

2018 ANNUAL REPORT



EDMONTON DESTINATION MARKETING HOTELS LTD.
In Partnership to Increase Overnight Visitation in Edmonton

Our Values

ACCOUNTABILITY

INTEGRITY

COLLABORATION

STEWARDSHIP

TRANSPARENCY

Our Vision

Edmonton will be western Canada's premier hospitality destination, attracting visitors for a wide variety of activities and experiences, creating prosperity for our members.

Our Mission

Our purpose is to direct investments and hold our partners accountable for creating, driving and sustaining growth that deliver positive results in the Greater Edmonton Region for the benefit of our members.

Strategic Objectives

1. To maintain, engage and grow EDMH's membership. Success includes:
 - Showing results
 - Measuring ROI
 - Communicating with members
 - Maximum member participation in marketing initiatives
2. To assure the long term sustainability of Edmonton Destination Marketing Hotels. Success includes:
 - Showing results
 - Regular and ongoing communications with members and other stakeholders
 - Ensuring that the EDMH has the right partners
 - Measuring ROI
 - Clusters working at maximum effectiveness and alignment with EDMH goals
3. To seek innovative initiatives that will drive tourism to Edmonton
4. To drive room revenue through investment of Destination Marketing Fund dollars

EDMH BOARD OF DIRECTORS



Garrett Turta
Chair
2018



Grant McCurdy
Past Chair
2018



Peter Parmar
Vice Chair
2018



Karen Naylor
Treasurer
2018



Bernie Yerxa
Corporate Secretary
2018



Theodore Stoubos
Member at Large
2018



Mark Perry
Member at Large
2018



2018 – THE YEAR IN REVIEW

HOW CAN ONE YEAR OUT OF THE MANY TUMULTUOUS ECONOMIC YEARS THAT WE'VE FACED SHAKE THE EDMH AT ITS CORE?

As with all years previous, the EDMH was focused on doing its best by its members and partners – investing in others to build business into Edmonton for the benefit of our members. Alberta's economic downturn that had been in effect since 2015 was keeping business anything but usual, but our focus and intent remained the same, which was to deliver our mission. In the midst of that, we found ourselves and our hotels in the middle of a perfect storm.

We were encouraged in 2017 that the markets might be changing. After the EDMH marketing fees dropping by \$1 million in each 2015 and 2016 – which of course reflected only 3% of the pain that hotels were facing – 2017 marketing fees were flat. Flat felt like the new 'up' since it appeared that the bleeding stopped and we were on our way to recovery. In 2018 we realized that wasn't true, since we were virtually flat again, meaning no growth.

It's not only Edmonton feeling the pain. All of our primary drive markets are in the same or possibly worse shape. A statistic that runs true across Canada is that the majority of those who travel within a province are from that province. In our case, more than 80% of Albertans are the travellers within our province.

Various media touted that in 2018 Alberta was the fastest growing province, but we now know that this reflects annual statistical growth and not overall economic performance.

It's rare to get a good news story about our economy. Tracking the independent reports, like those that come from the financial institution ATB, 2018 was gloomy:

Bankruptcies Could Rise This Year

"The number of Albertans filing for bankruptcy began to pick up as 2018 came to a close. The latest statistics suggest total insolvencies in our province have grown by nine per cent in the past twelve months, although they remained virtually unchanged from October to November (-0.9 per cent).

Total consumer bankruptcies in Alberta are nearly ten per cent higher compared to last year. More alarming is the rise in consumer proposals, which grew 2.3 per cent from October to November and are up 27.4 per cent from last year..."

Posted on 'The Owl', 1/14/2019, Author: ATB Financial's Economics + Research Team

Manufacturing Sales End 2018 on a sour note

"Monthly manufacturing sales in Alberta fell in December, reaching their second lowest point to cap off a bumpy year. According to Statistics Canada, sales from Alberta factory room floors came in at \$6.1 billion in the final month of 2018. The December total was 4 per cent lower than November and 11 per cent below October.

With all the 2018 data available, we now have a better picture of how the manufacturing sector fared over the course of last year. Average monthly manufacturing sales in Alberta grew by seven per cent compared to 2017. Unfortunately, this doesn't mean every sub-sector performed well.

Petroleum and coal manufacturing was hardest hit in December, and throughout the year. Sales in this sub-sector fell nearly 15 per cent in December compared to November and are down by close to 12 per cent compared to the beginning of the year. The drop in sales can largely be attributed to a drop in oil prices..."

Posted on 'The Owl', 1/12/2018, Author: ATB Financial's Economics + Research Team

What to Watch in 2018

“Oil’s price fall and the subsequent recession in our province caused Alberta’s unemployment rate to rise in 2015 and 2016. The unemployment rate peaked in November 2016 at nine per cent and has not returned to pre-recession levels despite the improvement in economic conditions. The unemployment rate will likely stay unusually higher than Alberta’s been accustomed to for the next two years, barring an unexpected oil boom...”

Posted on 'The Owl', 2/14/2019, Author: ATB Financial's Economics + Research Team

Wisely both Edmonton Tourism and Edmonton International Airport diversified our markets by targeting international travellers. There were multiple successful campaigns, primarily linking Edmonton with the nearby shining jewel, Jasper. Even though Destination Canada – our national tourism marketing organization – claimed that 2018 was a shining success, and indeed it was by their objectives, international will never replace domestic travel. Coupled with the fact that Edmonton historically only gets a fraction of those international travellers who are drawn to icons, the likes of Banff, Niagara Falls and 'Anne of Green Gables' (which is a tourism mega-experience based on an imaginary person...). All levels of tourism marketing are working to create new experiences and communications to draw the travellers outside of these initial iconic locations. Although there is traction from different travellers to explore different parts of Canada, as a city-destination, we lag behind the allure of places like 'MTV', being Montreal, Toronto and Vancouver.

Record number of overseas tourists travelled to Canada in 2018



Banff National Park, Canada. (MartinM303 / iStock.com)

Relaxnews

Published Friday, February 22, 2019 9:45AM EST

Canada attracted a record-breaking number of overseas tourists in 2018, with visitors from China, France and Mexico, new flight routes and visa changes pushing the number of international arrivals past the 21 million mark for the first time.

Last year marked the fifth consecutive year of growth for international tourist arrivals to Canada with 21.13 million overseas visitors, making 2018 the best year for Canadian tourism, [said Destination Canada](#).

Key international markets also set new arrivals records, with tourists from China exceeding the 700,000 mark (737,379) for the first time, marking a six per cent growth compared to 2017.

Source: ctvnews.ca/canada/record-number-of-overseas-tourists-travelled-to-canada-in-2018-1.4308115

EDMONTON – PERFORMANCE INDICATORS

KEY POINTS FOR 2018

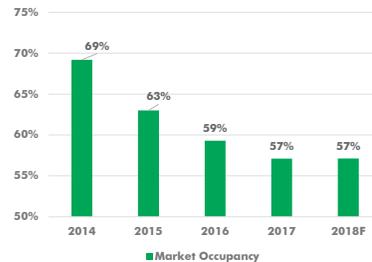


EDMONTON – DUAL IMPACTS OF ECONOMIC DOWNTURN AND NEW SUPPLY (2014 TO 2018)

Edmonton Accommodation Market
Supply vs. Demand Growth



Edmonton Market Occupancy



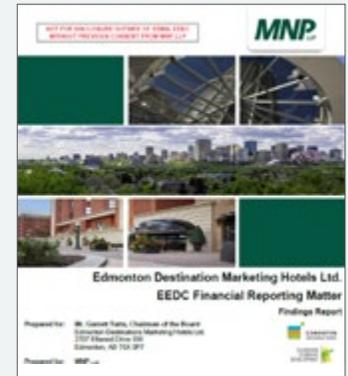
- Edmonton supply will grow by 16% over the 2014 – 2018 period
- Room Demand will decline by net 4% over the 2014 – 2018 period
- The impact on market occupancy over the 4-year period is a projected 12 point decline, from 69% in 2014 to 57% in 2017 and 2018

At the same time as Alberta's economy was sliding, Edmonton's hotel inventory was growing. Based on a CBRE Report 'Alberta Accommodation Outlook 2018' as was presented at the AHLA Conference in April of that year (meaning that the data was reflective of January, 2018) they identified the "dual impact of economic downturn and new supply."

