,160	2,418,371
Office furniture and fixtures	220,652	218,818	1,834	6,699
Computer equipment	113,348	104,649	8,699	12,657
Photocopiers	40,045	40,045	-	-
Telephone system	29,662	29,662	-	-
Other office equipment	21,365	20,550	815	1,385
	4,480,537	1,202,008	3,278,529	3,366,133

For the year ended December 31, 2019, amortization of \$92,131 (2018 - \$107,678) was expensed relating to capital assets.

9. Intangible assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019</i>	<i>2018</i>
Websites	799,719	792,270	7,449	28,507
Program development costs	213,322	73,367	139,955	196,403
Software development costs	455,493	364,940	90,553	115,819
Software costs	75,207	68,975	6,232	14,121
	1,543,741	1,299,552	244,189	354,850

For the year ended December 31, 2019, amortization of \$174,061 (2018 - \$245,291) was expensed relating to intangible assets.

10. Bank indebtedness

The Association's credit facility with the Bank of Nova Scotia ("Scotiabank") has a global credit limit of \$1,500,000 including an operating line of credit with the bearing interest at prime plus 0.25%, authorized to a maximum of \$250,000 and a corporate VISA facility with a limit of \$12,000. As at December 31, 2019, the Association had drawn \$nil (2018 - \$41,799) with respect to its operating line of credit. \$nil (2018 - \$27,057) of bank indebtedness is made up of outstanding cheques at year end.

The collective credit facility is secured by a general security agreement providing a charge over all present and future property of the Association; replacement cost fire insurance coverage; \$2,000,000 collateral mortgage with first charge over land and building; a real property report; and an assignment of all leases and rents.

The credit facility is subject to certain financial covenants with respect to debt service coverage. The credit facility is also subject to certain non-financial covenants requiring written permission from Scotiabank including: changes in ownership, mergers, acquisitions, investments or change in the line of business. As at December 31, 2019, the Association is in compliance with all such covenants.

11. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances (such as payroll withholding taxes and goods and services taxes) of \$64,141 (2018 - \$12,368).

Alberta Hotel & Lodging Association Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

12. Deferred revenue

	2019	2018
Energy efficiency levy	306,468	306,468
Campground grant	26,000	39,000
Aker Solutions Canada Inc. lease deposit	8,505	8,506
Deferred access fee	7,375	-
SKF Canada lease deposit	6,635	6,635
Other	3,088	2,170
AHLA tradeshow booth deposits	-	63,025
Tourism Works grant	-	17,333
	358,071	443,137

Lease deposits relate to damage deposit and last month's rent held as security. Deferred revenue from energy efficiency levy relates to revenue collected during the 2006 - 2010 Utility Partnership program with EPCOR and is retained for specific use in providing environmental stewardship benefits to members. In the year, \$nil (2018 - \$1,901) was spent on eligible program costs resulting in recognition of the corresponding amount of revenue.

Deferred revenue from Tourism Works is the unamortized portion of funds spent on the development of the Tourism Works website. In 2019, \$nil (2018 - \$nil) of grant funds were received and \$17,333 (2018 - \$49,834) was recognized as revenue.

Deferred revenue from campground grant is the unamortized portion of funds spent for the upload of Alberta campgrounds information into an existing database to facilitate user interface through the Check In Canada platform. In 2019, \$nil (2018 - \$100,000) of grant funds were received and \$13,000 (2018 - \$113,000) was recognized as revenue.

13. Restrictions on surplus

The Association's total surplus is comprised of the following:

	2019	2018
<i>Surplus invested in capital and intangible assets:</i>		
Capital assets	3,278,529	3,366,133
Intangible assets	244,189	354,850
Unamortized deferred capital contribution (Note 12)	(26,000)	(56,333)
	3,496,718	3,664,650
<i>Unrestricted surplus (deficiency)</i>	(128,433)	(286,784)
	3,368,285	3,377,866

14. Other income

	2019	2018
Trustee; financial, administrative and management services; and survey fees (Notes 6 and 15)	274,523	223,745
Rental income (Note 6)	215,236	223,561
Job grant	26,667	16,000
Interest income	6,526	8,322
CRM licensing	6,000	-
Gain (loss) on trading investments	2,328	(3,290)
Sponsorship	1,000	-
Dividends	185	1,774
	532,465	470,112

Alberta Hotel & Lodging Association

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

15. Trust accounts

As provided for under the Trust and Governance Agreements the Association has with various destination marketing funds, the Association receives and disburses funds in trust. These trust funds are accounted for separately and, accordingly, are not reflected in these consolidated financial statements. As at December 31, 2019, the Association held trust funds on deposit in the amount of \$9,223,505 (2018 - \$5,497,792).

16. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

The Association is exposed to interest rate risk arising from fluctuations in interest rates on its cash and trading investments, as described in Notes 3 and 4.

Market risk

The Association is exposed to market risk through its trading investments. The risk is minimized by the conservative composition of investments which is governed by the Association's investment policy.

Credit risk

The Association is exposed to credit risk through its cash, trading investments, accounts receivable and receivable from Alberta Hospitality Safety Association. The maximum amount of credit risk exposure is limited to the carrying value of the balances as disclosed in these consolidated financial statements.

The Association manages its exposure to credit risk on cash and trading investments by placing these financial instruments with high-credit quality financial institutions. The investments are managed on the Association's behalf by an external investment manager. The Board of Directors with the assistance of the investment manager has established guidelines for the asset mix in accordance with the Association's investment policy.

The Association assesses, on a continuous basis, accounts receivable and receivable from Alberta Hospitality Safety Association and provides for any amounts that are not collectible in the allowance for doubtful accounts.

17. Subsequent events

Effective January 1, 2020, the Association received the following amounts from the Alberta Hospitality Safety Association and integrated health & safety resources and training into its offerings, and has committed to deliver such resources and training to all employers that remit premiums into Alberta Workers Compensation Board industry code 87503:

- Assets - \$788,767
- Liabilities - \$93,235
- Surplus - \$695,532

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Association's business and financial condition.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Alberta Hotel & Lodging Association
Schedule 1 - Consolidated Schedule of Revenue and Expenses

For the year ended December 31, 2019

Member Value Programs

	2019	2018
Revenue		
Self-insurance program	453,529	415,274
Electrical energy and natural gas program	440,238	456,641
Accommodation programs	149,522	222,985
Health plan	81,693	83,122
Partnership programs and other revenues	32,594	24,335
	1,157,576	1,202,357
Expenses		
Self-insurance program	63,492	44,128
Electrical energy and natural gas program	61,260	80,079
Accommodation programs	68,093	214,498
Health plan	11,387	1,476
Partnership programs and other expenses	9,465	29,395
	213,697	369,576
Excess of revenue over expenses	943,879	832,781

Human Resource Programs

	2019	2018
Revenue		
Destination employment	387,913	38,449
Employer of Choice and Tourism Works	20,505	49,834
Certifications and training products	17,863	19,158
HR programs and other revenues	799	600
	427,080	108,041
Expenses		
Destination employment and HR indirect expenditures	306,054	27,091
Employer of Choice and Tourism Works	72,335	129,744
Certifications and training products	10,939	12,499
HR projects	37,453	12,899
Scholarships	-	5,000
	426,781	187,233
Excess (deficiency) of revenue over expenses	299	(79,192)

Alberta Hotel & Lodging Association
Schedule 1 - Consolidated Schedule of Revenue and Expenses
For the year ended December 31, 2019

Membership Communications

	2019	2018
Revenue		
Membership services	660,759	672,918
Member events: annual convention & trade show and regional meetings	513,949	358,019
Membership publications	4,761	4,543
	1,179,469	1,035,480
Expenses		
Membership services	212,291	224,488
Member events: annual convention & trade show and regional meetings	566,790	388,626
Membership publications	46,510	46,057
	825,591	659,171
Excess of revenue over expenses	353,878	376,309

Government Advocacy and Industry Relations

	2019	2018
Revenue		
Government relations: general	21,000	21,063
Expenses		
Government relations: general	124,301	152,904
Deficiency of revenue over expenses	(103,301)	(131,841)

Other income

	2019	2018
Other income (Note 14)	532,465	470,112
	532,465	470,112

Alberta Hotel & Lodging Association
Schedule 1 - Consolidated Schedule of Revenue and Expenses

For the year ended December 31, 2019

General expenses

	2019	2018
Total overhead office payroll	694,034	606,452
Total computer/IT and telecommunications expenses	253,884	202,906
Total other expenses	233,096	290,660
Total building expenses	199,061	192,906
Total Board of Directors expenses	175,114	175,923
Total general office expenses	80,797	59,901
Total professional fees	79,593	74,395
Total marketing expenses	6,579	12,416
	1,722,158	1,615,559

Other expenses

	2019	2018
Impairment of CHLA loan receivable	-	9,064
Income tax provision	14,643	-
	14,643	9,064