

2022

Annual Report

ahla || ALBERTA HOTEL &
LODGING ASSOCIATION

Table of Contents

2022 at a Glance	1
State of the Industry	2
State of the AHLA	3
AHLA Strategic Objectives	4
Audited Financial Statements	6




The AHLA approached 2022 as a year for rebuilding and renewal as our industry emerged from a global pandemic. To address the uncertainty and ambiguity both our members and our association must now navigate, the AHLA developed two new strategies.



Dave Kaiser, President & CEO




Labour

A three-year Labour Strategy, developed based on input from the AHLA Human Resources Advisory Council, with the goal of creating a sustainable workforce for Alberta hotels. Through this strategy, the AHLA will:

-  Identify, develop & cultivate sources of labour for Alberta hotels and help AHLA members connect with them.
-  Raise the level of health & safety and human resource practice in Alberta hotels.
-  Ensure government and stakeholders understand the labour landscape for Alberta hotels and take action to ensure a sustainable labour force.

Advocacy

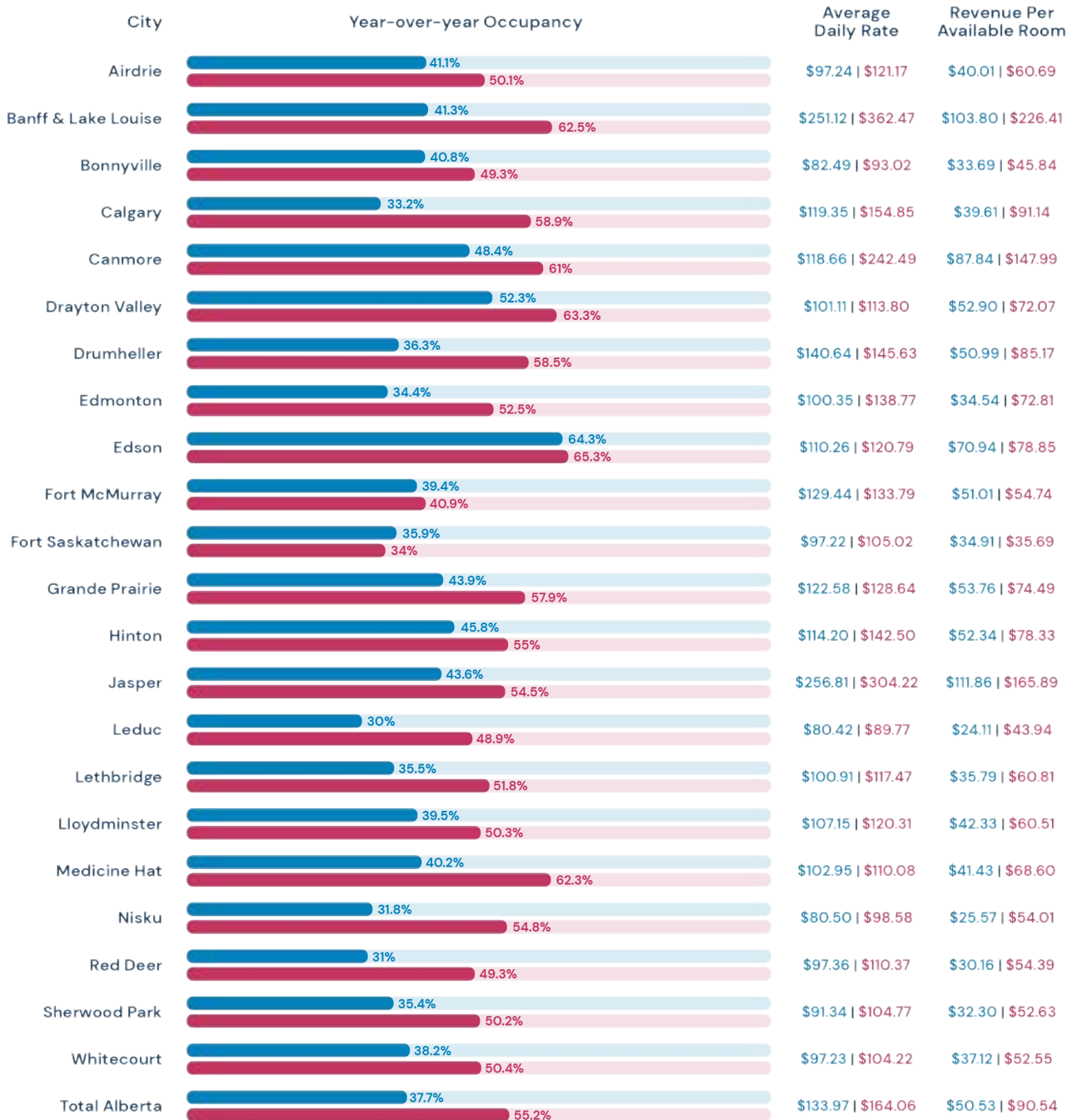
An Advocacy Strategy to support industry recovery. Through this, the AHLA will:

-  Ensure a fair and positive regulatory environment.
-  Advocate for labour supports such as a dedicated immigration stream for tourism hospitality and work-integrated learning opportunities.
-  Full allocation of the 4% Tourism Levy to Travel Alberta.

Execution of these strategies is foundational to the full and healthy recovery of our industry. These are essential to our members' recovery and their ability to contribute to the goal of \$20 billion in tourism revenue by 2030. We have seen much success to date through our collective advocacy efforts, but there is more work to be done.

State of Alberta's Hotel Industry

LEGEND
2021 / 2022



TOP 3 ISSUES FOR AHLA MEMBERS IN 2022

1
Cost of
Utilities

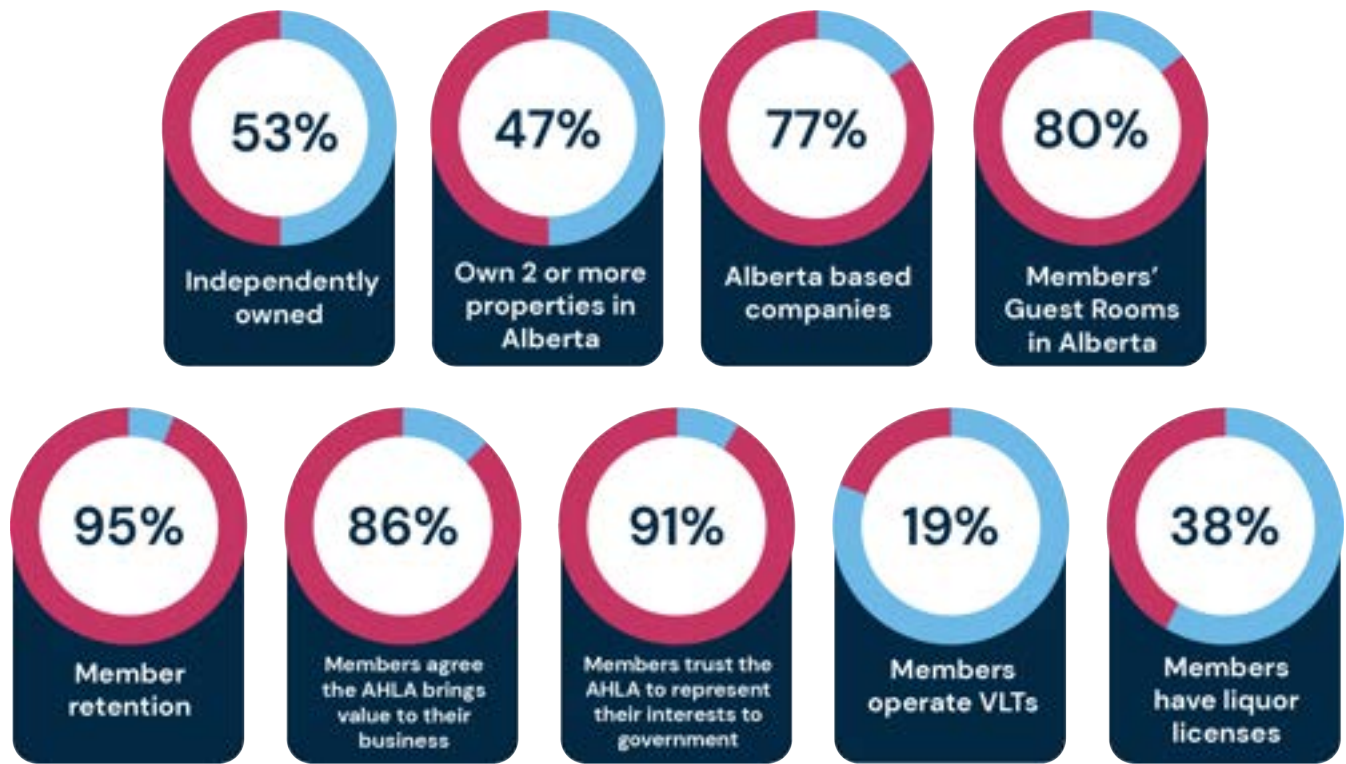
2
Staff
Recruitment
& Retention

3
Labour
Costs

Source: Smith Travel Research Inc. (STR). Reproduction 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. Revenue per available room is calculated using the occupancy rate and average daily room rate.

State of the AHLA

MEMBER HOTELS: 667 TOTAL NUMBER OF GUEST ROOMS: 64953



REVENUE STREAMS



"I place tremendous value on our relationship with & experience with AHLA. The hospitality industry is challenging & demanding – I couldn't imagine navigating the dynamics that we face on a regular basis without you. Thank you!"



Perry Batke, General Manager
Denham Hospitality Group

Strategic Objectives

To measure the impact of our efforts throughout 2022, we turn to the AHLA Strategic Objectives that were approved by the AHLA Board of Directors. These objectives give us direction to rally around, and offer a set of shared goals that highlight what we must do extremely well to help our members prosper.

Strategic Objective 1: ADVOCACY TO SUPPORT INDUSTRY RECOVERY

The AHLA was pleased to see our members' concerns addressed in the Premier of Alberta's mandate letters to Cabinet. This included directing the Ministry of Forestry, Parks and Tourism to:

-  Assess the advantages of having the full four per cent of the tourism levy invested in tourism related growth initiatives with Travel Alberta.