That gap in the supply/demand states that in Edmonton in early 2018 we were up by +16% in inventory – meaning new rooms, but down by -4% in demand – undoubtedly meaning that the corporate or crew traveller had not returned to pre-recession levels. As we close 2018 with even more rooms opening, or anticipated to open, we anticipate that this gap will only grow. Sadly when new inventory comes on, the general tactic is to reduce rates to lure travellers from other hotels. When presenting this report at the AHLA Conference, the CBRE speaker forewarned that only we can change the ADR reality by *not* lowering our rates. Consumers move to the hotel with the lower rate, until their previous property reduces their rate, and by then Edmonton's hotel product is commoditized to price-only. It's a no-win battle that simply reduces the value of our rooms, and does not build new business to Edmonton.

Beyond the business challenges, 2018 brought situations that we could not have anticipated. As 2018 dawned, we were having difficulty in closing the Edmonton Tourism 2017 EDMH funding commitments and results, due to reports that did not align. It was in February after receiving the newest version where data again did not correctly add up that the board realized that we could not delay longer. We were two months into 2018 and had not closed 2017, which means that our funding commitments for 2018 were outstanding.

The board reached out to MNP, who not only is the EDMH auditor who reviews all of our accounts, but is also the provider of the 'On the Books' data, meaning that they have an ongoing relationship with



Edmonton Tourism. After the audit, we had a clear understanding of how the EDMH funds were spent, plus MNP created an ongoing reporting template drawing from the G/L that would ensure that this will not be an issue in the future. This process took until May 2018 for us to sign off 2017 funding and extend a final funding commitment to 2018. The good news is that Edmonton Tourism continued their efforts through this period, so no lack of activity resulted from this review.

Even though it was advised in 2017 that the cities of Edmonton and Calgary wanted to attach the DMF to the Big City Charter, we realized mid-2018 that this decision was going to be made before the year was out.

The City Charters were touted as an opportunity for these cities to have more control over things like bylaws and traffic tickets. But attached under the Fiscal Framework was their intent to take over the Destination Marketing Fee (DMF). It was Calgary's mayor, Naheed Nenshi who advised reporters that the Big City Charter will bring no new taxes – ignoring the fact that by them turning the voluntary DMF into a government-run, required fee – it becomes a tax. Mayor Nenshi was also the one who said that turning the DMFs into a hotel tax would “increase transparency and accountability.” Given that both Calgary and Edmonton's DMFs are run by boards who are hoteliers and members, and the fact that we report out 4 times a year plus at AGMs – it's absurd that he would imply that you'd have more accountability by creating another tax stream within city hall. Mayor Nenshi's intent was later explained, advising that ‘accountability and transparency’ reflected all hotels paying into this fund rather than a select number.

The board of the EDMH quickly realized that Edmonton hotels were missing from government dialogue. That meant that while other groups presented to council advancing their belief that creating a hotel tax would be valuable – there was no one speaking to stop the tax. Although the EDMH was not created to advocate for hotels – with ‘destination marketing’ even in our name – we needed to mobilize quickly to have any chance at stemming the tide.

Following the guidance of the Alberta Hotel & Lodging Association (AHLA) who advocates provincially, the EDMH created a strategy to engage Edmonton City Council, city administrators plus key provincial ministers. As part of the plan we created smaller events in which to draw influencers, so we could share the Edmonton hotel story. Included in this strategy was a City Hall targeted function – which was held at the Sutton Place, to enable them to easily walk next door. Beyond our Chair Garrett Turta presenting

the concerns with a hotel tax, we had partners including Oilers Entertainment Group/Rogers Place, Edmonton International Airport, Northlands and the AHLA speak to the value of an independent DMF. We also had a function targeting provincial influencers at the Federal Building, which being on the Legislative grounds enable them easy access as well.

ALBERTA HOTEL & LODGING ASSOCIATION

DESTINATION MARKETING FEES (DMFs), CITY CHARTERS, AND MUNICIPAL TAXATION

Since the introduction of the 4% Tourism Levy in 2005, hotels in communities around Alberta have responded to the need for sustainable funding for tourism marketing by implementing Destination Marketing Funds (DMFs). Hotels and motels participate in these DMFs on a voluntary basis.

The AHLA believes that:

- Hotels should be free to choose whether they wish to contribute to a DMF.
- Hotels that charge a DMF on the guest folio should participate in a recognized DMF.
- Hotels should be vigilant when it comes to the transparency and accountability of tourism marketing expenditures.
- Flexibility, local autonomy, and the ability to respond quickly to opportunities are important features of DMFs.
- Those who contribute the funds should have control over how they are spent.
- There must be accountability and transparency around funds collected and how they are spent.

The AHLA supports the transparent and accountable collection and expenditure of DMFs to promote tourism and market Alberta as a tourist destination, which benefits all Albertans.

The current system ensures:

- Individual hotels can choose for themselves whether participating in destination marketing programs fits with their business model.
- A direct line of sight between the organizations and initiatives that receive funding and whether these actually result in visitors to the destination.
- Those who receive DMF monies are accountable to their funder.
- Efficient and effective use of funds, with minimal dollars spent on administration.

Based on our observations and experience working with DMFs, the AHLA has published Recommendations for the Governance and Administration of Destination Marketing Fees and a voluntary code of conduct for DMFs.

RECOMMENDATIONS:

1. Focus on driving tourism revenue - not municipal revenue - if it considers changes to the administration of DMFs.
2. Ensure that hotels must have a seat at the table with the province as discussions occur and decisions are made.

The AHLA opposes giving municipalities the authority to administer DMFs. The AHLA is opposed to any additional fees, taxes, or levies being applied to hotel & lodging businesses by federal, provincial, or municipal governments.



PHONE 780.436.6112 FAX 780.436.5404 EMAIL gr@ahla.ca
2707 Ellwood Drive, Edmonton AB T6X 0P7



THE NEW CITY CHARTERS COULD INCLUDE A “PILLOW TAX” FOR HOTELS

Keith Pridgen

Contrary to how it may appear, there are only two orders of government in Canada: provincial and federal. The municipal order of government is really a misnomer, as it is a creation of and therefore entirely subject to provincial law. All Alberta municipalities are subject to the Municipal Government Act (the MGA), regardless of geographic or demographic size. The obvious problem with this arrangement is that a strict framework in which all municipalities must exist does not comport with the reality that municipalities are not all alike. Most notably, Calgary and Edmonton are major urban centres that contain 50 per cent of Alberta’s population. These large cities have a significantly different expectation on provision of municipal services than smaller municipalities. This is why the province has been working closely with Calgary and Edmonton over the past decade to create a revised system that exempts the them from the confines of the MGA.

The big city mayors and the NDP all recognize that the public would not kindly welcome new taxes, and the practical reality of consultation for such drastic changes would push the rest of the necessary regulatory package years into the future.

Recent disclosures of planning documents have, however, raised some concern over just how dedicated the province is to this commitment. The new charters include some budgeting and financing changes. Most of these changes revolve around streamlining the administration of existing revenues. One exception to this appears to be the establishment of a mandatory “pillow tax” that everyone would pay if they stayed in a hotel in Calgary or Edmonton. This “pillow tax” would be entirely separate from the four per cent provincial Tourism Levy already charged by any hotel with four or more rooms. When the Tourism Levy was created in 2005, monies raised were to be allocated to tourism marketing through Travel Alberta, and tourism product development. Over time, the government’s commitment to allocating these funds strictly to tourism has waned as fiscal pressures have grown, and there is no longer a connection between dollars raised through the Tourism Levy and provincial investment in tourism. A municipal “pillow tax” is just as likely to succumb to the same fiscal pressures.

At the same time, a new, private and extraordinarily efficient model of funding for local tourism initiatives emerged, as hotels in Edmonton, Calgary and elsewhere around the province started contributing on a voluntary basis to Destination Marketing Funds (DMFs). The province is now considering forcing all hotels to charge this fee and remit it to government. For all intents and purposes, this would be a new tax.

While the province has not guaranteed that this new taxing power would be granted to Calgary and Edmonton in the city charters, neither has it affirmatively climbed down from its position of considering this “pillow tax” proposal.

The result? In late November our Executive Director and AHLA Director of Membership & Industry Relations met with the Minister of Municipal Affairs Shaye Anderson – where he confirmed that the DMF will indeed not be attached to the City Charter. Meaning that the hotel tax was removed from this provincial MGA document, resulting in these cities not constitutionally having the ability to create a hotel tax.

Although we did a lot of hard work to affect this decision, we also realize that we were lucky. Going into a provincial election, no government would want to seem in favour of a new tax. However, after the election, if the Municipal Government Act is opened again – which happens with regularity – the EDMH will again engage in a government relations strategy to ensure that a pillow tax stays off the table.

