

Financial Statements of

**THE LONDON CONVENTION  
CENTRE CORPORATION**

And Independent Auditors' Report thereon.

Year ended December 31, 2020



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## INDEPENDENT AUDITORS' 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, 2020;
- the statement of operations for the year then ended;
- the statement of change 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, 2020, 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 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.



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### ***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.



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- 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

March 26, 2021

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial Assets</b>		
Cash	\$ 405,313	\$ 701,770
Accounts receivable	55,191	847,708
Other receivables	83,793	3,953
Receivable from The City of London	40,210	-
	<u>584,507</u>	<u>1,553,431</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	342,417	1,129,948
Payable to The City of London	-	104,728
Long-term debt (note 6)	1,421,665	1,421,665
Accrued sick and vacation	27,859	61,180
Advance deposits and deferred revenue	874,119	1,145,337
	<u>2,666,060</u>	<u>3,862,858</u>
Net financial debt	(2,081,553)	(2,309,427)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 4)	18,252,620	19,086,323
Prepaid expenses	38,896	38,864
Inventory (note 2)	51,039	63,605
	<u>18,342,555</u>	<u>19,188,792</u>
Impact of COVID-19 pandemic (note 10)		
Accumulated surplus (note 7)	<u>\$ 16,261,002</u>	<u>\$ 16,879,365</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, 2020, with comparative information for 2019

	Budget 2020 (note 9)	2020	2019
<b>Revenue:</b>			
City grant	\$ -	\$ 1,648,000	\$ -
Food and beverage	4,130,000	927,941	3,811,443
Other	1,103,719	908,636	1,000,842
City capital appropriation	650,000	702,904	638,425
Capital reserve drawdown	1,010,682	712,244	2,884,426
Parking	536,200	188,510	554,344
Space rental	645,000	145,556	614,797
Technical	392,910	96,467	344,508
	<b>8,468,511</b>	<b>5,330,258</b>	<b>9,848,785</b>
<b>Cost of goods sold:</b>			
Food and beverage	1,097,155	292,059	1,059,288
Other	82,546	34,231	124,018
Technical	7,833	6,250	6,008
	<b>1,187,534</b>	<b>332,540</b>	<b>1,189,314</b>
	<b>7,280,977</b>	<b>4,997,718</b>	<b>8,659,471</b>
<b>Expenditures:</b>			
Amortization of tangible capital assets	1,430,014	1,428,480	1,301,307
City appropriation	650,000	1,059,272	815,712
Event services and culinary	2,183,146	848,138	2,048,281
Corporate services	1,027,393	831,048	920,810
Sales and catering	941,641	511,052	926,741
Facility services	484,676	381,722	507,404
Energy	545,160	333,999	569,102
Cleaning	132,414	43,149	120,548
Interest and bank charges	32,698	32,643	35,200
Other	53,067	24,348	162,159
Parking	65,340	122,230	58,681
Technical	-	-	1,044
	<b>7,545,549</b>	<b>5,616,081</b>	<b>7,466,989</b>
Annual surplus (deficit) (note 8)	(264,572)	(618,363)	1,192,482
Accumulated surplus, beginning of year	16,879,365	16,879,365	15,686,883
Accumulated surplus, end of year	\$ 16,614,793	\$ 16,261,002	\$ 16,879,365

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Change in Net Financial Debt

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020 (note 9)	2020	2019
Annual surplus (deficit)	\$ (264,572)	\$ (618,363)	\$ 1,192,482
Acquisition of tangible capital assets	(1,010,682)	(599,447)	(3,047,108)
Amortization of tangible capital assets	1,430,014	1,428,480	1,301,307
Loss on disposal of tangible capital assets	-	4,670	113,435
	154,760	215,340	(439,884)
Acquisition of inventory	-	(51,039)	(63,605)
Acquisition of prepaid expenses	-	(38,896)	(38,864)
Consumption of inventory	-	63,605	57,104
Use of prepaid expenses	-	38,864	47,826
	-	12,534	2,461
Increase (decrease) in net financial debt	154,760	227,874	(437,423)
Net financial debt, beginning of year	(2,309,427)	(2,309,427)	(1,872,004)
Net financial debt, end of year	\$ (2,154,667)	\$ (2,081,553)	\$ (2,309,427)

See accompanying notes to financial statements.

# THE LONDON CONVENTION CENTRE CORPORATION

## Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (618,363)	\$ 1,192,482
Item not involving cash:		
Amortization of tangible capital assets	1,428,480	1,301,307
Loss on disposal of tangible capital assets	4,670	113,435
Changes in non-cash operating working capital:		
Accounts receivable	792,517	(373,228)
Other receivables	(79,840)	11,558
Inventory	12,566	(6,501)
Accounts payable and accrued liabilities	(787,531)	442,432
Accrued sick and vacation	(33,321)	6,587
Payable to The City of London	(144,938)	30,124
Advance deposits and deferred revenue	(271,218)	682,100
Prepaid expenses	(32)	8,962
	302,990	3,409,258
Financing activities:		
Repayment of long-term debt	-	(185,245)
Investing activities:		
Acquisition of tangible capital assets	(599,447)	(3,047,108)
Net change in cash	(296,457)	176,905
Cash, beginning of year	701,770	524,865
Cash, end of year	\$ 405,313	\$ 701,770

See accompanying notes to financial statements.



