

Financial Statements of

**THE LONDON CONVENTION
CENTRE CORPORATION**

And Independent Auditors' Report thereon.

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The London Convention Centre Corporation

Opinion

We have audited the financial statements of The London Convention Centre Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021;
- the statement of operations for the year then ended;
- the statement of change in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' 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 the 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 statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 25, 2022

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash	\$ 1,038,414	\$ 405,313
Accounts receivable	248,697	55,191
Other receivables	44,681	83,793
Receivable from The City of London	16,596	40,210
	<u>1,348,388</u>	<u>584,507</u>
Financial Liabilities		
Accounts payable and accrued liabilities	231,330	342,417
Long-term debt (note 6)	-	1,421,665
Accrued sick and vacation	51,369	27,859
Advance deposits and deferred revenue	966,547	874,119
	<u>1,249,246</u>	<u>2,666,060</u>
Net financial assets (debt)	99,142	(2,081,553)
Non-Financial Assets		
Tangible capital assets (note 4)	16,964,032	18,252,620
Prepaid expenses	39,267	38,896
Inventory (note 2)	44,421	51,039
	<u>17,047,720</u>	<u>18,342,555</u>
Contingencies (note 10)		
Impact of COVID-19 pandemic (note 11)		
Accumulated surplus (note 7)	<u>\$ 17,146,862</u>	<u>\$ 16,261,002</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 9)	2021	2020
Revenue:			
City grant	\$ -	\$ 3,966,171	\$ 1,648,000
Food and beverage	1,870,000	764,874	927,941
Other	598,400	298,827	908,636
City capital appropriation	707,721	1,672,721	702,904
Capital reserve drawdown	1,014,000	292,876	712,244
Parking	394,900	133,680	188,510
Space rental	300,000	114,937	145,556
Technical	181,085	91,116	96,467
	<u>5,066,106</u>	<u>7,335,202</u>	<u>5,330,258</u>
Cost of goods sold:			
Food and beverage	500,025	341,911	292,059
Other	33,464	1,302	34,231
Technical	3,690	6,270	6,250
	<u>537,179</u>	<u>349,483</u>	<u>332,540</u>
	<u>4,528,927</u>	<u>6,985,719</u>	<u>4,997,718</u>
Expenditures:			
Amortization of tangible capital assets	1,416,418	1,418,785	1,428,480
City appropriation	707,721	1,672,217	1,059,272
Event services and culinary	1,327,911	847,286	848,138
Corporate services	854,481	874,676	831,048
Sales and catering	806,792	496,306	511,052
Facility services	475,592	383,717	381,722
Energy	545,160	341,835	333,999
Cleaning	65,995	21,940	43,149
Interest and bank charges	-	15,653	32,643
Other	24,604	12,260	24,348
Parking	50,222	15,184	122,230
	<u>6,274,896</u>	<u>6,099,859</u>	<u>5,616,081</u>
Annual surplus (deficit) (note 8)	(1,745,969)	885,860	(618,363)
Accumulated surplus, beginning of year	16,261,002	16,261,002	16,879,365
Accumulated surplus, end of year	<u>\$ 14,515,033</u>	<u>\$ 17,146,862</u>	<u>\$ 16,261,002</u>

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 9)	2021	2020
Annual surplus (deficit)	\$ (1,745,969)	\$ 885,860	\$ (618,363)
Acquisition of tangible capital assets	(1,014,000)	(130,197)	(599,447)
Amortization of tangible capital assets	1,416,418	1,418,785	1,428,480
Loss on disposal of tangible capital assets	-	-	4,670
	(1,343,551)	2,174,448	215,340
Acquisition of inventory	-	(44,421)	(51,039)
Acquisition of prepaid expenses	-	(39,267)	(38,896)
Consumption of inventory	-	51,039	63,605
Use of prepaid expenses	-	38,896	38,864
	-	6,247	12,534
Increase (decrease) in net financial assets (debt)	(1,343,551)	2,180,695	227,874
Net financial debt, beginning of year	(2,081,553)	(2,081,553)	(2,309,427)
Net financial assets(debt), end of year	\$ (3,425,104)	\$ 99,142	\$ (2,081,553)

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 885,860	\$ (618,363)
Item not involving cash:		
Amortization of tangible capital assets	1,418,785	1,428,480
Loss on disposal of tangible capital assets	-	4,670
Forgiveness of long-term debt	(1,421,665)	-
Changes in non-cash operating working capital:		
Accounts receivable	(193,506)	792,517
Other receivables	39,112	(79,840)
Inventory	6,618	12,566
Accounts payable and accrued liabilities	(111,087)	(787,531)
Accrued sick and vacation	23,510	(33,321)
Payable to The City of London	23,614	(144,938)
Advance deposits and deferred revenue	92,428	(271,218)
Prepaid expenses	(371)	(32)
	763,298	302,990
Investing activities:		
Acquisition of tangible capital assets	(130,197)	(599,447)
Net change in cash	633,101	(296,457)
Cash, beginning of year	405,313	701,770
Cash, end of year	\$ 1,038,414	\$ 405,313

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

The financial statements of The London Convention Centre Corporation are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Buildings and building improvements	5 - 40 years
Furniture and equipment	5 - 20 years
Infrastructure	3 - 10 years
Vehicles	10 - 20 years

(c) Revenue recognition:

Revenue from events is recorded in the statement of operations in the year in which the event is held, and the related receivable is considered collectible.

