

Financial Statements of

**THE LONDON CONVENTION CENTRE
CORPORATION**

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of The London Convention Centre Corporation

We have audited the accompanying financial statements of The London Convention Centre Corporation which comprise the statement of financial position as at December 31, 2016 and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The London Convention Centre Corporation as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly wavy line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

March 23, 2017

London, Canada

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 1,199,757	\$ 1,392,786
Accounts receivable	208,206	280,901
Other receivables	94,010	10,312
	<u>1,501,973</u>	<u>1,683,999</u>
Financial Liabilities		
Accounts payable and accrued liabilities	531,363	547,024
Payable to The City of London	96,121	741,034
Long-term debt (note 6)	1,965,000	-
Accrued sick and vacation	61,097	35,539
Advance deposits	567,741	492,360
	<u>3,221,322</u>	<u>1,815,957</u>
Net debt	(1,719,349)	(131,958)
Non-Financial Assets		
Tangible capital assets (note 4)	19,418,142	15,430,898
Prepaid expenses	26,559	32,603
Inventory (note 2)	53,021	53,891
	<u>19,497,722</u>	<u>15,517,392</u>
Accumulated surplus (note 7)	\$ 17,778,373	\$ 15,385,434

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, 2016, with comparative information for 2015

	Budget 2016	2016	2015
Revenue:			
Food and beverage	\$ 2,885,000	\$ 4,003,431	\$ 3,290,924
Space rental	400,000	534,022	569,248
Parking	516,000	480,018	544,488
Technical	238,800	303,312	342,071
City capital funding	368,101	3,503,916	747,034
Federal grants	-	715,000	-
Other	124,591	130,839	123,878
	<u>4,532,492</u>	<u>9,670,538</u>	<u>5,617,643</u>
Cost of goods sold:			
Food and beverage	749,150	1,029,628	891,275
Technical	18,168	20,805	18,273
Other	16,663	53,250	28,937
	<u>783,981</u>	<u>1,103,683</u>	<u>938,485</u>
	<u>3,748,511</u>	<u>8,566,855</u>	<u>4,679,158</u>
Expenditures:			
Amortization of tangible capital assets	1,188,905	1,213,288	1,188,905
Event services and culinary	1,190,607	1,470,777	1,321,406
City appropriation	589,000	494,583	735,496
Corporate services	734,036	951,012	839,041
Facility services	394,809	468,092	404,898
Energy	374,314	514,592	426,826
Sales and catering	815,546	827,923	683,634
Cleaning	92,987	119,494	107,797
Technical	22,807	15,847	23,837
Parking	47,442	42,964	45,968
Other	28,762	36,399	29,295
Interest and bank charges	-	18,945	-
	<u>5,479,215</u>	<u>6,173,916</u>	<u>5,807,103</u>
Annual surplus (deficit) (note 8)	(1,730,704)	2,392,939	(1,127,945)
Accumulated surplus, beginning of year	15,385,434	15,385,434	16,513,379
Accumulated surplus, end of year	<u>\$ 13,654,730</u>	<u>\$ 17,778,373</u>	<u>\$ 15,385,434</u>

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus (deficit)	\$ 2,392,939	\$ (1,127,945)
Acquisition of tangible capital assets	(5,200,532)	(1,168,817)
Amortization of tangible capital assets	1,213,288	1,188,905
	(1,594,305)	(1,107,857)
Acquisition of inventories of supplies	(53,021)	(53,891)
Acquisition of prepaid expenses	(26,559)	(32,603)
Consumption of inventories of supplies	53,891	56,800
Use of prepaid expenses	32,603	26,200
	6,914	(3,494)
Decrease in net financial assets	(1,587,391)	(1,111,351)
Net financial assets (debt), beginning of year	(131,958)	979,393
Net financial debt, end of year	\$ (1,719,349)	\$ (131,958)

