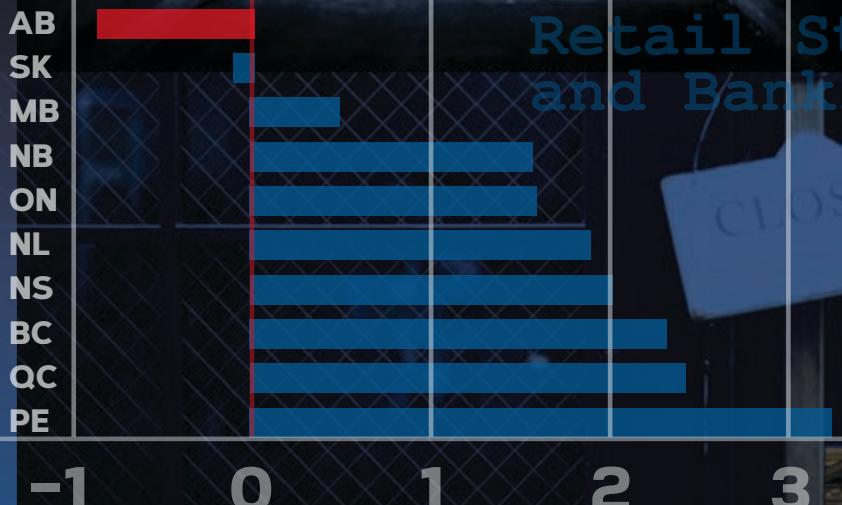


2019

ANNUAL REPORT



Retail Store Closures
and Bankruptcies in 2019

More than a third of Alberta restaurants are considering closing their doors



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
2019



Peter Parmar
Vice Chair
to August 2019



Karen Naylor
Treasurer
2019



Barnie Yerxa
Secretary
2019



Grant McCurdy
Member at Large
2019



Theodore Stoubos
Member at Large
2019



Adrian Patrascu
Member at Large
from August 2019

**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.**

"Alberta faces 'mild recession in 2019' due largely

2019 IN REVIEW

MARKET CONDITIONS & ADVOCACY

AS WE WERE APPROACHING 2019, THERE WAS LITTLE OPTIMISM ABOUT ALBERTA'S ECONOMY TURNING AROUND. AND AS THE YEAR ENDED, THAT LACK OF OPTIMISM PROVED TO BE WARRANTED.

The focus of the EDMH is to maximize opportunities within our economic reality. We invest in multiple partners to create the greatest number of meeting, event, concert and sport initiatives that will drive overnight accommodation in Edmonton, including through the creation of our own direct-sales consumer website. The backdrop to our bread & butter provincial market is that Alberta not only continued to rock through tough times, but 2019 was more tumultuous than most.

In 2019 Alberta had a provincial election which, not unlike 2015, fully shifted the political landscape. On April 16th, the United Conservative Party (UCP) swept 63 of the 87 seats. This election had massive voter turnout (64% versus the previous high of 57% in 2015) with Albertans on both the left and right accurately concerned that whichever version of the new government assumed power, it would not reflect them.

No matter which side of the political fence you sit on, from an industry perspective it was heartening that at least one party mentioned tourism in their election platform, and that was the UCP. Indeed they pledged to create a 10-Year Tourism Strategy recognizing this industry as the economic driver it is, and by October the government pledged to increase provincial tourism revenues to \$20 Billion by 2030. Another action that displayed the value of tourism as one of Alberta's primary natural resources is when this government added Tourism, which is typically a very junior portfolio, to the powerhouse ministry that has now become Economic Development, Trade and *Tourism*.

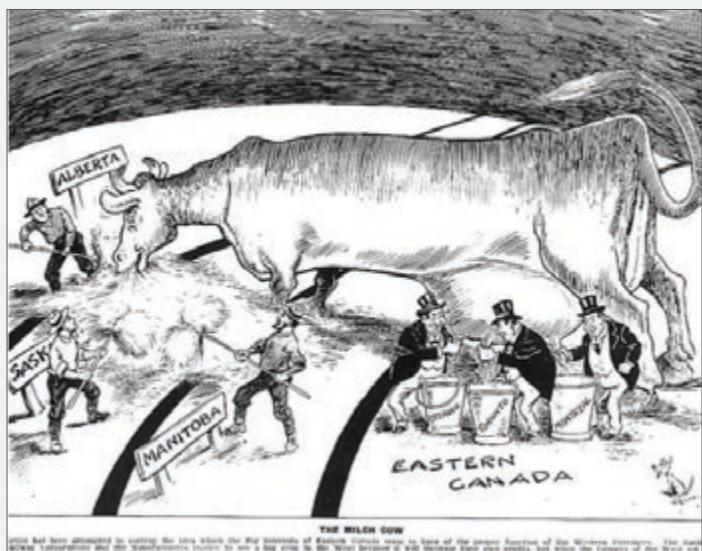
Another result of our provincial election was seeing Edmonton disconnect with the rest of the province. All but one seat in Edmonton's electoral map went to the NDP. Two other parties that won seats in the 2015 election, the Alberta Party and the Alberta Liberals, failed to win any seats, making this election the first Alberta general election since 1993 where only two parties won seats.