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Inventory:

Inventory is valued at the lower of cost, being laid down cost, and net realizable value, using the specific item costing method.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include valuation of accounts receivable, inventory, and tangible capital assets. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments in the financial statements on a prospective basis. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

(f) Budget amounts:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and public sector accounting standards ("PSAS"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAS.

2. Inventory:

At December 31, inventory consists of:

	2021	2020
Food	\$ 15,510	\$ 25,669
Beverages	28,911	25,370
	<u>\$ 44,421</u>	<u>\$ 51,039</u>

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Capital reserve:

A capital reserve is managed by The City of London to finance future capital expenditures. The reserve has not been recognized in these financial statements and will be accounted for as the funds are received and expended.

	2021	2020
Opening balance	\$ 760,849	\$ 391,459
Contributions during the year	1,672,721	1,059,272
Interest	33,692	22,362
Capital expenditures	(292,876)	(712,244)
Closing balance	\$ 2,174,386	\$ 760,849

4. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Building	\$ 27,143,683	\$ -	\$ -	\$ 27,143,683
Building improvements	12,794,061	79,554	-	12,873,615
Equipment	1,720,573	1,776	-	1,722,349
Furniture	1,099,222	-	-	1,099,222
Infrastructure	781,768	28,385	-	810,153
Vehicles	41,217	20,482	-	61,699
	\$ 43,580,524	\$ 130,197	\$ -	\$ 43,710,721

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

4. Tangible capital assets (continued):

	Balance at December 31, 2020	Disposals	Amortization expense	Balance at December 31, 2021
Accumulated amortization				
Building	\$ 18,420,489	\$ -	\$ 686,933	\$ 19,107,422
Building improvements	3,949,114	-	639,820	4,588,934
Equipment	1,535,126	-	37,187	1,572,313
Furniture	694,842	-	32,474	727,316
Infrastructure	694,116	-	22,218	716,334
Vehicles	34,217	-	153	34,370
	\$ 25,327,904	\$ -	\$ 1,418,785	\$ 26,746,689

	Net book value December 31, 2020	Net book value December 31, 2021
Building	\$ 8,723,194	\$ 8,036,261
Building improvements	8,844,947	8,284,681
Equipment	185,447	150,036
Furniture	404,380	371,906
Infrastructure	87,652	93,819
Vehicles	7,000	27,329
	\$ 18,252,620	\$ 16,964,032

Ownership of capital assets is vested with the City of London. The London Convention Centre Corporation operates the facilities on behalf of the City of London. The fixed assets and the related amortization have been included in the financial statements of The London Convention Centre Corporation in order to reflect the assets over which it has stewardship.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Pension agreement:

The London Convention Centre Corporation contributes to the Ontario Municipal Employees Retirement Fund ("OMERS") which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2021 was \$133,832 (2020 - \$144,134) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2021. At that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion), based on actuarial liabilities for \$120.8 billion (2020 - \$113.1 billion) and actuarial assets for \$117.7 billion (2020 - \$109.8 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

6. Long-term debt:

The note payable to the City of London, a related party, bears interest at a fixed rate of 2.3% per annum. On January 12, 2021, City of London Council approved the forgiveness of the note payable of \$1,421,665 in its entirety.

7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves funds as follows:

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 16,964,032	\$ 18,252,620
Unfunded:		
Payable to The City of London used to finance tangible capital assets	-	(1,421,665)
Other	182,830	(569,953)
	<u>\$ 17,146,862</u>	<u>\$ 16,261,002</u>

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Income from operations:

In order to assess the operations of The London Convention Centre Corporation, management removes the impact of capital items from the operating results included in the statement of operations. Accordingly, management defines income from operations as follows:

	2021	2020
Annual surplus (deficit)	\$ 885,860	\$ (618,363)
Add back:		
Amortization	1,418,785	1,428,480
City appropriation	1,672,217	1,059,272
Interest on long-term debt	-	30,882
	3,091,002	2,518,634
Deduct:		
City capital funding	(1,965,597)	(1,415,148)
	\$ 2,011,265	\$ 485,123

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

	Budget amount
Revenues:	
Operating budget	\$ 3,344,385
Cost of goods sold:	
Operating budget	537,179
Expenses:	
Operating budget	4,150,757
Annual deficit, as budgeted	(1,343,551)
City capital appropriation	707,721
Capital reserve drawdown	1,014,000
Amortization of tangible capital assets	(1,416,418)
City appropriation	(707,721)
Annual deficit, revised	\$ (1,745,969)

10. Contingencies:

The Corporation is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. It has been determined by management that the outcome of these claims are not determinable at this point and as such, no amounts have been included in these financial statement.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

11. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, The London Convention Centre Corporation was closed from January to August 2021 inclusive due to public health restrictions, resulting in continued temporary layoffs and flexible working from home policies for remaining staff for much of the year.

London Convention Centre continued to support the community, providing approximately 37,629 meals at cost paid for by the Food Bank to support London's homeless population. Funding from the City of London of \$2,500,000 was received to maintain the building and minimal operations while closed and continued to assist with operations once events were being held again in the last part of the year.