

Financial Statements of

**THE LONDON
CONVENTION CENTRE
CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S 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, 2022
- the statement of operations for the year then ended
- the statement of changes in net 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, 2022 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 Qualified 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 Statements***" section of our auditor's 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.

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.

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 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.

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 3, 2023

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 848,206	\$ 1,038,414
Accounts receivable (note 2)	518,468	248,697
Other receivables	279,819	44,681
Receivable from The City of London	184,596	16,596
	<u>1,831,089</u>	<u>1,348,388</u>
Financial liabilities:		
Accounts payable and accrued liabilities	816,200	231,330
Accrued sick and vacation	12,707	51,369
Advance deposits and deferred revenue	893,339	966,547
	<u>1,722,246</u>	<u>1,249,246</u>
Net financial assets	108,843	99,142
Non-financial assets		
Inventory (note 3)	86,199	44,421
Tangible capital assets (note 5)	16,725,652	16,964,032
Prepaid expenses	64,337	39,267
	<u>16,876,188</u>	<u>17,047,720</u>
Contingencies (note 11)		
Accumulated surplus (note 8)	<u>\$ 16,985,031</u>	<u>\$ 17,146,862</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, 2022, with comparative information for 2021

	2022 Budget (note 10)	2022 Actual	2021 Actual
Sales:			
Food and beverage	\$ 2,700,000	\$ 2,839,848	\$ 764,874
City grant	-	850,000	3,966,171
Federal grant	-	558,201	-
Other	805,150	875,616	298,827
City capital appropriation	717,587	667,587	1,672,721
Space rental	385,000	549,500	114,937
Capital reserve drawdown	1,242,000	506,761	292,876
Technical	239,635	272,380	91,116
Parking	449,200	254,311	133,680
	<u>6,538,572</u>	<u>7,374,204</u>	<u>7,335,202</u>
Cost of goods sold:			
Food and beverage	777,820	798,897	341,911
Other	135,013	72,676	1,302
Technical	4,618	6,587	6,270
	<u>917,451</u>	<u>878,160</u>	<u>349,483</u>
	5,621,121	6,496,044	6,985,719
Expenditures:			
Event services and culinary	1,692,986	1,680,653	862,939
Amortization of tangible capital assets	1,307,574	1,343,444	1,418,785
Corporate services	960,620	1,049,900	874,676
Sales and catering	875,443	741,818	496,306
City appropriation	717,587	699,983	1,672,217
Energy	570,060	540,772	341,835
Facility services	508,279	479,741	383,717
Cleaning	102,222	59,595	21,940
Parking	56,017	39,743	15,184
Other	40,930	22,226	12,260
	<u>6,831,718</u>	<u>6,657,875</u>	<u>6,099,859</u>
Annual surplus (deficit) (note 9)	(1,210,597)	(161,831)	885,860
Accumulated surplus, beginning of year	17,146,862	17,146,862	16,261,002
Accumulated surplus, end of year	<u>\$ 15,936,265</u>	<u>\$ 16,985,031</u>	<u>\$ 17,146,862</u>

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 10)	2022 Actual	2021 Actual
Annual surplus (deficit)	\$ (1,210,597)	\$ (161,831)	\$ 885,860
Amortization of tangible capital assets	1,307,574	1,343,444	1,418,785
Acquisition of tangible capital assets	(1,018,186)	(1,105,064)	(130,197)
	(921,209)	76,549	2,174,448
Acquisition of inventory	-	(86,199)	(44,421)
Acquisition of prepaid expenses	-	(64,337)	(39,267)
Consumption of inventory	-	44,421	51,039
Use of prepaid expenses	-	39,267	38,896
Increase (decrease) in net financial assets	-	(66,848)	6,247
Net financial assets (debt), beginning of year	99,142	99,142	(2,081,553)
Net financial assets (debt), end of year	\$ (822,067)	\$ 108,843	\$ 99,142

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (161,831)	\$ 885,860
Items not involving cash:		
Amortization of tangible capital assets	1,343,444	1,418,785
Forgiveness of long-term debt	-	(1,421,665)
Changes in non-cash operating working capital:		
Accounts receivable	(269,771)	(193,506)
Other receivables	(235,138)	39,112
Inventory	(41,778)	6,618
Prepaid expenses	(25,070)	(371)
Accounts payable and accrued liabilities	584,870	(111,087)
Accrued sick and vacation	(38,662)	23,510
Receivable from the City of London	(168,000)	23,614
Advance deposits and deferred revenue	(73,208)	92,428
	914,856	763,298
Capital activities:		
Acquisition of tangible capital assets	(1,105,064)	(130,197)
Net change in cash	(190,208)	633,101
Cash, beginning of year	1,038,414	405,313
Cash, end of year	\$ 848,206	\$ 1,038,414

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of The London Convention Centre Corporation (the "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

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(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.