*to pipeline uncertainty, Conference Board forecasts”**

If Albertans felt like there were continuous elections going through 2019, they wouldn't be wrong. In October, Canada had its federal election. The Liberals held 157 seats resulting in a minority government, but the 'blue wave' swept the majority of Manitoba and all of Alberta and Saskatchewan. Except again for one tiny riding in Edmonton Strathcona, that went NDP. The day after the election, on October 22nd the 'Wexit' (western exit) campaign doubled in strength. In November, 2019 they filed for official party status and in early January 2020 Elections Canada said that Wexit Canada is now eligible to register as a political party for the next election.

Again, Edmonton – and this time the Prairies – finds itself apart from our seat of government. Think that this is a new thing? Sadly no, as you can see reflected from 1915...



1915 Cartoon from the Grain Growers Guide. Photo courtesy of the Glenbow Museum

As always, oil and our ability to get it to market dominated 2019. Back in 2014, capital investment in Canada's upstream industry reached \$81 billion. In 2019 it was estimated at \$35 billion. To attract new business to Alberta, and shore-up the departing oil companies, the provincial government created the job creation tax cut dropping corporate tax 12% in 2019 as it moves to 8% in 2022.

On the municipal front, Edmonton City Council called for an Edmonton Economic Development Corporation (EEDC) audit. The result sparked the decimation of this agency as we know it.

Audit calls on Edmonton's economic agency to clarify what it does

"One year after city councillors called for more accountability from the Edmonton Economic Development Corporation, it's still not clear what the agency does, a city audit shows.

The city auditor analyzed the EEDC's operations from January 2014 to June 30, 2019, and concluded that the organization needs to clarify, in a consistent way, its roles and responsibilities.

"Issues of clarity around EEDC's overall role and purpose in Edmonton's economic development industry mandate also exist," the auditor wrote..."

Credit: cbc.ca/news · Natasha Riebe · CBC News · Posted: Nov 07, 2019 8:00 AM MT

Edmonton councillor wonders if EEDC will change after audit calls for clarity

"...The audit found in a review of the master list of vendors, that some 2,000 of them are still listed, even though EEDC hasn't dealt with them in 3 years. There's also duplication which Nickel says can lead to fraud..."

Credit: globalnews.ca/news · Scott Johnston, 630CHED · Posted Nov 6, 2019 2:35 PM MT

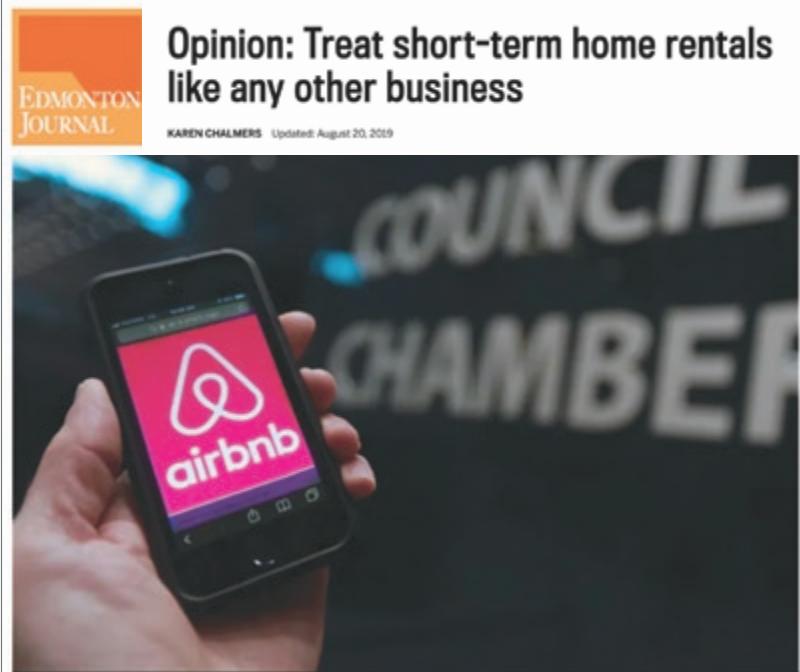
*Credit: Robson Fletcher · CBC News · Posted: Aug 20, 2019 1:20 PM MT

In 2019, unemployment numbers continued to rock Alberta (and Saskatchewan, which as a major market for Edmonton is critical) households. In August, the national unemployment number was 5.7%, while in Alberta it was at 7.2%. This means that more people in our core drive markets are unemployed, underemployed or lacking confidence that their jobs will continue. All resulting in another difficult year to build business.