In 2018 there was another front in which our hotels needed defending. With the City of Edmonton creating their 2019-2022 budget, their focus was on increasing the taxes we all pay. EDMH Board member Karen Naylor and Executive Director Karen Chalmers separately presented to Council asking for restraint.

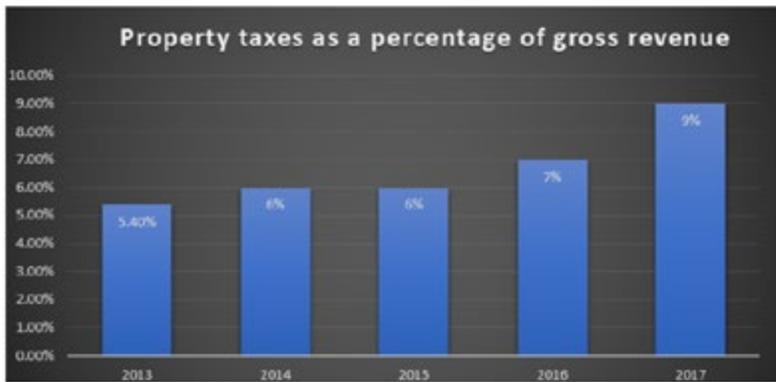
Source: Alberta Counsel Newsletter, Issue 69

Beyond the efforts of our board and team, we'd like to recognize the Edmonton Chamber of Commerce for changing the tides of taxation levels. They created a Municipal Tax Task Force, to which our executive director was a member. They created Policy Pulse communications, identifying where expenses were excessive and shared suggested areas for council

to review. Through the Chamber's diligence in rallying the business community, they not only identified issues – but also supplied solutions. Through this process the Chamber had council and the city understanding the full story.

Excerpt from Karen Naylor's Presentation to Council

"I have faced increasing costs, decreasing revenue and more competition from unregulated competitors over the past few years. A zero percent property tax increase would help a lot as would your support to avoid a proposed hotel tax. The current EDMH led destination marketing fund is well managed and one of the few things I can do as a hotel owner to help attract new customers.



Source: Karen Naylor's presentation to Council



Chamber Bulletin on City Budget: Labour Costs – Part Two

Property tax increases, on top of increased taxes, fees and other costs from all orders of government, are pushing many Edmonton business to the breaking point. The City of Edmonton is currently developing its 2019-2022 budget, which will be released in November 2018.

The Edmonton Chamber has struck a **Municipal Budget Task Force** to work with the City, to represent the interest of job creators, to find areas where the City can achieve savings, and to avoid further property tax increases as we advocate for conditions to avoid further property tax increases as we advocate for conditions that keep businesses competitive.



As we pointed out in our last **City Budget Bulletin**, the City of Edmonton cannot expect to constrain operational spending growth unless it addresses employee costs, which account for 57% of the **operating budget**.

Last week we focused on holding the line on wages in this round of public sector negotiations. The other strategy the City can use to control labour costs is to limit the number of people employed by the City.

Source: Edmonton Chamber of Commerce Policy Pulse

As much as 2018 business was bleak, there was another component that was reducing business to our hotels. An alternative business was benefiting from all EDMH market-development investments, without contributing one dollar to the DMF. That additional element was the rapid escalation of short term rentals.

The article (below, left) proposed that the reason for Edmonton's meteoric rise in Airbnb bookings is because of our proximity to the Rockies. That doesn't make much sense, since Calgary didn't even make the list, and

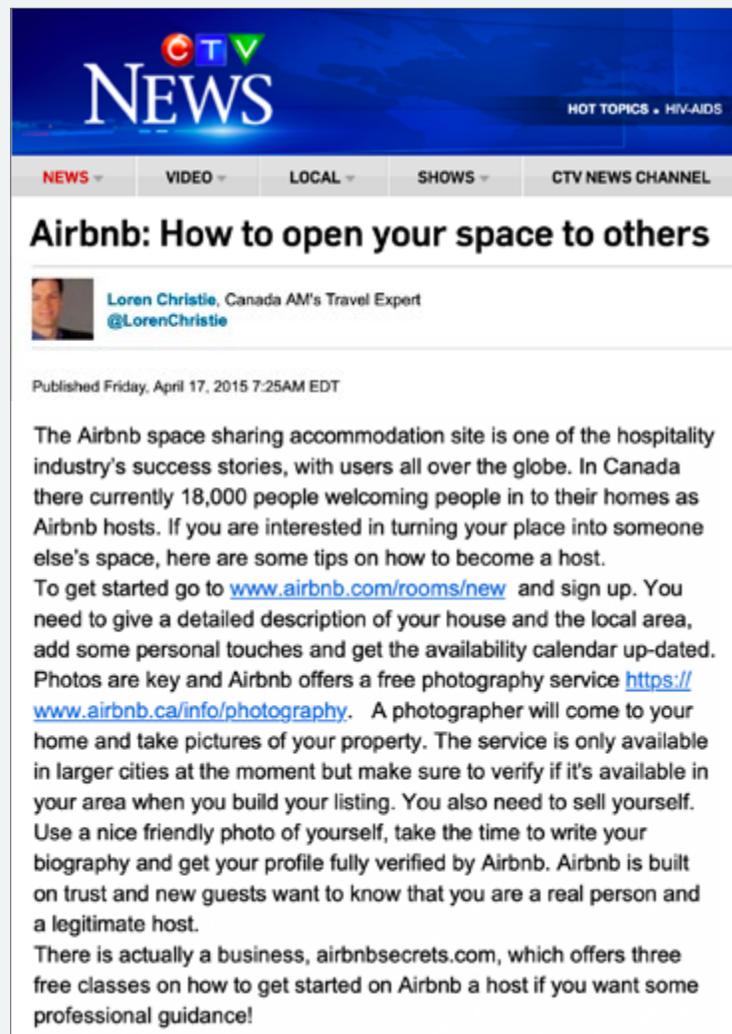


The screenshot shows the Edmonton Journal website with a navigation bar including NEWS, OPINION, SPORTS, BUSINESS, ARTS, LIFE, and CAREERS. The article title is "Edmonton's Airbnb bookings are surging faster than any other Canadian city" by Carson Jerema, updated on December 27, 2017. The text discusses how Edmonton is ranked third among "Trending Destinations" based on Airbnb bookings for the first half of 2018, growing 284% compared to 2017. It attributes this growth to the city's proximity to the Rockies. A list of trending destinations is provided below.

Destination	Percentage Increase
Gangneung, Korea	2,175% (hosting winter Olympics)
Bournemouth, UK	353%
Edmonton, Canada	284%
Indianapolis, IN	256%
Da Nang, Vietnam	255%

Source: edmontonjournal.com/news/local-news/edmonton-is-a-trending-global-travel-hotspot-airbnb

is significantly closer to the mountains than our city is. Perhaps because of articles like the following (below, right, published in April, 2015) it enticed Edmontonians to take advantage of opening defacto hotels.



The screenshot shows a CTV News article titled "Airbnb: How to open your space to others" by Loren Christie, Canada AM's Travel Expert. Published on Friday, April 17, 2015 at 7:25AM EDT. The article discusses the success of Airbnb in the hospitality industry and provides tips for becoming a host, such as giving a detailed description of the space, adding personal touches, and getting verified by Airbnb. It also mentions a business called airbnbsecrets.com that offers professional guidance.

Source: ctvnews.ca/airbnb-how-to-open-your-space-to-others-1.2331854

EDMONTON, AB

Whatever the cause, the result is an endemic development of all short term rental platforms. Traditional OTAs like Expedia and Booking.com are getting into the 'home sharing' game. But the brand that singlehandedly stands above all is Airbnb. This global company is a machine, hiring the best government lobbying firms and having a practiced playbook to evade regulations. Airbnb does not pay GST to the Canadian federal government, does not pay the Tourism Levy to our provincial government, and does not pay for business licenses or commercial taxes to our city. Nor, of course, do they remit to DMFs.

Due to the EDMH's efforts regarding the possible hotel tax, we are now well known at all layers of both provincial and municipal government, plus to their administration. Not wanting to lose that voice, the board committed to continue to advocate on the behalf of our members. Our Chairman is almost on speed-dial with key councillors, as are all layers of our board and staff.

The major issue in 2018 that's primarily being addressed is the travesty of unregulated short term rentals. In tandem with the direction of the AHLA, we have no issue with true home-sharing, where an owner living in the home rents out a spare room for a limited amount of time. As a matter-of-fact, having a local welcoming visitors and sharing the unique Edmonton experience is an appreciated element. However, as research proves, the vast majority of Airbnb 'hosts' are commercial operators that own multiple units, and never meet their client. Thanks to realtor lock boxes and 'grey areas' in city, provincial and federal regulations – defacto hotels are opening with no restraint, and could easily become your new neighbour.