# THE LONDON CONVENTION CENTRE CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

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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, 2020

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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.

## 2. Inventory:

At December 31, inventory consists of:

	2020	2019
Food	\$ 25,669	\$ 26,580
Beverages	25,370	37,025
	<u>\$ 51,039</u>	<u>\$ 63,605</u>

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

### 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.

	2020	2019
Opening balance	\$ 391,459	\$ 2,400,613
Contributions during the year	1,059,272	815,712
Interest	22,362	59,560
Capital expenditures	(712,244)	(2,884,426)
Closing balance	\$ 760,849	\$ 391,459

### 4. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Building	\$ 27,157,373	\$ -	\$ (13,690)	\$ 27,143,683
Building improvements	12,266,761	527,300	-	12,794,061
Equipment	1,672,741	47,832	-	1,720,573
Furniture	1,099,222	-	-	1,099,222
Infrastructure	757,453	24,315	-	781,768
Vehicles	41,217	-	-	41,217
	\$ 42,994,767	\$ 599,447	\$ (13,690)	\$ 43,580,524

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 4. Tangible capital assets (continued):

	Balance at December 31, 2019	Disposals	Amortization expense	Balance at December 31, 2020
Accumulated amortization				
Building	\$ 17,741,432	\$ (9,020)	\$ 688,077	\$ 18,420,489
Building improvements	3,301,887	-	647,227	3,949,114
Equipment	1,500,107	-	35,019	1,535,126
Furniture	658,862	-	35,980	694,842
Infrastructure	671,939	-	22,177	694,116
Vehicles	34,217	-	-	34,217
	<b>\$ 23,908,444</b>	<b>\$ (9,020)</b>	<b>\$ 1,428,480</b>	<b>\$ 25,327,904</b>

	Net book value December 31, 2019	Net book value December 31, 2020
Building	\$ 9,415,941	\$ 8,723,194
Building improvements	8,964,874	8,844,947
Equipment	172,634	185,447
Furniture	440,360	404,380
Infrastructure	85,514	87,652
Vehicles	7,000	7,000
	<b>\$ 19,086,323</b>	<b>\$ 18,252,620</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, 2020

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## 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 2020 was \$144,134 (2019 - \$227,772) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$113.1 billion (2019 - \$107.7 billion) and actuarial assets for \$109.8 billion (2019 - \$104.3 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.

## 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 \$nil in the current year (2019 - \$36,959).

On June 29, 2020, City of London Council approved deferral of the annual loan repayment.

On January 12, 2021, City of London Council approved the forgiveness of the note payable in its entirety.

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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## 7. Accumulated surplus:

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

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	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 18,252,620	\$ 19,086,323
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(1,421,665)	(1,421,665)
Reserves:		
Special projects	-	254,984
Operating	-	500,000
	-	754,984
Other	(569,953)	(1,540,277)
	\$ 16,261,002	\$ 16,879,365

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# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 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 (loss) from operations as follows:

	2020	2019
Annual surplus (deficit)	\$ (618,363)	\$ 1,192,482
Loss funded through special projects reserve	-	34,678
Add back:		
Amortization	1,428,480	1,301,307
City appropriation	1,059,272	815,712
Interest on long-term debt	30,882	36,959
	2,518,634	2,153,978
Deduct:		
City capital funding	(1,415,148)	(3,522,851)
	\$ 485,123	\$ (141,713)

# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 9. 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.

	Budget amount
Revenues:	
Operating budget	\$ 6,807,829
Cost of goods sold:	
Operating budget	1,187,534
Expenses:	
Operating budget	5,465,535
Annual surplus, as budgeted	154,760
City capital appropriation	650,000
Capital reserve drawdown	1,010,682
Amortization of tangible capital assets	(1,430,014)
City appropriation	(650,000)
Annual deficit, revised	\$ (264,572)



# THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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## 10. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, The London Convention Centre Corporation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- facility closure from March 16, 2020 to the date of the auditors' report based on public health recommendations, with the exception of three events that were able to be held in accordance with public health guidelines;
- temporary staff layoffs;
- mandatory working from home requirements during lockdown periods for those able to do so, and flexible working arrangements during remaining portion of the year;
- supported the community from May to December, providing approximately 22,000 lunches at cost paid for by the Food Bank to support London's homeless population. The majority of this work was completed by two salaried chefs;
- received special funding from the City of London of \$1,648,000; and
- utilized existing special reserve and operating reserve to fund deficit.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on The London Convention Centre Corporation's operations and financial position is not known at this time. These impacts could include a decline in future cash flows and changes to the value of assets and liabilities. Further, external funding may be required to support continuing operations. An estimate of the financial effect is not practicable at this time.