As was voted in at our last AGM, the EDMH took a leadership role in advocacy in 2019. Our original focus was on the Big City Charter, and the attempt by the cities of Edmonton and Calgary to turn the volunteer DMF into an accommodation tax. Sadly this pitted Edmonton Tourism and the EDMH on opposite sides of this debate, as they believed they'd have more sustainable funding through a tax. From our side, we've never seen a tourism tax where the dollars continue to be committed to tourism, rather than filtering off to general revenues. An example being Toronto's recent Municipal Accommodation Tax (MAT), which replaced the former DMF. In its first year, only 50% of the funds they raised went to tourism marketing. In meeting with Edmonton's Mayor after our threatened accommodation tax was rescinded, the mayor advised he was looking forward to those funds for infrastructure, so case in point.

The other significant issue that the EDMH responded to was to halt the meteoric rise of unregulated short-term rentals, such as Airbnb. With the provincial election in 2019, we created a microsite under Fair4YEG.ca attempting to make this an election issue – with the pre-populated letters going to the candidates in any constituency.

In Q3 2019, we shifted this site to the TooMuch.ca campaign, with letters targeting city councillors. We've also shared this site with the Calgary Hotel Association, for a greater provincial push. EDMH board members and the executive director had multiple meetings with individual councillors, sharing the urgency of this issue. We received significant media attention, including the printing of this EDMH Opinion piece:



Opinion: Treat short-term home rentals like any other business

KAREN CHALMERS Updated: August 20, 2019

The expansion of the short-term rental (STR) industry in Alberta has been growing at a meteoric rate. In Edmonton, Airbnb bookings increased 284 per cent in just one year, and according to Statistics Canada, in Alberta, the STR industry as a whole has grown at an astonishing 1,713 per cent since 2015.

Credit: edmontonjournal.com. Image: Gavin Young Postmedia

In August, Edmonton City Administration reported on Short Term Rentals to the Urban Planning Committee. Their suggested regulation was to create a business license. No commercial taxes, no restriction on how many units a person can own nor any voice for neighbours in the creation of defacto hotels in their neighbourhoods. The EDMH, and many concerned citizens who have joined us, fought to take back neighbourhoods and to create a level playing field for hotels.

EDMONTON'S BEST HOTELS





WEBSITE STATS / JAN 1 - DEC 31, 2019		EDMONTON'S BEST HOTELS MONTHLY NEWSLETTER STATS	
TOTAL SESSIONS	61,585	SUBSCRIBERS	5594 (UP BY 3,031 IN 2019)
TOTAL PAGEVIEWS	135,120	AVERAGE OPEN RATE	30% (INDUSTRY AVG. 17.6%)
DESKTOP VS. MOBILE	14,240 / 47,345	AVERAGE CLICK RATE	3.6% (INDUSTRY AVG. 2%)
AVERAGE SESSION DURATION	1:17		
AVERAGE BOUNCE RATE	69%		
TOTAL BOOK NOW TO HOTELS	1954 BOOK NOW / 2675 NIGHTS	JUL 1 – DEC 31 2018	JUL 1 – DEC 31 2019
TOTAL BOOK NOW TO HOTELS	867 BOOK NOW / 1057 NIGHTS	1128 BOOK NOW / 1502 NIGHTS	
DEALS SOLD	39		75
TOTAL SESSIONS	26,316		34,777
AVERAGE SESSION DURATION	1:10		1:24
AVERAGE BOUNCE RATE	73%		68%



THE HOCKEY CONTEST! ENTER TO WIN

EDMONTON'S
Best HOTELS

BACK FOR 2019! THE HOCKEY CONTEST FEATURING PRIZE
OF TWO TICKETS TO OILERS VS CANADIENS & HOTEL

ADDED VALUE BOOST
CODE PROMO FOR
MARVEL UNIVERSE OF
HEROES HOTEL DEAL

RINK ADS IN FORT MCMURRAY, SASKATOON,
LLOYDMINSTER AND PRINCE GEORGE

YOU'RE OUR
SUPER HERO!

USE THE HERO BOOST CODE
SUPERPOWER

CONDITIONS APPLY. LIMITED TIME.

EDMONTON'S
Best HOTELS

We miss you,
FORT MCMURRAY!
Come visit!