- Revenue generated by multi-unit entire-home hosts increased by 144% to now total more than \$1.7 million.
- 86% of Edmonton's Airbnb revenue is generated by entire-home rentals.
- 30% of Edmonton's units were rented out for more than 90 days in past 12 months, earning 70% of total revenues.
- 5% of Edmonton's Airbnb inventory was rented out for more than 180 days and generated 20% of total revenues.
- Edmonton's hotel sector supports approximately 7,500 full time equivalent jobs at an average salary of \$44,000.
- Based on an analysis of cleaning revenues, it is estimated that Edmonton's Airbnb sector supports 7 jobs, of which 6 are generated by entire-home rentals.

- In addition to 5% GST, hotel room sales in Edmonton are subject to a 4% Tourism Levy. It is estimated that hotel room sales generate \$53 million in consumer taxes and fees.
- Applying the same rates to Edmonton's Airbnb sector has the potential to generate an estimated \$680,000 in consumer taxes and fees.
- Over the past 4 years, Edmonton's hotel sector has invested an estimated \$485 million in new hotel development. There is no comparable capital investment in new built Airbnb properties, as these properties are largely repurposed residential units.

Source: CBRE Research commissioned by the Hotel Association of Canada – An Overview of Airbnb and the Hotel Sector in Canada

Although short term rentals are the main issue that we've been sharing with government officials, we also share details that contribute to the 'perfect storm' facing Edmonton hoteliers and our members, including:

- Significant minimum wage hikes,
- Application of a carbon tax,
- Employment standards code changes,
- Labour relations code changes,
- New WCB and OHS (Occupational Health & Safety) rules,
- Federal tax changes,
- And higher CPP premiums

Yes, it's a perfect storm, but it's one that we're learning to navigate through, and are working to ensure that Edmonton hotels and our members have a voice in changing.



Source: edmontonjournal.com/news/politics/alberta-reaches-tentative-funding-deal-with-municipalities

EDMONTON DOWNTOWN HOTELS

DOWNTOWN BOARD MEMBERS

Garrett Turta, Chairman
Theodore Stoubos, Director at Large

DOWNTOWN MARKETING CO-LEADS

Alyson Mitchell • Steven Walton

DOWNTOWN – Q1 WINTER CAMPAIGN

/ JAN 15 – MAR 15, 2018

Did you know? style campaign promoting lesser known things to do and experience in Edmonton. Focus on events, dining and attractions to encourage bookings

CALL TO ACTION:

Downtown page on exploreedmonton.com

IMPRESSIONS **3,106,682**

CLICKS **19,566**

Average CTR **0.63%**

CONVERSIONS **108**

EDMONTON WESTEND HOTELS

WESTEND BOARD MEMBERS

Peter Parmar, Vice-Chair
Mark Perry, Director at Large

WESTEND MARKETING CO-LEADS

Kristine Lerch • Sherry Honey

WESTEND – Q1 WINTER CAMPAIGN

/ JAN 22 – MAR 31, 2018

Winter campaign promoting family-friendly hotel packages

CALL TO ACTION:

Deals page on exploreedmonton.com

IMPRESSIONS **3,852,724**

CLICKS **19,332**

Average CTR **0.41%**

CONVERSIONS **85**

EDMONTON SOUTHSIDE HOTELS

SOUTHSIDE BOARD MEMBERS

Karen Naylor, Treasurer

Barnie Yerxa, Secretary

SOUTHSIDE MARKETING CO-LEADS

Laura Ternan • Patricia Townsend

SOUTHSIDE – Q1 WINTER CAMPAIGN

/ JAN 15 – MAR 15, 2018

Did you know? style campaign promoting lesser known things to do and experience in Edmonton. Focus on events, dining and attractions to encourage bookings

CALL TO ACTION:

Downtown page on exploreedmonton.com

IMPRESSIONS **3,364,329**

CLICKS **21,615**

Average CTR **0.64%**

CONVERSIONS **198**



ALL-CLUSTER SALES MISSION

OTTAWA /Sep 11, 2018

WINNIPEG /Oct 2, 2018

TORONTO /Oct 11, 2018

Cluster representatives co-hosted a series of events with Edmonton Tourism to promote Edmonton in key markets – Ottawa, Winnipeg and Toronto. Clients had different experiences in each city but all were given special Edmonton-local gifts, treats and a presentation from the Edmonton Adventure Book, produced by Edmonton Tourism.

ALL-CLUSTER FAM

MAR 8-11

Mini FAM with four clients and an all-cluster focus. Small events with representation from hotels in the Southside and Westend and multiple sites at Downtown properties.

TRADESHOW ATTENDANCE

TÊTE À TÊTE

1 rep from each cluster

GO WEST

1 rep from each cluster

INCENTIVEWORKS

1 rep each from Westend and Downtown

EDMONTON'S BEST HOTELS



GAS UP YOUR GETAWAY CAR DEAL

/ MAY 17 TO JUN 17, 2018

Campaign – \$50 gas card with stay to promote conversion

CALL TO ACTION:
EdmontonsBestHotels.com

IMPRESSIONS	3,926,131
CLICKS	11,733
Average CTR	0.30%
CONVERSIONS	124

HLINKA GRETZKY CONTEST / JUN 26 TO JUL 25, 2018

Contest – Increase communications opt ins, brand awareness

CALL TO ACTION: Facebook contest page

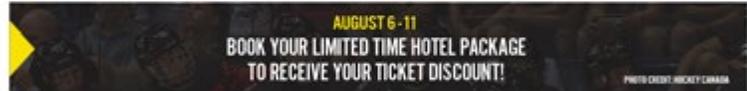
IMPRESSIONS	98,117
ENTRIES	1543
OPT-INS	552

HLINKA GRETZKY DEAL / JUL 5 TO AUG 9, 2018

Campaign – Discount ticket code with stay to promote conversion

CALL TO ACTION: EdmontonsBestHotels.com

IMPRESSIONS	5,966,605
CLICKS	13,695
Average CTR	0.23%
CONVERSIONS	133



▶ THE BACK TO SCHOOL RACE IS ON!

▶ YOU NEED AN **OUTLET**

▶ GET A \$60 GIFT CARD FOR EDMONTON'S ONLY OUTLET SHOPPING CENTRE

▶ FOR A LIMITED TIME WITH YOUR STAY

EDMONTON'S *Best* HOTELS **BOOK TODAY!**

YOU NEED AN OUTLET DEAL

/ AUG 15 TO SEP 9, 2018

Campaign – \$60 gift card with stay to promote conversion

CALL TO ACTION:
EdmontonsBestHotels.com

IMPRESSIONS **2,888,366**

CLICKS **5247**

Average CTR **0.18%**

SALES **25**

BOOK NOW **186**

EDMONTON'S *Best* HOTELS



NAME THE **PILLOW** TO **WIN!**

NAME THE PILLOW CONTEST / SEP 12 TO OCT 11, 2018

Contest – Increase communications opt ins, brand awareness

CALL TO ACTION: Facebook contest page

IMPRESSIONS: 123,685 / ENTRIES: 2,431 / OPT-INS: 397



TUCKER TAKES SHAPE

EdmontonsBestHotels.com has many user benefits (exclusive deals, the best available rates, easy and secure to name a few) but reaching our audience to share this information in a way they can connect and engage with is essential. And that's where a cute, fluffy "spokespillow" entered the picture!

A brand ambassador in the form of a pillow, Tucker was announced in October 2018 after a month long contest for submissions to name him. He's now front and centre on Instagram and Facebook, having adventures at member hotels, and at various attractions around the city.