-  Work with the Minister of Trade, Immigration and Multiculturalism to establish an expedited tourism and hospitality immigration stream.

The AHLA Board of Directors held meetings with elected officials including Premier Danielle Smith, the Honourable Todd Loewen, Minister of Forestry, Parks and Tourism and MLA for Banff-Kananaskis Miranda Rosin, Parliamentary Secretary for Tourism. Federally, our advocacy work with the Hotel Association of Canada paid off with several important changes made to federal immigration policy. This included temporary foreign worker family members made eligible for open work permits, increasing the number of applicants for the International Experience Canada Program, and increasing the maximum weekly hours for International Students.

"The team is very responsive to questions. Everyone is very professional. I am quite aware of the advocacy efforts so appreciate them. I can see they make a difference, example with current premier's agenda in Tourism."

Joumana Ghandour,
General Manager
The Westin Edmonton

Strategic Objective 2: DELIVER PROGRAMS & SERVICES THAT DRIVE VALUE FOR MEMBERS



Captive Insurance

The AHLA met with members to discuss association captives and conducted a feasibility study. The AHLA will continue to explore this opportunity for members in light of the current insurance market.



Power

The AHLA/GAE group power program leveraged the buying power of hotels to shelter our members from market realities. Our 2022 aggregation saw 147 hotels comprising 12250 rooms secure prices in an extremely volatile market.

"Just wanted to send a big thank you for bringing Gas Alberta Energy into our portfolio. They have been AMAZING to work with, knowledgeable, and patient. I have really appreciated their help during these volatile times."

Sonja Cuthbert, General Manager
Holiday Inn Express & Suites
Airdrie – North Calgary



Human Resources and Health & Safety

The AHLA's Health & Safety programming encourages and supports a culture of health & safety in hotels and convention centers throughout Alberta. The AHLA serves approximately 1000 safety subscribers, representing 84,711 guest rooms.