Find the perfect getaway.
Get the best value.
EDMONTON'S *Best* HOTELS.COM

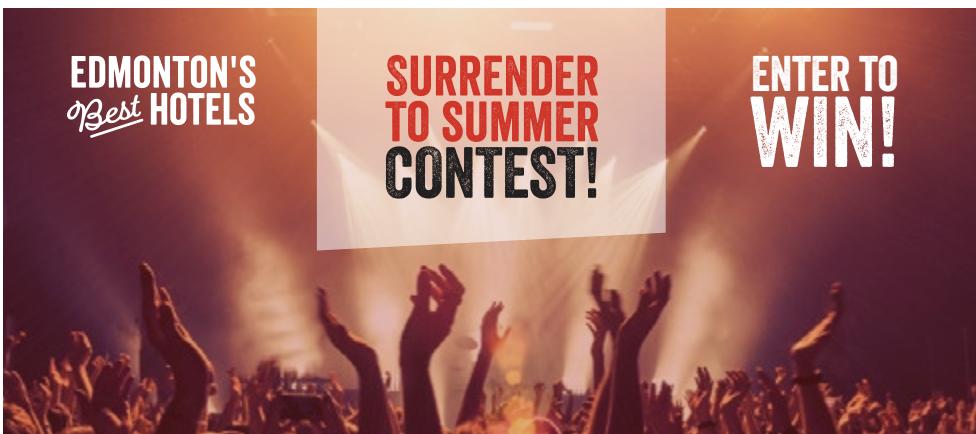
EDMONTON'S BEST HOTELS

STUFF YOUR STOCKING
with the Holiday Deal!



Get up to \$100 for a limited time only at
EDMONTON'S *Best* HOTELS.COM

THE HOLIDAY DEAL – \$50 PRE-PAID
CREDIT CARD PER NIGHT & HOTEL



EDMONTON'S *Best* HOTELS

**SURRENDER
TO SUMMER
CONTEST!**

**ENTER TO
WIN!**



PREMIUM OUTLET
COLLECTION DEAL
CAMPAIGN – \$50
OUTLET GIFT CARD
PER NIGHT & HOTEL



ROGERS PLACE DOLLARS WITH THE
#LATESTDEAL

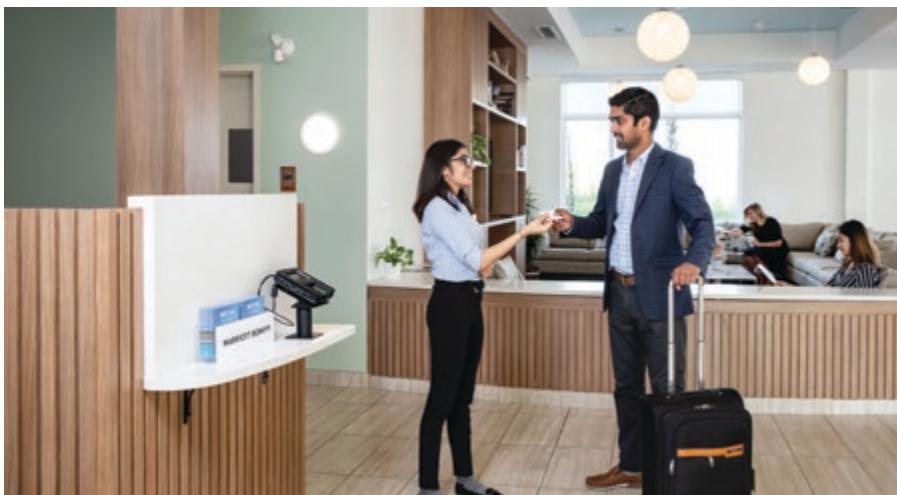
THE ROGERS PLACE DOLLARS DEAL CAMPAIGN – \$50 IN
ROGERS PLACE DOLLARS PLUS \$50 GAS CARDS & HOTEL

SURRENDER TO
SUMMER CONTEST –
FEATURING PRIZE
OF TWO TICKETS
TO COREY HART:
NEVER SURRENDER
TOUR & HOTEL

SAY CHEESE!

In 2019, the EDMH continued to invest in member hotel photo shoots. The high-quality photos align with the experiential brand imagery used by Edmonton Tourism, Travel Alberta and Destination Canada.

32 hotels took advantage of the EDMH member photoshoots. If you weren't one, you'll get another chance in 2020!



OILERS ENTERTAINMENT GROUP

2019 PARTNERSHIP HIGHLIGHTS:

- Rogers Place welcomed 1.5 million guests through its doors in 2019.
- There were a total of 140,929 hotel room night stays based off of Rogers Place events and activities in 2019.
- The estimated return to hotels in the region was \$20.4 million
- Of those visitors, 30% came from over 150 kilometers away, up from 28% in 2018.
- Of the 44 concerts that played Rogers Place in 2019, 20 only played Edmonton and not Calgary, highlighting the vast geographic reach of the market.
- The EDMH partnership helped secure the biggest names in entertainment and biggest returns for members, notable artists included Elton John, Justin Timberlake, Cher, Ariana Grande, Oprah Winfrey, Michelle Obama and the Backstreet Boys.