PLAZA PREMIUM LOUNGE DEAL

/ OCT 15 TO NOV 12, 2018

Campaign – Plaza Premium Lounge passes (EIA)
with stay to promote conversion

CALL TO ACTION:

EdmontonsBestHotels.com

IMPRESSIONS	2,651,863
CLICKS	2,298
Average CTR	0.09%
BOOK NOW	137

THE HOCKEY CONTEST

/ NOV 7-29, 2018

Contest –
Increase communications
opt-ins, brand awareness

CALL TO ACTION:

Contest page on
EdmontonsBestHotels.com

IMPRESSIONS	86,904
ENTRIES	2,104
OPT-INS	818





GAS UP YOUR GETAWAY CAR DEAL

/ NOV 16, 2018 TO JAN 6, 2019

Campaign – \$50 gas card with stay to promote conversion

CALL TO ACTION:

EdmontonsBestHotels.com

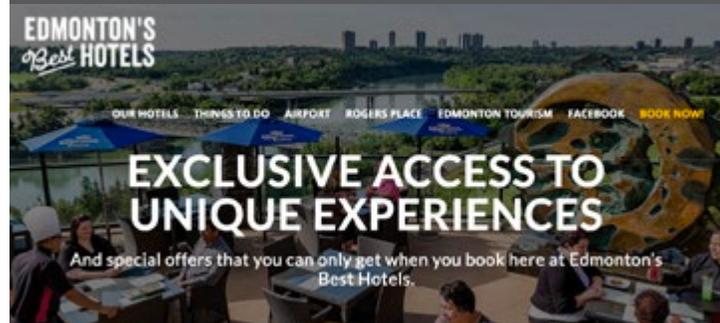
IMPRESSIONS **5,439,209**

CLICKS **6,599**

Average CTR **0.12%**

SALES **14**

BOOK NOW **275**



EdmontonsBestHotels.com

WEBSITE STATS / MAY 17 - DEC 31, 2018
(SOFT LAUNCH MAY 17 TO JUL 5)

TOTAL SESSIONS **32,884**

TOTAL PAGEVIEWS **66,685**

DESKTOP VS. MOBILE **7662 / 20,157**

AVERAGE SESSION DURATION **1:13**

TOTAL BOOK NOW TO HOTELS **1,087**

Edmonton's Best Hotels

MONTHLY NEWSLETTER STATS / MAY - DEC, 2018

AVG. OPEN RATE **28% (3281)**

INDUSTRY AVERAGE 17.6%

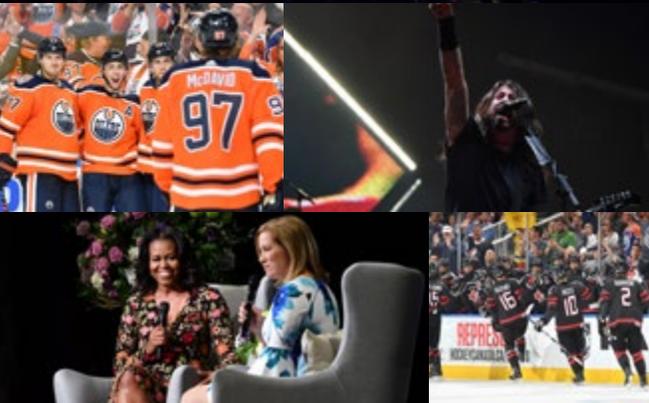
AVG. CLICK RATE **4% (502)**

INDUSTRY AVERAGE 2%



OILERS ENTERTAINMENT GROUP

EDMH REVIEW: JANUARY 1, 2018 – DECEMBER 31, 2018



“May your successes always be this grand! Rogers Place was the second highest ticket sales in touring history for Cirque Crystal.”

Molly Haydon, Marketing Director Cirque du Soleil



“As progress in ICE District continues to move ahead, we are closer to realizing Daryl Katz’s vision of developing the largest mixed-use sports and entertainment district in Canada, in the heart of downtown Edmonton. With Rogers Place as its anchor, ICE District will be a bustling, urban district that will draw people from all corners of the city, the country and the world with a dynamic energy unlike anything Edmonton has seen before. Oilers Entertainment Group looks forward to continuing to work with our foundational partners, such as Edmonton Destination Marketing Hotels, as we continue to elevate Edmonton’s reputation as a premier destination for sports and entertainment, hospitality and tourism.” *OEG CEO & Vice Chair Bob Nicholson*

HIGHLIGHTS:

- Daryl Katz has invested over \$2 billion dollars into Edmonton’s downtown via the ICE District project, which will be the largest mixed-use sports and entertainment district in Canada.
- In September 2018, we celebrated the grand opening of Stantec Tower, the company’s new global headquarters. At 69-storays in height (66 functional floors), Stantec Tower will be the tallest building west of Toronto and serves as one of the key pillars in the vibrant ICE District.
- As of December 31, 2018, Rogers Place has welcomed 3.9 million guests through the door since opening in 2016.
- Rogers Place hosted 252 events in 2018, including some of the largest names in entertainment such as Drake (two shows), Eagles, Foo Fighters, Shania Twain (two shows), Keith Urban, Kevin Hart, Rod Stewart, Paul McCartney etc.
- More than 16,000 students and educators came to Rogers Place for WE Day Alberta in October 2018. This was the first time this event was held in Edmonton.
- Rogers Place has hosted 47 shows that have only played the Edmonton market in Alberta since opening, vastly increasing the geographic catchment for concertgoers across Western Canada.
- Live Entertainment has contributed just over 1 million tickets to Edmonton’s market, since Rogers Place opened, including concerts, Michelle Obama, Stars On Ice and Nitro Circus.
- Hockey contributed 2.9 million admission tickets for Oilers, Oil Kings and the Hlinka Gretzky Cup, since the venue opened.
- In December 2018, Hockey Canada announced that the 2021 IIHF World Junior Championship will be co-hosted at Rogers Place in Edmonton and at the ENMAX Centrium in Red Deer, with regional economic impact expected to exceed \$50 million.
- There were a total of 147,224 total hotel room night stays based off of Rogers Place business and events in 2018.
- The estimated return to hotels in the region was a whopping \$21.3 million.
- On average 28% of Live Entertainment ticket purchasers are from 150 km outside of Edmonton.



Image: EEDC

EDMONTON INTERNATIONAL AIRPORT

EDMONTON GAINS ALTITUDE IN 2018 – EIA HAS ITS BEST YEAR EVER!

Edmonton International Airport (EIA) celebrated its best year ever in 2018, serving more than 8.2 million passengers and moving forward with many impressive commercial development and infrastructure projects that will benefit our local tourism economy. These passengers represent growth in hotel occupancy in our city, a critical objective of EIA's work. Success in this work can be attributed to the excellent partnership and aligned efforts between Edmonton Destination Marketing Hotels (EDMH), Edmonton Tourism, the City of Edmonton, Edmonton Economic Development Corporation, Travel Alberta, Edmonton's business community, our airline partners and EIA.

In 2018, EIA's overall passenger count grew by 5.8 per cent over 2017's numbers, and domestic travel increased by 6.3 per cent over the previous year. US travel experienced a net 9.9 per cent increase in 2018, thanks in part to new routes launched by low-cost carriers Flair Airlines and Swoop. After several years of strong international inbound growth, KLM and Icelandair international passengers continue to arrive in Edmonton to take advantage of our city's tourism offerings including the Ice District, our cool culinary scene, Fort Edmonton, etc. Total visitor spend from these two airlines with EDMH properties was approximately \$8.7 million in 2018!

Last year, we were pleased to see the introduction of several new non-stop routes. In particular, Air Canada's San Francisco – Edmonton route has not only supported critical business links but has also seen growing inbound passengers to Edmonton. Las Vegas is now served non-stop by four airlines, offering excellent business and leisure connectivity. WestJet, Swoop and Flair Airlines have also added capacity and new routes such as Oakland and Palm Springs. The increase in US air capacity to Edmonton opens up increased traveler access to EDMH properties, and we are supporting these flights to ensure further growth through our ongoing partnerships, marketing and promotion.

In addition to all the new flight options, we've made significant progress creating a tourism destination at and around EIA. In 2018, we opened the Premium Outlet Collection–EIA, Costco, Red Cup Distillery, and continued development of Century Mile Racetrack and Casino, all of which will help attract more passengers.

EIA values our close partnership with EDMH and will continue executing our focussed strategy to generate results for our EDMH, airline and development partners. We look forward to our continued partnership in 2019 and further joint successes!

EDMONTON TOURISM

Whether it's a culinary hot spot earning a place in En Route's top ten, or Edmonton recognized as one of Travel and Leisure's 50 places to visit, our destination continues to make its mark in the travel space regionally, nationally and internationally. Edmonton Tourism — made up of Meetings and Conventions, Edmonton Events, International Market Development and Marketing — has evolved and expanded the team to increase our efforts in driving sustainable year-round visitation. In 2018, the tourism team brought over \$60 million in economic impact to Edmonton. We see the big picture and, as a destination marketing organization, we will continue to contribute to Edmonton's success, and the success of our stakeholders. We are the trusted experts and resources for sales and the marketing of our city, and we want visitors to have more than enough reasons to visit, explore and stay longer. Our goal is to drive year-round sustainable visitation and we accomplish this by: driving demand for our city's experiences, focusing on proactive growth strategies for the city, and setting consistent performance measures that help us drive improved results and build on Edmonton's history as a great host city and place to visit.