- Development of a Learning Management System on tourismworks.ca
- Launched a new loss prevention and risk management video series aimed at educating hoteliers about safe work practices and property and liability insurance.
- Held 4 virtual education sessions on a variety of topics to educate members in health & safety, human resources, and loss prevention and risk management.



Ascend

Ascend is the *can't miss* event for hotel leaders, owners and investors, who come to connect and discover what's next for the hospitality industry. Through incisive sessions and expert research analysis, thought leaders probe the national, provincial, economic and technology trends that are reshaping the hospitality industry. In attendance were representatives from 187 hotels, 28% of our members.



Quarterly Insight

A members-only webinar that provides insight into the political and economic realities that are impacting hotels, and how the AHLA is responding.

- Average 10% of member properties attended each webinar
- Attendees received updates on the state of the industry, AHLA advocacy initiatives, and cost-saving programs.
- Plus, presentations from partners, like Alberta Labour & Immigration, Prospect Human Services, and Gas Alberta Energy.

Strategic Objective 3: ENSURE SUSTAINABILITY OF THE AHLA

The AHLA and ASC Board of Directors are committed to maintaining fiscal discipline and strong board governance. The dedication to both of these disciplines demonstrated by our board and team this past year was exemplary. It has left the AHLA in a strong financial position to face the challenges that we know lie ahead for our industry.

Due to the planned retirement of Dave Kaiser, the AHLA's President & CEO of 17 years, the Board of Directors undertook a thorough and comprehensive search for a new President & CEO to lead the association.

The AHLA began the planning and implementation of a new association management service to better serve our members' needs.

Alberta Hotel & Lodging Association
Consolidated Financial Statements
December 31, 2022

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 11, 2023


President & Chief Executive Officer


Director of Finance

To the Members of Alberta Hotel & Lodging Association:

Opinion

We have audited the consolidated financial statements of Alberta Hotel & Lodging Association and its subsidiary and its subsidiary (the "Association"), which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, 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 Consolidated 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.

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 Consolidated 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 Association 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 11, 2023

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, sans-serif font, followed by 'LLP' in a smaller, all-caps, sans-serif font.

Chartered Professional Accountants

Alberta Hotel & Lodging Association

Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
Assets		
Current		
Cash and cash equivalents (Note 3)	2,533,917	1,984,243
Trading investments (Note 4)	608,475	690,423
Accounts receivable and prepaid expenses (Note 5) (Note 16)	313,167	583,580
Income taxes recoverable	28,214	-
	3,483,773	3,258,246
Other assets (Note 6)	68,329	85,773
Capital assets (Note 7)	3,045,182	3,121,475
Intangible assets (Note 8)	278,837	39,116
	6,876,121	6,504,610
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	336,022	328,008
Deferred revenue (Note 11)	668,474	579,823
Income taxes payable	-	3,066
	1,004,496	910,897
Significant event (Note 16)		
Surplus		
Safety	928,517	977,683
Operating	1,319,089	1,155,439
Capital investment	3,324,019	3,160,591
Capital reserve	300,000	300,000
	5,871,625	5,593,713
	6,876,121	6,504,610

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these consolidated financial statements

Alberta Hotel & Lodging Association
Consolidated Statement of Revenue and Expenses
For the year ended December 31, 2022

	2022	2021
Member Value Programs <i>(Schedule 1)</i>		
Revenue	1,001,471	1,173,896
Expenses	322,440	186,498
Excess of revenue over expenses	679,031	987,398
Human Resource & Safety Programs <i>(Schedule 1)</i>		
Revenue	304,772	574,775
Expenses	372,103	497,356
Excess (deficiency) of revenue over expenses	(67,331)	77,419
Membership Communications <i>(Schedule 1)</i>		
Revenue	686,993	640,082
Expenses	257,736	216,659
Excess of revenue over expenses	429,257	423,423
Government Advocacy & Industry Relations <i>(Schedule 1)</i>		
Revenue	-	-
Expenses	200,398	107,309
Deficiency of revenue over expenses	(200,398)	(107,309)
Excess of revenue of expenses of segments	840,559	1,380,931
Other income <i>(Schedule 1), (Note 13)</i>	608,336	581,847
General expenses <i>(Schedule 1)</i>	(1,194,037)	(1,100,646)
Other recovery (expense) <i>(Schedule 1)</i>	23,054	(15,054)
Excess of revenue over expenses for the year	277,912	847,078
Total revenue	1,993,236	2,291,856
Total expenses	(1,152,677)	(1,007,821)
Other income <i>(Note 13)</i>	608,336	581,847
General expenses <i>(Schedule 1)</i>	(1,194,037)	(1,100,646)
Other recovery (expense) <i>(Schedule 1)</i>	23,054	(15,054)
Excess of revenue over expenses for the year	277,912	847,078