- The EDMH partnership also served as a driver for new opportunities to take strategic risks on emerging artists and new genres. This helped secure shows such as Luke Combs, Khalid, Godsmack, Volbeat and Pentatonix, with new artists selling over 62,000 tickets.
- EDMH was integral in helping secure the hugely successful nine-show run of Cirque Crystal – Cirque du Soleil's first on-ice production, selling the second most tickets in touring history.
- EDMH helped land the 2021 World Junior Championship for Edmonton and Red Deer. The initial ticket offering sold out in near-record time, a key indicator that the WJC 2021 will be a huge success for EDMH members.
- The ICE District public plaza opened in 2019 and will be a key asset to help attract major events and tourism to the region. Phase One construction is expected to be completed in 2021.



2020 LOOK AHEAD

2020 is shaping up to be a banner year in the region with 33 shows booked and 20 more in the pipeline. This is due in significant part to the partnership and support of EDMH in allowing OEG to take strategic risks in market development and relationship building with artists and promoters.

Images: Oilers Entertainment Group

EDMONTON INTERNATIONAL AIRPORT

EIA + EDMH: STRONG PARTNERSHIP SUPPORTS CONTINUED GROWTH

Edmonton International Airport (EIA) is dedicated to working with its EDMH partners to drive hotel stays and the broader inbound visitor economy that is a key pillar of our city's economic strength. In working to these goals, EIA welcomed 8.15 million passengers in 2019 and continued to see strong investments in Airport City with the opening of the new Fairfield by Marriott EIA and the Century Mile Racetrack and Casino. Ongoing successes such as these are the direct result of the exceptional collaboration between EDMH, Edmonton Tourism, the City of Edmonton, Edmonton Economic Development Corporation, Travel Alberta, Edmonton's business community, our airline partners and EIA.

After ongoing and focused meetings between EIA and the carrier throughout 2019, KLM maintained its full schedule serving Edmonton three times per week in the winter and up to four times per week in the summer season. Continuing their strong relationship with EIA, Icelandair adjusted their schedule to summer season service with flights returning May – September 2020. Key European markets continue to be stimulated with demand work around EIA's non-stop services. We continued to see growing visitation from Netherlands, Belgium, Germany, UK and Scandinavia, and after significant negotiations, we welcomed the announcement

that Condor will begin flying to Edmonton from Frankfurt from June to September 2020. This provides a major market opportunity in Germany to have more German and West Europe visitors land in and explore Edmonton as they begin their Western Canadian adventures.

Air Canada continued its daily year-round San Francisco flight, acting as a strong link between our respective technology sectors and providing an opportunity for visitors to experience Edmonton's vibrancy. EIA continued to actively work with WestJet and other US Airlines in key US markets to promote Edmonton as an excellent Canadian destination with value added through the favourable exchange rate and low provincial sales tax.

Looking ahead, EIA will continue to highlight Edmonton and region's key tourism assets including authentic Indigenous experiences, shopping, and unique culinary scene, built around the vibrant urban energy of Edmonton and our amazing natural and cultural offerings.

EIA values its partnership with EDMH and will continue executing our focussed strategy to generate results for our EDMH, airline, tourism and development partners. We look forward to our continued partnership in 2020 and future joint successes!

8.15 MILLION PASSENGERS IN 2019

EDMONTON TOURISM

Praised as Canada's most exciting culinary destination by UK-based The Independent, a cultural hotspot by WestJet Magazine, and one of National Geographic's 15 epic road trip destinations, Edmonton is turning heads and paving its way to the destination bucket lists of travellers worldwide.

As the city's destination management and marketing organization, Edmonton Tourism – comprised of Meetings and Conventions, Edmonton Events, Marketing, and International Market Development – contributes in partnership with its stakeholders to Edmonton's success as a tourism destination. As the trusted experts and resource for sales and the marketing of our city, Edmonton Tourism wants visitors to have more reasons to visit, explore, stay longer and spend more. They work to attract events and visitors that support a vibrant city bustling with sport and cultural events, festivals, meetings and conventions 52 weeks of the year. Their goal: increase year-round sustainable visitation through programs and initiatives that positively impact Edmonton's image and awareness, and drive visitation from regional and international markets.

2019 KEY RESULTS

- \$152,254,189 overall economic impact generated by Edmonton Tourism.
- 133,819 room nights booked through Edmonton Tourism's sales efforts.
- Media coverage reached 185,081,135 people.
- 152 new Edmonton itineraries created and sold in market.
- 325,509 web referrals provided to industry partners.
- The Tourism Development team worked with 35 local tourism businesses to develop new and enhance existing products and experiences that are ready to sell internationally.
- The Explore Edmonton Visitor Information Team interacted with 22,126 visitors at 34 events and festivals.



