

Financial Statements of

**THE LONDON CONVENTION CENTRE  
CORPORATION**

Year ended December 31, 2017



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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, 2017 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, 2017, 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 curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 8, 2018

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 736,885	\$ 1,199,757
Accounts receivable	547,836	208,206
Other receivables	13,549	94,010
Receivable from The City of London	8,874	-
	<u>1,307,144</u>	<u>1,501,973</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	781,377	531,363
Payable to The City of London	-	96,121
Long-term debt (note 6)	1,787,991	1,965,000
Accrued sick and vacation	38,449	61,097
Advance deposits	481,843	567,741
	<u>3,089,660</u>	<u>3,221,322</u>
Net debt	(1,782,516)	(1,719,349)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 4)	18,375,774	19,418,142
Prepaid expenses	26,765	26,559
Inventory (note 2)	66,992	53,021
	<u>18,469,531</u>	<u>19,497,722</u>
Accumulated surplus (note 7)	<u>\$ 16,687,015</u>	<u>\$ 17,778,373</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, 2017, with comparative information for 2016

	Budget 2017	2017	2016
<b>Revenue:</b>			
Food and beverage	\$ 3,910,000	\$ 3,745,057	\$ 4,003,431
Space rental	578,000	624,357	534,022
City capital appropriation	589,000	579,966	494,583
Parking	528,872	497,542	480,018
Technical	421,861	349,159	303,312
Capital reserve drawdown	204,152	300,969	3,009,333
Other	145,646	155,808	130,839
Federal grants	-	-	715,000
	<u>6,377,531</u>	<u>6,252,858</u>	<u>9,670,538</u>
<b>Cost of goods sold:</b>			
Food and beverage	1,026,998	963,883	1,029,628
Other	25,126	64,368	53,250
Technical	18,672	14,287	20,805
	<u>1,070,796</u>	<u>1,042,538</u>	<u>1,103,683</u>
	5,306,735	5,210,320	8,566,855
<b>Expenditures:</b>			
Event services and culinary	1,511,338	1,463,821	1,470,777
Amortization of tangible capital assets	1,213,288	1,331,377	1,213,288
Corporate services	1,091,465	854,184	951,012
Sales and catering	825,157	708,722	827,923
City appropriation	589,000	678,953	494,583
Energy	446,227	543,543	514,592
Facility services	430,793	438,582	468,092
Cleaning	128,195	110,479	119,494
Parking	43,891	58,208	42,964
Other	34,073	44,118	36,399
Technical	30,498	26,306	15,847
Interest and bank charges	-	43,385	18,945
	<u>6,343,925</u>	<u>6,301,678</u>	<u>6,173,916</u>
Annual surplus (deficit) (note 8)	(1,037,190)	(1,091,358)	2,392,939
Accumulated surplus, beginning of year	17,778,373	17,778,373	15,385,434
Accumulated surplus, end of year	<u>\$ 16,741,183</u>	<u>\$ 16,687,015</u>	<u>\$ 17,778,373</u>

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus (deficit)	\$ (1,091,358)	\$ 2,392,939
Acquisition of tangible capital assets	(289,009)	(5,200,532)
Amortization of tangible capital assets	1,331,377	1,213,288
	(48,990)	(1,594,305)
Acquisition of inventories of supplies	(66,992)	(53,021)
Acquisition of prepaid expenses	(26,765)	(26,559)
Consumption of inventories of supplies	53,021	53,891
Use of prepaid expenses	26,559	32,603
	(14,177)	6,914
Decrease in net financial assets	(63,167)	(1,587,391)
Net financial debt, beginning of year	(1,719,349)	(131,958)
Net financial debt, end of year	\$ (1,782,516)	\$ (1,719,349)