The accompanying notes are an integral part of these consolidated financial statements

Alberta Hotel & Lodging Association

Consolidated Statement of Changes in Surplus

For the year ended December 31, 2022

			<i>Surplus invested in capital and intangible assets</i>	<i>Capital reserve</i>	2022	2021
	<i>Safety</i>	<i>Operating</i>				
Surplus, beginning of year	977,683	1,155,439	3,160,591	300,000	5,593,713	4,746,635
Excess (deficiency) of revenue over expenses	(49,166)	433,867	(106,789)	-	277,912	847,078
Purchase of capital and intangible assets	-	(270,217)	270,217	-	-	-
Surplus, end of year	928,517	1,319,089	3,324,019	300,000	5,871,625	5,593,713

The accompanying notes are an integral part of these consolidated financial statements

Alberta Hotel & Lodging Association

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	277,912	847,078
Amortization of capital, intangible and other assets	124,232	144,056
Reinvested investment income, net (Note 4)	81,948	3,036
	484,092	994,170
Changes in working capital accounts		
Accounts receivable and prepaid expenses	270,413	(89,956)
Accounts payable and accrued liabilities	8,014	63,159
Deferred revenue	88,651	(16,762)
Income taxes payable / recoverable	(31,280)	(9,613)
	819,890	940,998
Investing		
Purchase of capital assets	(8,455)	(13,126)
Purchase of intangible assets	(261,761)	(37,274)
Purchase of other assets	-	(90,848)
	(270,216)	(141,248)
Increase in cash resources	549,674	799,750
Cash resources, beginning of year	1,984,243	1,184,493
Cash resources, end of year	2,533,917	1,984,243

The accompanying notes are an integral part of these consolidated financial statements

Alberta Hotel & Lodging Association

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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 663 member properties across Alberta, the Association represents hotels, motels, inns, resorts and lodges.

Effective January 1, 2020, the Association obtained all financial assets and liabilities of Alberta Hospitality and Safety Association.

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.

Restricted surplus

The Association follows the deferral method of accounting for contributions and in addition to its general operating surplus from program delivery and administrative activities, the following surplus reserves are maintained: safety, invested in capital and intangible assets and capital reserve.

The invested in capital and intangible assets surplus reports the Association's assets, liabilities, revenue and expenses related to Alberta Hotel & Lodging Association's capital and intangible assets.

Safety surplus reports the Association's accumulated surplus related to integrated health & safety resources and training, including the initial surplus transferred from Alberta Hospitality Safety Association.

The capital reserve was established by the Association's Board of Directors to restrict resources to be utilized for future significant capital projects or replacement.

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

Alberta Hotel & Lodging Association
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

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

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.

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 other assets, 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 (2021 - \$nil) were recorded in the year.

Allocation of expenses

The Association records a number of its expenses by program, including tourism marketing, member value programs, human resource development, membership communications, and government and industry relations. 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.

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

Financial instruments

The Association recognizes financial instruments when the Association becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Association may irrevocably elect to subsequently measure any arm's length 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 and all derivative instruments at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Association initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value.

All other related party financial instruments are measured at cost on initial recognition.

At initial recognition, the Association may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value. The Association has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

The Association subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at fair value.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess of revenues over expenses.

Financial asset impairment

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses. The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenues over expenses in the year the reversal occurs.