EDMH FUNDING ALLOCATIONS

2019 actual

MEETINGS & CONVENTIONS	\$1,075,775
EDMONTON EVENTS	\$1,407,105
MARKETING	\$561,250
TRAVEL TRADE	\$476,870
TRAVEL MEDIA	\$279,000
TOTAL	\$3,800,000



Images: EEDC



**\$152,254,189
OVERALL ECONOMIC IMPACT**

EDMH: 2019 ENTERPRISE BUDGET

TOTAL 2019 BUDGET		\$ 7,195,481.26	OPERATIONAL BUDGET		\$
	To Clusters <i>(Cluster budget to include cost of booking engine build plus member photography)</i>	-500,000.00		Year End Financial Audit	15,000.00
				Storage unit	1,500.00
			Staff – salaries, benefits, training, cheques, stamps, courier, laptops/cell phones, office equipment, business cards, office rental, Adobe, etc.		254,075.00
			AHLA Trustee fee		50,000.00
			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
SPONSORSHIP/INVESTMENTS		\$	FINAL 2019 ENTERPRISE BUDGET <i>(incl \$200,000. from Clusters)</i>		\$ 6,695,481.26
	Edmonton Tourism	3,800,000.00			
	Oilers Entertainment Group	1,500,000.00			
	Edmonton International Airport	750,000.00			
	Festival 3-year Local Food Initiative (reflect Mayor's wish)	50,000.00			
	Northlands Farmfair	100,000.00			
	TOTAL SPONSORSHIP BUDGET:	6,200,000.00			
INITIATIVES			TOTAL PROJECTED 2019 SPEND		\$ 6,584,775.00
	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 – 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			
ADVOCACY – budget supplied from Investment Interest Income. NOT from DMF			NEW 2019 GOV RELATIONS BUDGET		\$ 100,000.00
			Additional budget transferred from Interest (Board agreement 6 AUG)		45,000.00
			NEW 2019 GOV RELATIONS BUDGET		145,000.00
			Alberta Counsel 12-month support		60,000.00
			Targeted functions inviting key influencers (e.g.: MLAs/City Council/etc.)		10,000.00
			Funds to be applied to BERLIN survey/social media		75,000.00
			TOTAL SPENT		145,000.00

EDMONTON'S BEST HOTELS: 2019 BUDGET

EDMONTON DESTINATION MARKETING HOTELS LTD.

FINANCIAL INFORMATION

December 31, 2019

MANAGEMENT'S RESPONSIBILITY

To the Members of Edmonton Destination Marketing Hotels Ltd.:

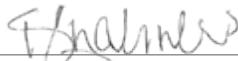
Management is responsible for the preparation and presentation of the accompanying financial information, including responsibility for significant accounting judgments and estimates in accordance with the basis of accounting disclosed in Note 2 to the financial information. This responsibility includes 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 fulfills 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 19, 2020



Executive Director

INDEPENDENT AUDITOR'S REPORT

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, 2019, and the statements of revenues, 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, 2019, 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

MNP LLP

March 19, 2020

Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash & Cash Equivalents <i>(Note 4)</i>	13,876,076	10,857,879
Accounts receivable	866,518	1,116,814
	14,742,594	11,974,693
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals	2,871,130	201,641
Deferred revenue <i>(Note 3)</i>	9,626,096	9,769,630
	12,497,226	9,971,271
Reserve <i>(Note 4)</i>	1,492,947	1,492,947
	13,990,173	11,464,218
NET ASSETS		
Share capital <i>(Note 5)</i>	9,440	9,683
Surplus	742,981	500,792
	752,421	510,475
	14,742,594	11,974,693

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, 2019

	2019	2018
REVENUE		
Deferred revenue recognized <i>(Note 1), (Note 3)</i>	6,891,198	6,084,675
Interest income	242,189	192,264
	7,133,387	6,276,939
DIRECT EXPENSES (RECOVERY)		
Promotional sponsorship	6,151,647	6,174,194
Advertising media purchase	231,724	232,498
Website	31,751	20,804
Trade shows	19,328	19,335
Outside services	13,420	-
Graphic design/production	4,684	6,039
Promotional materials	4,505	3,131
Familiarization tour events	2,498	1,819
Entertaining	822	3,066
Expense recovery	(54,086)	(854,537)
	6,406,293	5,606,349
EXCESS OF REVENUE OVER DIRECT EXPENSES	727,094	670,590
OPERATING EXPENSES		
Office and administration	266,753	264,189
Professional fees	130,619	135,517
Trustee fees	50,000	50,000
Legal fees	21,311	5,491
Board and committee expenses	11,063	15,042
Bank charges and interest	5,078	8,026
Postage	81	61
	484,905	478,326
EXCESS OF REVENUE OVER EXPENSES	242,189	192,264
SURPLUS – BEGINNING OF YEAR	500,792	308,528
SURPLUS – END OF YEAR	742,981	500,792