MEETINGS & CONVENTIONS

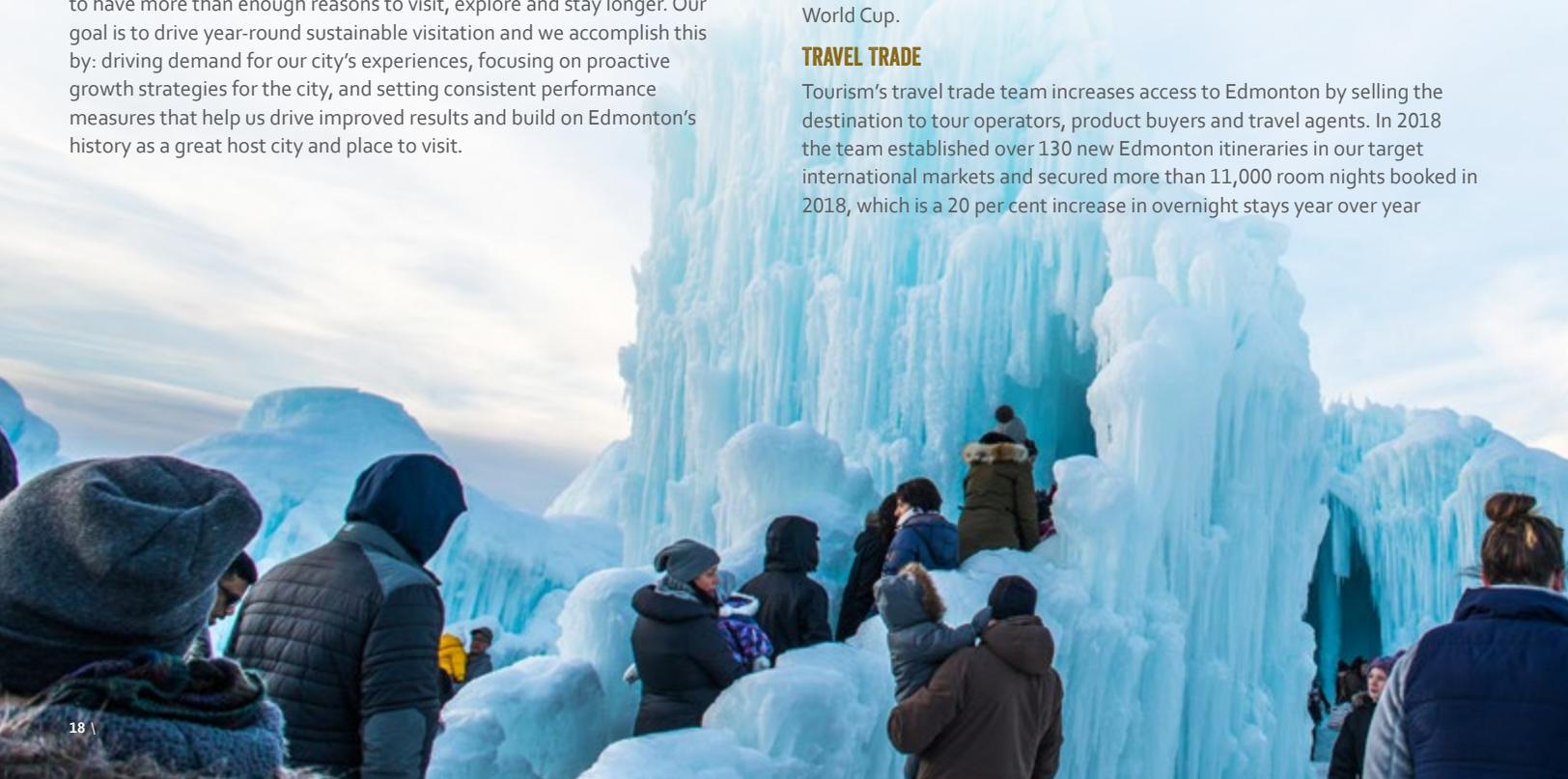
The Meetings and Conventions team work hard to increase sales activity, providing qualified leads to industry and winning bids aligned with our targeted economic sectors. The result: stakeholders find value in Edmonton Tourism. Some of the meetings and conventions that were booked in 2018 include: Youth Science Canada – three-year program, Watch Tower in 2019, and the Association of Preservation Technology International

EDMONTON EVENTS

Edmonton has developed a reputation for being a premium host city for major events from around the world. In 2018, Edmonton Events – a partnership between Edmonton Tourism and the City of Edmonton – presented the Major Event Growth and Attraction strategy, which was approved by City Council. The team worked hard in 2018 to secure the World Championships in Athletics, the Canadian Ultimate Championships and to be shortlisted as one of three Canadian cities to host 2026 FIFA World Cup.

TRAVEL TRADE

Tourism's travel trade team increases access to Edmonton by selling the destination to tour operators, product buyers and travel agents. In 2018 the team established over 130 new Edmonton itineraries in our target international markets and secured more than 11,000 room nights booked in 2018, which is a 20 per cent increase in overnight stays year over year



2018 HIGHLIGHTS

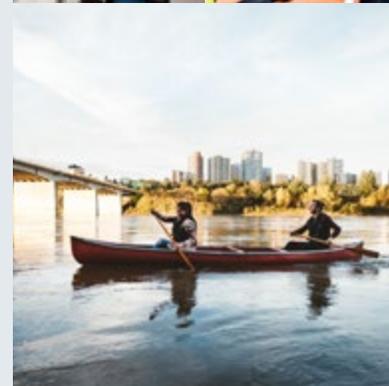
- Won the bid to host the 2021 World Masters Athletics (WMA) Indoor Championships, this event will see over 3000 participants, 20,000+ room nights and an estimated economic impact of \$11 million.
- Watch Tower, July 2019, 12,000 attendees, 4500 room nights, Visitor Economy \$1,035,851 – EDMH Funding \$59,865.00.
- Travel Trade reported over 11,000 room nights booked, which is a 20 per cent increase in overnight stays year-over-year.
- Edmonton content reached over 67 million potential visitors through Travel Media's efforts.
- Launched ExploreEdmonton.com 2.0 and the new industry website

2018 EDMONTON TOURISM RESULTS

Economic Impact	\$63,567,994
Room Nights	92,814
Hotel Occupancy (Alberta Tourism Market Monitor)	59%
Website Sessions	1,560,102
Facebook	9,848,602 <i>organic reach</i>
New Itineraries featuring Edmonton	130
Media	8.2/10 QUALITY SCORE
Media Coverage Reach	67,589,087

EDMH FUNDING ALLOCATIONS

	<i>actual</i>
MEETINGS & CONVENTIONS	\$1,307,500
EDMONTON EVENTS	\$1,726,000
TRAVEL TRADE	\$466,500
TOTAL	\$3,500,000



EDMH: 2018 BUDGET

(\$)

TOTAL 2017 BUDGET	7,063,231.11
<i>Less 7.3% to Clusters (Cluster budget to include cost of booking engine build plus member photography)</i>	<i>-516,500.00</i>
TOTAL ENTERPRISE BUDGET	6,545,731.11

SPONSORSHIP/INVESTMENTS	(\$)
Edmonton Tourism	3,500,000.00
Northlands	100,000.00
Oilers Entertainment Group	1,800,000.00
Edmonton International Airport	750,000.00
TOTAL SPONSORSHIP BUDGET:	6,150,000.00
INITIATIVES	
Board learning events	4,000.00
IMPACT/Board networking events	20,000.00
Research	300.00
Edmonton Certified & Cluster HQ Support (mileage/parking/av rental/F&B for meetings, etc)	200.00
Edmonton Certified & Cluster HQ Support (Committee Expenses)	6,000.00
Travel Alberta Conference; Travel Alberta Calgary meetings (2); AHLA Conference; HAC – staff & board chair. RVC2017 in Calgary	3,000.00
Subscriptions & memberships	700.00
Annual Report and legal	2,800.00
Annual General Meeting	800.00
Giveaways	200.00
Hotel rooms for prizing	600.00
Board & Staff entertaining	1,400.00
Survey Monkey	500.00
Committee, Board retreat, Board functions & gifts	11,000.00
TOTAL INITIATIVES BUDGET:	51,500.00

OPERATIONAL BUDGET	(\$)
AHLA – cheques/stamps/courier	150.00
Year End Financial Audit	15,000.00
Staff/Office – Salaries, Benefits, Rent, Printing, Travel & Meeting Expenses, Storage Unit. Laptop & Office Equipment	270,900.00
AHLA Trustee Fee	50,000.00
AHLA – bank fees	1,500.00
PKF Report	1,200.00
Legal Fees	15,000.00
Insurances (board & tenant)	6,000.00
TOTAL OPERATIONAL BUDGET:	359,750.00
TOTAL 2018 ENTERPRISE SPEND	6,561,250.00
<i>Transfer of funds from Clusters + \$145,000.00</i>	
MSP Forensic Audit of Edmonton Tourism	50,635.00
City Council 'edu-reception', 12 September	1,520.00
Alberta Council proposal	75,000.00
Habitat for Humanity (partnership with OEG)	400.00
Contribution to HAC short term rental survey	3,000.00
MLA Event – food and drinks charges	1,187.00
	131,742.00

INDEPENDENT AUDITOR'S REPORT

EDMONTON DESTINATION MARKETING HOTELS LTD.

