

Financial Statements of

**THE LONDON CONVENTION CENTRE  
CORPORATION**

Year ended December 31, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Chair and Members 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, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial debt 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, 2018, and its results of operations, its changes in net financial debt 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 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.

## ***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.

- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 3, 2019

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 524,865	\$ 736,885
Accounts receivable	474,480	547,836
Other receivables	15,511	13,549
Receivable from The City of London	-	8,874
	<u>1,014,856</u>	<u>1,307,144</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	687,516	781,377
Payable to The City of London	74,604	-
Long-term debt (note 6)	1,606,910	1,787,991
Accrued sick and vacation	54,593	38,449
Advance deposits	463,237	481,843
	<u>2,886,860</u>	<u>3,089,660</u>
Net financial debt	(1,872,004)	(1,782,516)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 4)	17,453,957	18,375,774
Prepaid expenses	47,826	26,765
Inventory (note 2)	57,104	66,992
	<u>17,558,887</u>	<u>18,469,531</u>
Accumulated surplus (note 7)	<u>\$ 15,686,883</u>	<u>\$ 16,687,015</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, 2018, with comparative information for 2017

	Budget 2018	2018	2017
<b>Revenue:</b>			
Food and beverage	\$ 4,060,000	\$ 4,146,433	\$ 3,745,057
Space rental	620,000	776,953	624,357
City capital appropriation	636,420	653,985	579,966
Parking	521,231	529,909	497,542
Technical	339,754	447,875	349,159
Capital reserve drawdown	1,128,000	371,921	300,969
Other	593,163	843,150	713,202
	<u>7,898,568</u>	<u>7,770,226</u>	<u>6,810,252</u>
<b>Cost of goods sold:</b>			
Food and beverage	1,063,746	1,089,748	963,883
Other	62,528	149,057	64,368
Technical	8,600	6,917	14,287
	<u>1,134,874</u>	<u>1,245,722</u>	<u>1,042,538</u>
	<u>6,763,694</u>	<u>6,524,504</u>	<u>5,767,714</u>
<b>Expenditures:</b>			
Event services and culinary	1,853,078	2,127,308	1,895,142
Amortization of tangible capital assets	1,293,738	1,293,738	1,331,377
Corporate services	893,746	975,477	871,441
Sales and catering	942,944	941,999	817,538
City appropriation	636,420	869,090	678,953
Energy	560,100	546,428	543,543
Facility services	446,371	481,032	438,582
Cleaning	135,692	134,730	110,479
Parking	50,926	56,767	58,208
Other	39,808	46,112	44,118
Technical	31,460	12,567	26,306
Interest and bank charges	39,388	39,388	43,385
	<u>6,923,671</u>	<u>7,524,636</u>	<u>6,859,072</u>
Annual deficit (note 8)	(159,977)	(1,000,132)	(1,091,358)
Accumulated surplus, beginning of year	16,687,015	16,687,015	17,778,373
Accumulated surplus, end of year	<u>\$ 16,527,038</u>	<u>\$ 15,686,883</u>	<u>\$ 16,687,015</u>

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Change in Net Financial Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Annual deficit	\$ (159,977)	\$ (1,000,132)	\$ (1,091,358)
Acquisition of tangible capital assets	(1,128,000)	(371,921)	(289,009)
Amortization of tangible capital assets	1,293,738	1,293,738	1,331,377
	5,761	(78,315)	(48,990)
Acquisition of inventories	-	(57,104)	(66,992)
Acquisition of prepaid expenses	-	(47,826)	(26,765)
Consumption of inventories	-	66,992	53,021
Use of prepaid expenses	-	26,765	26,559
	-	(11,173)	(14,177)
Decrease (increase) in net financial debt	5,761	(89,488)	(63,167)
Net financial debt, beginning of year	(1,782,516)	(1,782,516)	(1,719,349)
Net financial debt, end of year	\$ (1,776,755)	\$ (1,872,004)	\$ (1,782,516)