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	242,189	192,264
CHANGES IN WORKING CAPITAL ACCOUNTS		
Accounts receivable	250,296	(167,197)
Accounts payable and accruals	2,669,489	(2,019,479)
Deferred revenue	(143,534)	(82,141)
	3,018,440	(2,076,553)
FINANCING		
Issuance of share capital	724	486
Redemption of share capital	(967)	(293)
Increase in reserve	-	1,192,947
	(243)	1,193,140
INCREASE (DECREASE) IN CASH RESOURCES	3,018,197	(883,413)
CASH RESOURCES – BEGINNING OF YEAR	10,857,879	11,741,292
CASH RESOURCES – END OF YEAR	13,876,076	10,857,879

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

NOTES TO THE FINANCIAL INFORMATION

For the year ended December 31, 2019

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:

	2019	2018
Balance, beginning of year	9,769,630	9,851,771
Marketing fees received during the year	6,747,664	7,195,481
Less: amounts recognized as revenue during the year	(6,891,198)	(6,084,675)
Less: transfer to reserve fund	-	(1,192,947)
Balance, end of year	9,626,096	9,769,630

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	2019	2018
Balance, beginning of year	56	9,434	9,683	9,490
Shares Issued	4	720	724	486
Shares redeemed	(5)	(962)	(967)	(293)
Balance, end of year	55	9,192	9,440	9,683

SCHEDULE OF REVENUE AND EXPENSES BY CLUSTER

For the year ended December 31, 2019

REVENUE	General	Clusters	2019 total	2018 total
Deferred revenue recognized	6,591,156	300,042	6,891,198	6,084,675
Interest income	242,189	-	242,189	192,264
	6,833,345	300,042	7,133,387	6,276,939
DIRECT EXPENSES				
Promotional sponsorship	6,150,000	1,647	6,151,647	6,174,194
Advertising media purchases	(18)	231,742	231,724	232,498
Website	70	31,681	31,751	20,804
Trade shows	3,189	16,139	19,328	19,335
Outside services	-	13,420	13,420	6,039
Graphic design/production	3,858	826	4,684	3,131
Promotional materials	4,208	297	4,505	3,066
Familiarization tour events	-	2,498	2,498	1,819
Entertaining	799	23	822	-
Expense recovery	(54,086)	-	(54,086)	(854,537)
	6,108,020	298,273	6,406,293	5,606,349
EXCESS OF REVENUE OVER DIRECT EXPENSES	725,325	1,769	727,094	670,590
OPERATING EXPENSES	483,136	1,769	484,905	478,326
EXCESS OF REVENUE OVER EXPENSES	242,189	-	242,189	192,264
DEFERRED REVENUE – BEGINNING OF YEAR	7,828,740	1,940,890	9,769,630	9,851,771
DEFERRED REVENUE – END OF YEAR	9,226,096	400,000	9,626,096	9,769,630

EDMH: PROPOSED 2020 ENTERPRISE BUDGET

		\$
TOTAL 2020 BUDGET	6,747,665.96	
To Clusters	-400,000.00	
TOTAL ENTERPRISE BUDGET	6,347,665.96	
SPONSORSHIP/INVESTMENTS		\$
Edmonton Tourism	3,350,000.00	
Edmonton Tourism: Investment in special M&C campaign	50,000.00	
Oilers Entertainment Group	1,500,000.00	
Edmonton International Airport	750,000.00	
Contingency funds	50,000.00	
TOTAL SPONSORSHIP BUDGET:	5,700,000.00	
INITIATIVES		
Board events/training	50,000.00	
Staff Marketing Enterprise support (mileage/parking/AV rental/F&B for meetings, etc.)	5,000.00	
Edmonton Certified & Cluster HQ support (committee expenses)	250.00	
Registration & travel to Conference (2 attendees);	3,000.00	
Subscriptions & memberships	5,000.00	
Intranet – ongoing maintenance and upgrades	\$1,800.00	
AGM & Annual Report	4,500.00	
Entertaining membership, potential members & partners	2,000.00	
Committee, Board retreat, Board functions & gifts	7,000.00	
TOTAL INITIATIVES BUDGET:	78,550.00	
OPERATIONAL BUDGET		\$
AHLA – cheques/stamps/courier	175.00	
Year End Financial Audit	14,500.00	
Staff – salaries, benefits, training, cheques, stamps, courier, laptops/cell phones, office equipment, business cards, office rental, Adobe, etc.	450,000.00	
AHLA Trustee fee	50,000.00	
AHLA – bank fees	1,000.00	
PKF Report	1,200.00	
Legal fees	15,000.00	
Insurances (board & tenant)	6,000.00	
TOTAL OPERATIONAL BUDGET:	537,875.00	
PROJECTED 2020 BUDGET (effective Jan 2020)		\$
6,347,665.96		
TOTAL PROJECTED 2020 SPEND		-6,316,425.00
UNDER SPEND		31,240.96
ADVOCACY – budget supplied from Investment Interest Income. NOT from DMF		\$
80,000.00		
Alberta Counsel annual support & direction	60,000.00	
Altus Group tax leakage study – contribution to AHLA	4,000.00	
Unallocated	16,000.00	
TOTAL	80,000.00	