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 2,392,939	\$ (1,127,945)
Item not involving cash:		
Amortization of tangible capital assets	1,213,288	1,188,905
Changes in non-cash operating working capital:		
Accounts receivable	72,695	(4,969)
Other receivables	(83,698)	71,835
Inventory	870	2,909
Accounts payable and accrued liabilities	(15,661)	162,507
Accrued sick and vacation	25,558	(13,051)
Payable to The City of London	(644,913)	703,881
Advance deposits	75,381	(46,205)
Prepaid expenses	6,044	(6,403)
	3,042,503	931,464
Financing activities:		
Proceeds on issuance of long-term debt	1,965,000	-
Capital activities:		
Acquisition of tangible capital assets	(5,200,532)	(1,168,817)
Decrease in cash and cash equivalents	(193,029)	(237,353)
Cash and cash equivalents, beginning of year	1,392,786	1,630,139
Cash and cash equivalents, end of year	\$ 1,199,757	\$ 1,392,786
Cash and cash equivalents consist of:		
Cash	\$ 676,720	\$ 879,098
Investments held by the City of London with an average yield of 1.82%	523,037	513,688
	\$ 1,199,757	\$ 1,392,786

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

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, 2016

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 generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

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Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Inventory:

At December 31, inventory consists of:

	2016	2015
Food	\$ 14,675	\$ 24,541
Beverages	38,346	29,350
	<u>\$ 53,021</u>	<u>\$ 53,891</u>

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.

	2016	2015
Opening balance	\$ 3,932,518	\$ 3,312,463
Contributions during the year	494,583	735,496
Interest	42,496	62,593
Capital expenditures	(3,009,333)	(178,034)
Closing balance	<u>\$ 1,460,264</u>	<u>\$ 3,932,518</u>

4. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016
Building	\$ 27,309,469	\$ -	\$ -	\$ 27,309,469
Building improvements	4,546,594	4,986,639	-	9,533,233
Equipment	1,449,174	22,740	-	1,471,914
Furniture	904,196	180,268	-	1,084,464
Infrastructure	643,365	10,885	-	654,250
Vehicles	41,217	-	-	41,217
	<u>\$ 34,894,015</u>	<u>\$ 5,200,532</u>	<u>\$ -</u>	<u>\$ 40,094,547</u>

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2015	Disposals	Amortization expense	Balance at December 31, 2016
Building	\$ 15,066,183	\$ -	\$ 694,741	\$ 15,760,924
Building improvements	2,126,311	-	359,456	2,485,767
Equipment	1,205,123	-	87,018	1,292,141
Furniture	415,196	-	62,922	478,118
Infrastructure	617,878	-	7,928	625,806
Vehicles	32,426	-	1,223	33,649
	\$ 19,463,117	\$ -	\$ 1,213,288	\$ 20,676,405

	Net book value December 31, 2015	Net book value December 31, 2016
Building	\$ 12,243,286	\$ 11,548,545
Building improvements	2,420,283	7,047,466
Equipment	244,051	179,773
Furniture	489,000	606,346
Infrastructure	25,487	28,444
Vehicles	8,791	7,568
	\$ 15,430,898	\$ 19,418,142

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.

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Notes to Financial Statements (continued)

Year ended December 31, 2016

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 2016 was \$209,486 (2015 - \$200,335) for current service.

6. Long-term debt:

The note payable to the City of London, a related party, which bears interest at a fixed rate of 2.3% per annum, is unsecured, due in blended annual payments of \$222,204 commencing August 1, 2017 and matures August 1, 2026.

Interest payable relating to the note amounted to \$18,945 as at December 31, 2016.

7. Accumulated surplus:

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

	2016	2015
Surplus:		
Invested in tangible capital assets	\$ 19,418,142	\$ 15,430,898
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(1,965,000)	(698,418)
Reserves:		
Special projects	373,045	395,897
Operating reserve	(47,814)	257,057
	325,231	652,954
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	\$ 17,778,373	\$ 15,385,434

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Income (loss) from operations:

In order to assess the operations of the Organization, management removes the impact of capital items from the operating results included in the statement of operations. Accordingly, management defines income (loss) from operations as follows:

	2016	2015
Annual surplus (deficit)	\$ 2,392,939	\$ (1,127,945)
Add back:		
Amortization	1,213,288	1,188,905
City appropriation	494,583	735,496
	1,707,871	1,924,401
Deduct:		
City capital funding	(3,503,906)	(747,034)
Federal capital grants	(715,000)	-
	\$ (118,096)	\$ 49,422