Alberta Hotel & Lodging Association
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

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

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 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

	2022	2021
Cash in bank non-interest bearing accounts	588,867	561,615
Bank balances payable on demand - weighted average annual interest rate of 0.20% (2021 - 0.20%)	1,945,050	1,422,628
	2,533,917	1,984,243

4. Trading investments

	2022	2021
Canadian Federal Government bonds	186,006	199,123
Corporate bonds - Canadian issuers	141,440	183,034
Canadian Provincial Government bonds	109,932	132,465
Corporate stock - Canadian companies	98,678	106,516
Cash	41,755	26,333
Corporate stock - US companies	20,890	21,976
Convertible bonds	9,774	20,976
	608,475	690,423

	2022	2021
Change in investments		
Investments, beginning of year	690,423	693,459
Reinvested interest income	12,623	18,331
Reinvested net gain (loss)	(98,552)	(23,542)
Reinvested dividend income	3,981	2,175
Investments, end of year	608,475	690,423

None of the trading investments are pledged as collateral.

Alberta Hotel & Lodging Association
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

5. Accounts receivable and prepaid expenses

	2022	2021
Trade receivables	271,566	542,749
GST receivable	463	-
Prepaid expenses	41,138	40,831
	313,167	583,580

6. Other assets

	Cost	Accumulated amortization	2022 Net	2021 Net
Tenant improvements	145,203	76,874	68,329	85,773

For the year ended December 31, 2022, amortization of \$17,444 (2021 - \$5,075) was expensed relating to other assets.

7. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	927,021	-	927,021	927,021
Buildings	3,128,444	1,022,879	2,105,565	2,183,737
Office furniture and fixtures	222,901	220,447	2,454	733
Computer equipment	115,388	106,347	9,041	9,984
Photocopiers	25,645	25,645	-	-
Telephone system	29,662	29,662	-	-
Other office equipment	22,833	21,732	1,101	-
	4,471,894	1,426,712	3,045,182	3,121,475

For the year ended December 31, 2022, amortization of \$84,748 (2021 - \$83,577) was expensed relating to capital assets.

8. Intangible assets

	Cost	Accumulated amortization	2022	2021
Websites	771,212	771,212	-	-
Program development costs	116,810	93,457	23,353	16,875
Software development costs	751,794	496,310	255,484	22,241
Software costs	75,207	75,207	-	-
	1,715,023	1,436,186	278,837	39,116

For the year ended December 31, 2022, amortization of \$22,040 (2021 - \$55,404) was expensed relating to intangible assets.

Alberta Hotel & Lodging Association

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

9. 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, 2022, the Association had drawn \$nil (2021 - \$nil) with respect to its operating line of credit.

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, 2022, the Association is in compliance with all such covenants.

10. 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 \$44,306 (2021 - \$49,201).

11. Deferred revenue

	2022	2021
Energy efficiency levy	306,468	306,468
Deferred membership fees	198,860	125,948
WCB funding	119,300	119,300
Food Buy sponsorship	12,143	5,950
Deferred access fee	11,791	5,534
Lease deposits	11,082	16,623
Travel Alberta grant	5,000	-
SYMY Immigration	1,645	-
Deferred association membership fees	1,185	-
Recruit Without Borders	1,000	-
	668,474	579,823

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 (2021 - \$nil) was spent on eligible program costs resulting in recognition of the corresponding amount of revenue.

Deferred revenue from WCB is the unspent funds for developing and implementing an online learning management system (LMS). In 2022, \$nil (2021 - \$nil) of LMS grants funds were received and \$nil (2021 - \$nil) was recognized as revenue.

Deferred revenue from Travel Alberta is the unspent funds for the Owner's Council Forum. In 2022, \$50,000 (2021 - \$nil) of grant funds were received and \$45,000 (2021 - \$nil) was recognized as revenue.