EDMONTON'S BEST HOTELS: 2020 BUDGET

FIT	\$	PROGRAM/CAMPAIN ACTIVATION SUPPORT	\$
Q1 campaign	23,000.00	Design work – consultant for small campaigns	6,000.00
Q2 campaign	23,000.00	Agency fees – Advertising Agency	30,000.00
Q3 campaign	23,000.00	Promotional items	4,000.00
Q4 campaign	23,000.00	Photo shoots	16,000.00
Radio	30,000.00	Website	30,000.00
Social Posts - various	1,000.00	Pre-paid deal inclusions	6,000.00
Blogger/Influencer Promotions	12,000.00	Meeting costs	2,000.00
E-Blasts	2,500.00	Member marketing session(s)	1,500.00
Contesting	12,000.00	Summer Intern	6,000.00
Loge Ticketing Roll Out Promos	20,000.00	Storage Locker (off-site)	1,500.00
Other	20,000.00	GST	16,000.00
Westend Initiatives	10,000.00	PROGRAM SUPPORT SUBTOTAL	
FIT SUBTOTAL	199,500.00		119,000.00
MEETINGS AND CONVENTIONS, EVENTS	\$		
FAMs, client events	40,000.00	FIT	199,500.00
Tradeshows and Sales Mission Participation	20,000.00	M,C & E	80,000.00
Marketing Materials - Sales Role Support	20,000.00	PROGRAM SUPPORT	119,000.00
M,C & E SUBTOTAL	80,000.00		
		GRAND TOTAL	398,500.00

2020 ISSUES AND OPPORTUNITIES

EDMONTONSBESTHOTELS.COM

With Alberta's economy continuing to be depressed, it's more difficult than ever to compete with other destinations for our visitors' dollars. We offer our targeted audiences the best value hotel 'deals', and provide them with an uncomplicated, informative, easy and secure reservation process to round out their experience. Even though we're positioned to provide excellent value and service, we need innovative ways to find and convert more people.

This year's promotional activities are focused on brand advocacy and email marketing.

Brand advocates in the form of micro-influencers in key markets will share authentic experiential content. We'll be selective in our search for influencers, looking to build partnerships with those who understand our goals and feel enthusiastic about our offerings, not just buying posts on their feeds.

Brand advocates will also come in the form of existing partners, ideally starting with Edmonton Tourism.

The exceptional growth of followers and engagement since 2014 on Tourism's social channels is an incredible achievement in the social realm,

and an untapped resource of vetted clients. The EDMH has approached Edmonton Tourism about sharing partnership-oriented messaging about Edmonton's Best Hotels to monetize their social audience for the benefit of EDMH hotels.

Our list of email opt-ins continues to grow and this group is poised to work hard for us in 2020. A newly placed opt-in pop up on the website is more efficiently increasing our email list which has grown by more than 3000 unique subscribers in 2019. Our subscribers or *Insiders*, get first notice of deals, special boost codes to add extra value to deals and Insider-only draws. Motivating subscribers to convert, provide public reviews and refer friends and family is a huge opportunity for the booking engine and the brand.

After all, if half of our current subscribers book four nights per year, the referred traffic could garner 10,000 room nights to EDMH hotels, valued at \$1.3 million. Check in with how we're tracking by attending the Quarterly Report Outs and following updates on GeniePad, our EDMH Communications Portal.

REGIONAL SPORTS SALES PUSH

In late January, 2020, the EDMH hired a Regional Sales Manager, whose focus is to find sports leagues and associations throughout Alberta, Saskatchewan and nearside BC to bring to Edmonton. Working in partnership with all sports facilities, our Manager will drive business into primarily the South and West, but will also look for Downtown opportunities. This close-in market has not been prioritized by Edmonton Tourism – which works with more provincial and national opportunities. A truism is that the majority of people who travel to a province are from that province, so we're very optimistic in the new business we'll be able to build through this year.

NATIONAL & GLOBAL MARKETS

The EDMH continues to invest in and leverage activities of some of Edmonton's top tourism promoters, including Edmonton Tourism, Edmonton International Airport (EIA) and the Oilers Entertainment Group (OEG). Through these partnerships, we support the growth of Edmonton's brand and increased business from new and diversified markets.

Through 2020, the EDMH continues to financially invest in these organizations, aligning room night projects with funding. These are tough times, but through these multiple channels, we are maximizing all opportunities, for the betterment of our members.

A final note is that at time of printing, we're facing an escalating global virus known as Covid-19. Stock markets are already reeling and tourism in all nations is taking a hit. At this stage we can only be on alert, ready ourselves and prepare to be nimble to adapt when this crisis has come to an end. That's when we'll invest and restart all activities to drive travellers back to our hotels.



Image: EEDC



“ We can't direct the wind.
But we can adjust the sails.”

Thomas S. Monson



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Image: EEDC