FINANCIAL INFORMATION

December 31, 2018

MANAGEMENT'S RESPONSIBILITY

To the Members of Edmonton Destination Marketing Hotels Ltd.:

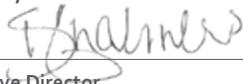
Management is responsible for the preparation and presentation of the accompanying financial information, including responsibility for significant accounting judgments and estimates in accordance with the basis of accounting disclosed in Note 2 to the financial information. This responsibility includes 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 financial information, 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 financial information.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the 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 Organization's external auditors.

MNP LLP is appointed by the members to audit the financial information 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.

March 18, 2019



Executive Director

TO THE MEMBERS OF EDMONTON DESTINATION MARKETING HOTELS LTD.

Opinion

We have audited the financial information of Edmonton Destination Marketing Hotels Ltd. (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenue, expenses and surplus and cash flows for the year then ended, and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the accompanying financial information presents fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting disclosed in Note 2 to the financial information.

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 Information section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial information 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

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial information, which describes the basis of accounting. This financial information, which has not been, and was not intended to be, prepared in accordance with Canadian accounting standards for not-for-profit organizations, is solely for the information

and use of the members of Edmonton Destination Marketing Hotels Ltd. As a result, the financial information may not be suitable for another purpose. The financial information is not intended to be and should not be used by anyone other than specified users or for any other purpose.

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

Management is responsible for the other information. The other information comprises the information, other than the financial information and our auditor's report thereon, included in the annual report.

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

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

The annual report is expected to be made available to us after the date of our auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Information

Management is responsible for the preparation and fair presentation of the financial information in accordance with the basis of accounting disclosed in Note 2 to the financial information, and for such internal control as management determines is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial information, 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 Organization'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 Organization'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 financial information 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

March 18, 2018

MNP LLP

Chartered Professional
Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash & Cash Equivalents <i>(Note 4)</i>	10,857,879	11,741,292
Accounts receivable	1,116,814	949,617
	11,974,693	12,690,909
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals	201,641	2,221,120
Deferred revenue <i>(Note 3)</i>	9,769,630	9,851,771
	9,971,271	12,072,891
Reserve <i>(Note 4)</i>	1,492,947	300,000
	11,464,218	12,372,891
NET ASSETS		
Share capital <i>(Note 5)</i>	9,683	9,490
Surplus	500,792	308,528
	510,475	318,018
	11,974,693	12,690,909

Approved on behalf of the Board


Garrett Turta, Director


Karen Naylor, Director

*The accompanying notes are an integral part of
this financial information.*

STATEMENT OF REVENUE, EXPENSES AND SURPLUS

For the year ended December 31, 2018

	2018	2017
REVENUE		
Deferred revenue recognized (Note 1), (Note 3)	6,084,675	6,511,296
Interest income	192,264	88,799
	6,276,939	6,600,095
DIRECT EXPENSES (RECOVERY)		
Promotional sponsorship	6,174,194	5,611,624
Advertising media purchase	232,498	448,747
Website	20,804	11,661
Trade shows	19,335	28,152
Graphic design/production	6,039	3,795
Promotional materials	3,131	4,545
Entertaining	3,066	702
Familiarization tour events	1,819	46,452
Outside services	-	2,200
Expense recovery	(854,537)	-
	5,606,349	6,157,878
EXCESS OF REVENUE OVER DIRECT EXPENSES	670,590	442,217
OPERATING EXPENSES		
Office and administration	264,189	244,733
Professional fees	135,517	14,665
Trustee fees	50,000	50,000
Board and committee expenses	15,042	20,569
Bank charges and interest	8,026	9,327
Legal fees	5,491	13,977
Postage	61	148
	478,326	353,419
EXCESS OF REVENUE OVER EXPENSES	192,264	88,798
SURPLUS – BEGINNING OF YEAR	308,528	219,730
SURPLUS – END OF YEAR	500,792	308,528

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	192,264	88,798
CHANGES IN WORKING CAPITAL ACCOUNTS		
Accounts receivable	(167,197)	(179,638)
Accounts payable and accruals	(2,019,479)	2,148,293
Deferred revenue	(82,141)	496,385
	(2,076,553)	2,553,838
FINANCING		
Issuance of share capital	486	847
Redemption of share capital	(293)	(237)
Increase in reserve	1,192,947	-
	1,193,140	610
INCREASE (DECREASE) IN CASH RESOURCES	(883,413)	2,554,448
CASH RESOURCES – BEGINNING OF YEAR	11,741,292	9,186,844
CASH RESOURCES – END OF YEAR	10,857,879	11,741,292

*The accompanying notes are an integral part of
this financial information.*

NOTES TO THE FINANCIAL INFORMATION

For the year ended December 31, 2018

1. INCORPORATION AND NATURE OF THE ORGANIZATION

Edmonton Destination Marketing Hotels Ltd. (the "Organization") is a company limited by shares incorporated on October 23, 2012 under Part 9 of the Companies Act in the province of Alberta. The Organization was formed to continue similar activities of Edmonton Destination Marketing Fund (the "Fund") (a program administered and managed by Edmonton Economic Development Corporation) and is a subsequent program of the Fund under section 5.4 of the Destination Marketing Agreement between Edmonton Economic Development Corporation and participating hotels.

The Organization receives contributions through its members pursuant to its Amended Articles of Association, Amended Memorandum of Association and provincial funding. Before receiving shares of the Organization, a member executes a Subscription Agreement and covenants to pay the destination marketing fee. The funding is utilized by the Organization to offer services focused on the promotion of tourism through destination travel by tourists, conventions, events and delegate and business travel and film production within Edmonton. This promotion is done through advertising, public relations, media relations, sales, promotional activities, research and associated marketing. The Organization is maintained and operated under the direction of the Organization's Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

This financial information has been prepared by management in accordance with Agreements between the Organization and its members as described in Note 1. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial information for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. This financial information has, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash and cash held in high-interest accounts held with a broker.

Revenue recognition

The Organization records marketing fees, calculated in accordance with the Subscription Agreement, based on representations from the member hotels. Marketing fees received are recorded as deferred revenues until the monies are spent on marketing initiatives as outlined in the Subscription Agreement. The Organization recognizes all other revenue on the accrual basis.

Expenditures

The Organization contributes various amounts to projects as a part of its nature of operations. As the Organization does not have control on how this funding is used after commitment is established, amounts are expensed at the earlier of when the payment is made or the completion of the project.

3. DEFERRED REVENUE

Deferred revenue consists of unspent funds that the Fund is required to spend on marketing initiatives as outlined in the Destination Marketing Agreement. Changes in the deferred revenue balance are as follows:

	2018	2017
Balance, beginning of year	9,851,771	9,355,386
Marketing fees received during the year	7,195,481	7,007,681
Less: amounts recognized as revenue during the year	(6,084,675)	(6,511,296)
Less: transfer to reserve fund	(1,192,947)	-
Balance, end of year	9,769,630	9,851,771

4. RESERVE

The Edmonton Destination Marketing Agreement requires a portion of the funds collected over a three-year term be set up as a reserve fund. The reserve fund is currently held as cash, which has been restricted for use upon the approval of the Board. The corresponding funds are presented as a non-current liability in the statement of financial position.

5. SHARE CAPITAL

The authorized capital of the Organization is as follows:

200 Class A common, voting shares without nominal or par value. The maximum price or consideration for which a Class A common share may be issued for is \$1.

10,000 Class B common, voting shares without nominal or par value. The maximum price or consideration for which a Class B common share may be issued for is \$1.