Alberta Hotel & Lodging Association
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

12. Restrictions on surplus

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

	2022	2021
<i>Surplus invested in capital and intangible assets:</i>		
Capital assets	3,045,182	3,121,475
Intangible assets	278,837	39,116
	3,324,019	3,160,591
<i>Unrestricted surplus</i>	1,296,036	1,155,439
<i>Safety program surplus</i>	928,517	977,683
<i>Capital reserve</i>	300,000	300,000
	5,848,572	5,593,713

13. Other income

	2022	2021
Wage subsidies (Note 16)	253,400	341,274
Trustee; financial, administrative and management services; and survey fees (Note 14)	195,391	163,360
Rental income	137,556	66,967
Interest income	21,120	2,180
Job grant	800	8,000
Dividends	69	66
	608,336	581,847

14. 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, 2022, the Association held trust funds on deposit in the amount of \$14,727,741 (2021 - \$10,966,094).

15. 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 and its bank indebtedness as described in Note 9.

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.

15. Financial instruments *(Continued from previous page)*

Credit risk

The Association is exposed to credit risk through its cash, trading investments and accounts receivable. 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 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 provides for any amounts that are not collectible in the allowance for doubtful accounts.

16. Significant event

Since March 2020, 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 federal, 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.

The Association applied for the Canada Emergency Wage Subsidy (CEWS) and the Tourism and Hospitality Recovery Program (THRP). Under these programs, organizations experiencing significant revenue reductions during the COVID-19 pandemic are eligible to receive a subsidy for a portion of employee wages or deductions paid during those periods. For the year ended December 31, 2022, the Association claimed aggregate subsidies under these programs of \$178,625 (2021 - \$341,274), of which \$nil (2021 - \$108,045) remained in accounts receivable at year-end.

Alberta Hotel & Lodging Association
Schedule 1 - Consolidated Schedule of Revenue and Expenses
For the year ended December 31, 2022

Member Value Programs

	2022	2021
Revenue		
Self-insurance program	392,687	595,920
Electrical energy and natural gas program	391,870	348,958
Accommodation programs	111,730	138,577
Health plan	67,192	66,935
Partnership programs and other revenues	37,992	23,506
	1,001,471	1,173,896
Expenses		
Self-insurance program	174,429	80,882
Electrical energy and natural gas program	124,158	63,556
Accommodation programs	21,755	41,227
Health plan	2,098	833
	322,440	186,498
Excess of revenue over expenses	679,031	987,398

Human Resource & Safety Programs

	2022	2021
Revenue		
Safety training	290,543	365,238
HR programs and other revenues	11,848	208,349
Employer of Choice and Tourism Works	1,881	1,188
Destination employment	500	-
	304,772	574,775
Expenses		
Safety training	339,709	265,965
Destination employment and HR indirect expenditures	16,510	5,632
HR projects	11,245	221,176
Employer of Choice and Tourism Works	4,639	4,583
	372,103	497,356
Excess of revenue over expenses	(67,331)	77,419

Alberta Hotel & Lodging Association
Schedule 1 - Consolidated Schedule of Revenue and Expenses
For the year ended December 31, 2022

Membership Communications

	2022	2021
Revenue		
Membership services	533,306	535,500
Member events: annual convention & trade show and regional meetings	140,337	96,231
Membership publications	13,350	8,351
	686,993	640,082
Expenses		
Membership services	104,644	115,245
Member events: annual convention & trade show and regional meetings	110,176	55,770
Membership publications	42,916	45,644
	257,736	216,659
Excess of revenue over expenses	429,257	423,423

Government Advocacy & Industry Relations

	2022	2021
Expenses		
Government relations: general	200,398	107,309
Deficiency of revenue over expenses	(200,398)	(107,309)

Other income

	2022	2021
Other income (Note 13), (Note 16)	608,336	581,847

General expenses

	2022	2021
Total overhead office payroll	627,161	550,366
Total building expenses	169,767	178,178
Total other expenses	124,837	127,188
Total computer/IT and telecommunications expenses	100,356	118,390
Total Board of Directors expenses	86,621	56,402
Total general office expenses	47,270	39,075
Total professional fees	37,425	29,972
Total marketing expenses	600	1,075
	1,194,037	1,100,646

Other (recovery) expense

	2022	2021
Income tax provision	(23,054)	15,054



ALBERTA HOTEL &
LODGING ASSOCIATION

 2707 Ellwood Drive SW, Edmonton, AB T6X 0P7

 www.ahla.ca  780.436.6112 / 888.436.6112  WeHelpHotels@ahla.ca