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (1,091,358)	\$ 2,392,939
Item not involving cash:		
Amortization of tangible capital assets	1,331,377	1,213,288
Changes in non-cash operating working capital:		
Accounts receivable	(339,630)	72,695
Other receivables	80,461	(83,698)
Inventory	(13,971)	870
Accounts payable and accrued liabilities	250,014	(15,661)
Accrued sick and vacation	(22,648)	25,558
Receivable from/Payable to The City of London	(104,995)	(644,913)
Advance deposits	(85,898)	75,381
Prepaid expenses	(206)	6,044
	3,146	3,042,503
Financing activities:		
Proceeds on issuance of long-term debt	-	1,965,000
Repayment of long-term debt	(177,009)	-
	(177,009)	1,965,000
Capital activities:		
Acquisition of tangible capital assets	(289,009)	(5,200,532)
Net change in cash and cash equivalents	(462,872)	(193,029)
Cash and cash equivalents, beginning of year	1,199,757	1,392,786
Cash and cash equivalents, end of year	\$ 736,885	\$ 1,199,757
Cash and cash equivalents consist of:		
Cash	\$ 210,298	\$ 676,720
Investments held by the City of London with an average yield of 1.82%	526,587	523,037
	\$ 736,885	\$ 1,199,757

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Notes to Financial Statements

Year ended December 31, 2017

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### 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, 2017

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## 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.

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 2. Inventory:

At December 31, inventory consists of:

	2017	2016
Food	\$ 26,025	\$ 14,675
Beverages	40,967	38,346
	<u>\$ 66,992</u>	<u>\$ 53,021</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.

	2017	2016
Opening balance	\$ 1,460,264	\$ 3,932,518
Contributions during the year	678,953	494,583
Interest	24,317	42,496
Capital expenditures	(300,969)	(3,009,333)
Closing balance	<u>\$ 1,862,565</u>	<u>\$ 1,460,264</u>

## 4. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Building	\$ 27,309,469	\$ -	\$ -	\$ 27,309,469
Building improvements	9,533,233	152,389	-	9,685,622
Equipment	1,471,914	118,492	-	1,590,406
Furniture	1,084,464	14,758	-	1,099,222
Infrastructure	654,250	3,370	-	657,620
Vehicles	41,217	-	-	41,217
	<u>\$ 40,094,547</u>	<u>\$ 289,009</u>	<u>\$ -</u>	<u>\$ 40,383,556</u>

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 4. Tangible capital assets (continued):

	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Accumulated amortization				
Building	\$ 15,760,924	\$ -	\$ 692,495	\$ 16,453,419
Building improvements	2,485,767	-	466,715	2,952,482
Equipment	1,292,141	-	88,938	1,381,079
Furniture	478,118	-	71,081	549,199
Infrastructure	625,806	-	11,580	637,386
Vehicles	33,649	-	568	34,217
	\$ 20,676,405	\$ -	\$ 1,331,377	\$ 22,007,782

	Net book value December 31, 2016	Net book value December 31, 2017
Building	\$ 11,548,545	\$ 10,856,050
Building improvements	7,047,466	6,733,140
Equipment	179,773	209,327
Furniture	606,346	550,023
Infrastructure	28,444	20,234
Vehicles	7,568	7,000
	\$ 19,418,142	\$ 18,375,774

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, 2017

## 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 2017 was \$217,900 (2016 - \$200,486) for current service.

## 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. The note is unsecured and due in blended annual payments of \$222,204 maturing August 1, 2026. Interest expense relating to the note was \$43,385 in the current year (2016 - \$18,945).

## 7. Accumulated surplus:

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 18,375,774	\$ 19,418,142
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(1,787,991)	(1,965,000)
Reserves:		
Special projects	346,154	346,154
Operating	500,000	500,000
	846,154	846,154
Other	(746,922)	(520,923)
	\$ 16,687,015	\$ 17,778,373

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 8. Income (loss) 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:

	2017	2016
Annual surplus (deficit)	\$ (1,091,358)	\$ 2,392,939
Add back:		
Amortization	1,331,377	1,213,288
City appropriation	678,953	494,583
Interest on long-term debt	43,385	18,945
	2,053,715	1,726,816
Deduct:		
City capital funding	(880,935)	(3,503,906)
Federal capital grants	-	(715,000)
	\$ 81,422	\$ (99,151)

In the current year, income from operations was designated to be transferred to the capital reserve. This designation has been reflected as an offset to the balance receivable from The City of London as at December 31, 2017.

## 9. Comparative figures:

Certain 2016 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.