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (1,000,132)	\$ (1,091,358)
Item not involving cash:		
Amortization of tangible capital assets	1,293,738	1,331,377
Changes in non-cash operating working capital:		
Accounts receivable	73,356	(339,630)
Other receivables	(1,962)	80,461
Inventory	9,888	(13,971)
Accounts payable and accrued liabilities	(93,861)	250,014
Accrued sick and vacation	16,144	(22,648)
Receivable from/Payable to The City of London	83,478	(104,995)
Advance deposits	(18,606)	(85,898)
Prepaid expenses	(21,061)	(206)
	340,982	3,146
Financing activities:		
Repayment of long-term debt	(181,081)	(177,009)
Investing activities:		
Acquisition of tangible capital assets	(371,921)	(289,009)
Decrease in cash and cash equivalents	(212,020)	(462,872)
Cash and cash equivalents, beginning of year	736,885	1,199,757
Cash and cash equivalents, end of year	\$ 524,865	\$ 736,885
Cash and cash equivalents consist of:		
Cash (bank indebtedness)	\$ (7,392)	\$ 210,298
Short-term investments held by the City of London with an average yield of 1.10%	532,257	526,587
	\$ 524,865	\$ 736,885

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Notes to Financial Statements

Year ended December 31, 2018

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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, 2018

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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 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, 2018

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## 1. Significant accounting policies (continued):

### (g) Adoption of new accounting policies:

#### (i) Related Party Disclosures

The Corporation adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

#### (ii) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 2. Inventory:

At December 31, inventory consists of:

	2018	2017
Food	\$ 17,819	\$ 26,025
Beverages	39,285	40,967
	<u>\$ 57,104</u>	<u>\$ 66,992</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.

	2018	2017
Opening balance	\$ 1,862,565	\$ 1,460,264
Contributions during the year	869,090	678,953
Interest	40,879	24,317
Capital expenditures	(371,921)	(300,969)
Closing balance	<u>\$ 2,400,613</u>	<u>\$ 1,862,565</u>

## 4. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Building	\$ 27,309,469	\$ -	\$ -	\$ 27,309,469
Building improvements	9,685,622	37,451	-	9,723,073
Equipment	1,590,406	82,335	-	1,672,741
Furniture	1,099,222	-	-	1,099,222
Infrastructure	657,620	75,002	-	732,622
Vehicles	41,217	-	-	41,217
Work in progress	-	177,133	-	177,133
	<u>\$ 40,383,556</u>	<u>\$ 371,921</u>	<u>\$ -</u>	<u>\$ 40,755,477</u>

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 4. Tangible capital assets (continued):

	Balance at December 31, 2017	Disposals	Amortization expense	Balance at December 31, 2018
Accumulated amortization				
Building	\$ 16,453,419	\$ -	\$ 692,393	\$ 17,145,812
Building improvements	2,952,482	-	432,663	3,385,145
Equipment	1,381,079	-	82,803	1,463,882
Furniture	549,199	-	70,440	619,639
Infrastructure	637,386	-	15,439	652,825
Vehicles	34,217	-	-	34,217
	<b>\$ 22,007,782</b>	<b>\$ -</b>	<b>\$ 1,293,738</b>	<b>\$ 23,301,520</b>

	Net book value December 31, 2017	Net book value December 31, 2018
Building	\$ 10,856,050	\$ 10,163,657
Building improvements	6,733,140	6,337,928
Equipment	209,327	208,859
Furniture	550,023	479,583
Infrastructure	20,234	79,797
Vehicles	7,000	7,000
Work in progress	-	177,133
	<b>\$ 18,375,774</b>	<b>\$ 17,453,957</b>

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, 2018

## 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 2018 was \$218,204 (2017 - \$217,900) 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 \$39,388 in the current year (2017 - \$43,385).

## 7. Accumulated surplus:

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

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 17,453,957	\$ 18,375,774
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(1,606,910)	(1,787,991)
Reserves:		
Special projects	289,662	346,154
Operating	500,000	500,000
	789,662	846,154
Other	(949,826)	(746,922)
	\$ 15,686,883	\$ 16,687,015

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 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:

	2018	2017
Annual deficit	\$ (1,000,132)	\$ (1,091,358)
Project loss funded through special projects reserve	56,492	-
Add back:		
Amortization	1,293,738	1,331,377
City appropriation	869,090	678,953
Interest on long-term debt	39,388	43,385
	2,202,216	2,053,715
Deduct:		
City capital funding	(1,025,906)	(880,935)
	\$ 232,670	\$ 81,422

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, 2018.

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 9. Budget data:

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.

	Budget amount
Revenues:	
Operating budget	\$ 7,398,565
Cost of goods sold:	
Operating budget	1,134,874
Expenses:	
Operating budget	4,993,513
Annual surplus, as budgeted	5,761
City capital appropriation	636,420
Capital reserve drawdown	1,128,000
Amortization of tangible capital assets	(1,293,738)
City appropriation	(636,420)
Annual deficit, revised	\$ (159,977)

## 10. Comparative information:

Certain 2017 comparative information have been reclassified to conform with the financial presentation adopted per the current year.