(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.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(g) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ending December 31, 2022, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

(i) Asset Retirement Obligations

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Corporation's December 31, 2023 year-end).

2. Accounts receivable:

Included in accounts receivable is \$25,815 owing from the City of London.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Inventory:

At December 31, inventory consists of:

	2022	2021
Food	\$ 28,386	\$ 15,510
Beverages	57,813	28,911
	\$ 86,199	\$ 44,421

4. 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.

	2022	2021
Opening balance	\$ 2,174,386	\$ 760,849
Interest	38,310	33,692
Contributions	699,917	1,672,721
Capital expenditures	(506,761)	(292,876)
Closing balance	\$ 2,405,852	\$ 2,174,386

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Building	\$ 27,143,683	\$ -	\$ -	\$ 27,143,683
Building improvements	12,873,615	371,945	-	13,245,560
Equipment	1,722,349	34,747	-	1,757,096
Furniture	1,099,222	7,093	-	1,106,315
Infrastructure	810,153	253,793	-	1,063,946
Vehicles	61,699	2,142	-	63,841
Construction in progress	-	435,344	-	435,344
	\$ 43,710,721	\$ 1,105,064	\$ -	\$ 44,815,785

Accumulated amortization	Balance at December 31, 2021	Disposals	Amortization expense	Balance at December 31, 2022
Building	\$ 19,107,422	\$ -	\$ 686,648	\$ 19,794,070
Building improvements	4,588,934	-	550,607	5,139,541
Equipment	1,572,313	-	38,230	1,610,543
Furniture	727,316	-	29,251	756,567
Infrastructure	716,334	-	36,650	752,984
Vehicles	34,370	-	2,058	36,428
Construction in progress	-	-	-	-
	\$ 26,746,689	\$ -	\$ 1,343,444	\$ 28,090,133

Net book value	Balance at December 31, 2021	Balance at December 31, 2022
Building	\$ 8,036,261	\$ 7,349,613
Building improvements	8,284,681	8,106,019
Equipment	150,036	146,553
Furniture	371,906	349,748
Infrastructure	93,819	310,962
Vehicles	27,329	27,413
Construction in progress	-	435,344
	\$ 16,964,032	\$ 16,725,652

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Tangible capital assets (continued):

Ownership of capital assets is vested with the City of London. The 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.

6. 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 2022 was \$188,199 (2021 - \$133,832) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2022. At that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion), based on actuarial liabilities for \$130.3 billion (2021 - \$120.8 billion) and actuarial assets for \$123.6 billion (2021 - \$117.7 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.

7. 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.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Accumulated surplus:

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

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 16,725,652	\$ 16,964,032
Other	259,379	182,830
	<u>\$ 16,985,031</u>	<u>\$ 17,146,862</u>

9. Income from operations:

In order to assess the operations of the 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:

	2022	2021
Annual surplus (deficit)	\$ (161,831)	\$ 885,860
Add back:		
Amortization	1,343,444	1,418,785
City appropriation	699,983	1,672,217
	<u>2,043,427</u>	<u>3,091,002</u>
Deduct:		
City capital funding	(1,174,348)	(1,965,597)
	<u>\$ 707,248</u>	<u>\$ 2,011,265</u>

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

10. 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.

Revenues	\$ 4,578,985
Cost of goods sold	(917,452)
Expenses	(4,806,556)
Annual deficit, as budgeted	(1,145,023)
City capital appropriation	717,587
Capital reserve drawdown	1,242,000
Amortization of capital assets	(1,307,574)
City appropriation	(717,587)
Annual deficit, revised	\$ (1,210,597)

11. 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.

12. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2022 financial statements.