SHARE CAPITAL (continued from previous page)

	Class A	Class B	2018	2017
Balance, beginning of year	56	9,434	9,490	8,880
Shares Issued	4	482	486	847
Shares redeemed	(2)	(291)	(293)	(237)
Balance, end of year	58	9,625	9,683	9,490

Agrees to Note 5 of audit ffs

SCHEDULE OF REVENUE AND EXPENSES BY CLUSTER

For the year ended December 31, 2018

REVENUE	General	Clusters	2018 total	2017 total
Deferred revenue recognized	5,796,821	287,854	6,084,675	6,511,296
Interest income	192,264	-	192,264	88,799
	5,989,085	287,854	6,276,939	6,600,095
DIRECT EXPENSES				
Promotional sponsorship	6,150,000	24,194	6,174,194	5,611,624
Advertising media purchases	2,801	229,697	232,498	448,747
Website	5,160	15,644	20,804	11,661
Trade show	5,846	13,489	19,335	28,152
Graphic design/production	3,720	2,319	6,039	3,795
Promotional materials	3,131	-	3,131	4,545
Entertaining	3,066	-	3,066	702
Familiarization tour events	-	1,819	1,819	46,452
Outside services	-	-	-	2,200
Expense recovery	(854,537)	-	(854,537)	-
	5,319,187	287,162	5,606,349	6,157,878
EXCESS OF REVENUE OVER DIRECT EXPENSES	669,898	692	670,590	442,217
OPERATING EXPENSES	477,634	692	478,326	353,419
EXCESS OF REVENUE OVER EXPENSES	192,264	-	192,264	88,798
DEFERRED REVENUE – BEGINNING OF YEAR	8,142,553	1,709,218	9,851,771	9,355,386
DEFERRED REVENUE – END OF YEAR	7,828,740	1,940,890	9,769,630	9,851,771

EDMH: PROPOSED 2019 BUDGET

(\$)

PROJECTED TOTAL 2019 BUDGET	7,092,396.38
<i>Less 7.3% to Clusters (Cluster budget to include cost of booking engine build plus member photography)</i>	<i>-500,000.00</i>
TOTAL ENTERPRISE BUDGET	6,592,396.38

SPONSORSHIP/INVESTMENTS	(\$)
Edmonton Tourism	3,800,000.00
Oilers Entertainment Group	1,500,000.00
Edmonton International Airport	750,000.00
Festival Three-Year Local Food Initiative (reflect Mayor's wish); Year One	50,000.00
Contingency Funds	100,000.00
TOTAL SPONSORSHIP BUDGET:	6,200,000.00
INITIATIVES	
IMPACT/Board networking events	15,000.00
Contribution to HAC short term rental survey	500.00
Staff Marketing Enterprise Support (mileage/parking/AV rental/F&B for meetings, etc)	5,500.00
Edmonton Certified & Cluster HQ Support (Committee Expenses)	1,000.00
Registration & travel to Travel Alberta Conference (2); AHLA Conference (2); HAC (1)	3,000.00
Subscriptions & memberships	1,400.00
Intranet/Website ongoing maintenance and upgrades	2,000.00
AGM & Annual Report	4,000.00
Entertaining membership, potential members & partners	2,000.00
Giveaways (hotel nights)	1,000.00
Committee, Board retreat, Board functions & gifts	8,600.00
TOTAL INITIATIVES BUDGET:	44,000.00

OPERATIONAL BUDGET	(\$)
AHLA – cheques/stamps/courier	175.00
Staff – Laptop/Cell Phone/Office Equipment	3,500.00
Year End Financial Audit	15,000.00
Storage unit	1,500.00
Staff – Salaries, Benefits, Training, etc	230,000.00
Staff/Board business cards; stationery; Adobe Acrobat	400.00
AHLA Trustee Fee	50,000.00
AHLA – office rental	20,000.00
AHLA – bank fees	1,000.00
PKF Report	1,200.00
Legal Fees	12,000.00
Insurances (board & tenant)	6,000.00
TOTAL OPERATIONAL BUDGET:	340,775.00
TOTAL PROPOSED ENTERPRISE SPEND	6,584,775.00
TOTAL 2019 ENTERPRISE BUDGET	6,592,396.38
UNDER SPEND TOTAL 2019 BUDGET	7,621.38
Advocacy – Budget supplied from Investment Interest Income. NOT from DMF remittances	TOTAL: 100,000.00
<i>Alberta Counsel 12-month support</i>	<i>60,000.00</i>
<i>Targeted functions inviting key influencers (ie: MLAs/City Council/MPs/etc)</i>	<i>40,000.00</i>

2019 ISSUES AND OPPORTUNITIES

As always, our Annual General Meetings are mandated to occur after we received our audited financials, which results in our AGMs occurring after Q1 of the following year. With that lag, the board has decided to continue with the EDMH continuing with the advocacy that was somewhat thrust upon us in 2018. Since this decision was made prior to the AGM where it will be discussed with members, the board has identified that this will not impact our DMF remittance funds at this time. Presently we have monies in high-interest savings accounts – which allow immediate access but until needed deliver some financial benefits. The board has agreed that it will be the interest from those funds that pay for advocacy efforts into 2019.

As our membership will have experienced, Q1 of 2019 will have an extensive survey going out to ascertain the views and insights of EDMH members in these challenging times. The EDMH was created to support drawing events and meetings into Edmonton. Although our mission dictates that these investments are for 'the benefit of our members', our funding model puts the activities and results in the hands of other organizations to deliver. We work with those organizations to build the business, but especially with issues like Airbnb syphoning off the benefits of those investments, is there a better way? In Q1 our volunteer board will also give more of their time, with an

additional retreat to review present economic conditions, if and where we have opportunities to benefit our members and how. We look forward to reviewing at our AGM to possibly add or adapt our present formulas.

A major opportunity that Q1 will have presented will be in the form of a provincial election. There's no time like when people and parties are looking forward to an election to get their ear regarding the concerns of our industry. The EDMH has developed an 'All Candidates' breakfast on March 5th for our members to engage with candidates. We're also meeting separately with key decision makers in the major parties to ensure that the effect of unregulated short-term rentals is understood, and hopefully adopted into a party platform. However, given how many voters own these suites, it's not expected that this issue will become a platform subject. But with us creating opportunities for those citizens affected by these defacto hotels in their neighbourhoods, as well as understanding the ramification on the present accommodation industry – we're making headway.

At the time of writing this report, we don't know the outcome of our provincial election. Certain parties have more of a philosophic ease in increasing taxes, so we'll have to re-introduce the communications



regarding the value of volunteer DMFs and the concern about applying any additional taxes to Edmonton hotels. Either way we will still need to remain vigilant in ensuring that this issue is well understood.

From hard launch in July 2018, EdmontonsBestHotels.com has been positioned as the go-to booking site for our regional customers, featuring the best hotels and the best offers. This continues into 2019 by leveraging our existing partnerships with OEG and EIA while establishing and growing partnerships with TELUS World of Science, Art Gallery of Alberta, Premium Outlet Collection and Southgate Centre to offer limited time, limited quantity deals available only through EdmontonsBestHotels.com.

Growing awareness and engagement remain priorities in order to capture the attention of potential customers and build bookings and loyalty. Implementation of innovative social media initiatives including Tucker the spokespillow, personal interviews with hotel staff plus email newsletters and contesting will not only grow awareness and engagement but also cultivate ongoing contact with those most likely to convert.



THE COVER PAGE:

What's that image reflect? Basically that We're Stronger Together. Especially in these times of a continued down economy, our hotels build more business to Edmonton when they work together through the EDMH.

Other partnerships have also benefitted our hotels. In 2018 with a looming possible hotel tax on our horizon, the EDMH followed the Alberta Hotel & Lodging Association and through the AHLA's alignment, the Hotel Association of Canada (HAC). Learning quickly through the wisdom of these advocacy associations, we became effective faster. We also gained a much clearer understanding of the issues, opportunities and the political landscape. The EDMH humbly acknowledges that our work contributed to the outcome of Edmonton's hotel tax being stopped. But the knowledge and direction came from the AHLA. We had the opportunity to witness up-close just how much the AHLA stands for hotels in this province, and are grateful for their leadership.



“ That which causes us trials shall yield us triumph: and that which makes our hearts ache shall fill us with gladness. The only true happiness is to learn, to advance and to improve: which could not happen unless we had commenced with error, ignorance and imperfection. We must pass through the darkness, to reach the light.”

Albert Pike



EDMONTON DESTINATION MARKETING HOTELS LTD.

2707 Ellwood Dr SW
Edmonton, Alberta
T6X 0P7

info@edmh.ca