

Financial Statements of

**THE LONDON CONVENTION CENTRE
CORPORATION**

Year ended December 31, 2015



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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, 2015 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, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

March 24, 2016

London, Canada

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial Assets		
Cash and cash equivalents	\$ 1,392,786	\$ 1,630,139
Accounts receivable	280,901	275,932
Other receivables	10,312	82,147
	<u>1,683,999</u>	<u>1,988,218</u>
Financial Liabilities		
Accounts payable and accrued liabilities	547,024	384,517
Payable to The City of London	741,034	37,153
Accrued sick and vacation	35,539	48,590
Advance deposits	492,360	538,565
	<u>1,815,957</u>	<u>1,008,825</u>
Net financial assets	(131,958)	979,393
Non-Financial Assets		
Tangible capital assets (note 4)	15,430,898	15,450,986
Prepaid expenses	32,603	26,200
Inventory (note 2)	53,891	56,800
	<u>15,517,392</u>	<u>15,533,986</u>
Accumulated surplus (note 6)	\$ 15,385,434	\$ 16,513,379

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, 2015, with comparative information for 2014

	Budget 2015	2015	2014
Revenue:			
Food and beverage	\$ 3,513,000	\$ 3,290,924	\$ 3,812,591
Space rental	543,000	569,248	550,688
Parking	527,785	544,488	520,662
Technical	343,646	342,071	342,128
City capital funding	600,366	747,034	800,052
Other	151,601	123,878	138,719
	5,679,398	5,617,643	6,164,840
Cost of goods sold:			
Food and beverage	908,105	891,275	965,505
Technical	18,168	18,273	18,655
Other	27,733	28,937	31,181
	954,006	938,485	1,015,341
	4,725,392	4,679,158	5,149,499
Expenditures:			
Amortization of tangible capital assets	1,206,720	1,188,905	1,206,720
Event services and culinary	1,315,355	1,321,406	1,348,618
City appropriation	569,000	735,496	569,000
Corporate services	834,128	839,041	856,074
Facility services	433,859	404,898	428,853
Energy	472,309	426,826	447,670
Sales and catering	803,015	683,634	694,284
Cleaning	119,304	107,797	105,964
Technical	33,651	23,837	29,655
Parking	49,166	45,968	44,904
Other	32,872	29,295	35,430
	5,869,379	5,807,103	5,767,172
Annual deficit	(1,143,987)	(1,127,945)	(617,673)
Accumulated surplus, beginning of year	16,513,379	16,513,379	17,131,052
Accumulated surplus, end of year	\$ 15,369,392	\$ 15,385,434	\$ 16,513,379

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Annual deficit	\$ (1,127,945)	\$ (617,673)
Acquisition of tangible capital assets	(1,168,817)	(256,055)
Amortization of tangible capital assets	1,188,905	1,206,720
	(1,107,857)	332,992
Acquisition of inventories of supplies	(53,891)	(56,800)
Acquisition of prepaid expenses	(32,603)	(26,200)
Consumption of inventories of supplies	56,800	49,170
Use of prepaid expenses	26,200	14,945
	(3,494)	(18,885)
Increase (decrease) in net financial assets	(1,111,351)	314,107
Net financial assets, beginning of year	979,393	665,286
Net financial assets, end of year	\$ (131,958)	\$ 979,393

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (1,127,945)	\$ (617,673)
Item not involving cash:		
Amortization of tangible capital assets	1,188,905	1,206,720
Changes in non-cash operating working capital:		
Accounts receivable	(4,969)	67,782
Other receivables	71,835	(10,602)
Inventory	2,909	(7,630)
Accounts payable and accrued liabilities	162,507	(92,711)
Accrued sick and vacation	(13,051)	(5,180)
Payable to The City of London	703,881	27,751
Advance deposits	(46,205)	(140,170)
Prepaid expenses	(6,403)	(11,255)
	931,464	417,032
Capital activities:		
Acquisition of tangible capital assets	(1,168,817)	(256,055)
Increase (decrease) in cash and cash equivalents	(237,353)	160,977
Cash and cash equivalents, beginning of year	1,630,139	1,469,162
Cash and cash equivalents, end of year	\$ 1,392,786	\$ 1,630,139
Cash and cash equivalents consist of:		
Cash	\$ 879,098	\$ 1,125,161
Investments held by the City of London with yields ranging from 1.25% to 3.46%	513,688	504,978
	\$ 1,392,786	\$ 1,630,139

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

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 from the City of London 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, 2015

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 figures:

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, 2015

2. Inventory:

At December 31, inventory consists of:

	2015	2014
Food	\$ 24,541	\$ 22,523
Beverages	29,350	34,277
	\$ 53,891	\$ 56,800

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.

	2015	2014
Opening balance	\$ 3,312,463	\$ 2,972,989
Contributions during the year	735,500	569,000
Interest	62,589	60,258
Capital expenditures	(178,034)	(289,784)
Closing balance	\$ 3,932,518	\$ 3,312,463

4. Tangible capital assets:

Cost	Balance at December 31, 2014	Additions	Disposals	Balance at December 31, 2015
Building	\$ 27,309,469	\$ -	-	\$ 27,309,469
Building improvements	3,529,614	1,016,980	-	4,546,594
Equipment	1,391,060	58,114	-	1,449,174
Furniture	810,473	93,723	-	904,196
Infrastructure	643,365	-	-	643,365
Vehicles	41,217	-	-	41,217
	\$33,725,198	\$ 1,168,817	\$ -	\$34,894,015

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Notes to Financial Statements (continued)

Year ended December 31, 2015

4. Tangible capital assets (continued):

	Balance at December 31, 2014	Disposals	Amortization expense	Balance at December 31, 2015
Accumulated amortization				
Building	\$ 14,354,654	\$ -	\$ 711,529	\$ 15,066,183
Building improvements	1,849,460	-	276,851	2,126,311
Equipment	1,122,352	-	82,771	1,205,123
Furniture	361,100	-	54,096	415,196
Infrastructure	555,439	-	62,439	617,878
Vehicles	31,207	-	1,219	32,426
	\$ 18,274,212	\$ -	\$ 1,188,905	\$ 19,463,117

	Net book value December 31, 2014	Net book value December 31, 2015
Building	\$ 12,954,815	\$ 12,243,286
Building improvements	1,680,154	2,420,283
Equipment	268,708	244,051
Furniture	449,373	489,000
Infrastructure	87,926	25,487
Vehicles	10,010	8,791
	\$ 15,450,986	\$ 15,430,898

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 and the amortization costs related to those assets.

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Notes to Financial Statements (continued)

Year ended December 31, 2015

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 2015 was \$200,335 (2014 - \$190,805) for current service.

6. Accumulated surplus:

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

	2015	2014
Surplus:		
Invested in tangible capital assets	\$ 15,430,898	\$ 15,450,986
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(698,418)	-
Reserves:		
Special projects	395,897	562,393
Operating reserve	257,057	500,000
	652,954	1,062,393
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	\$ 15,385,434	\$ 16,513,379