



City of Richmond

Report to Committee

To: Finance Committee

Date: April 25, 2013

From: George Duncan
Chief Administrative Officer
& President and CEO
Richmond Olympic Oval

File:

Andrew Nazareth
General Manager, Finance and Corporate
Services
& Chief Financial Officer, Richmond Olympic Oval

Re: 2012 Financial Statements for the Richmond Olympic Oval Corporation

Staff Recommendation

That the report on the 2012 Financial Statements and Independent Auditor's report for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.

George Duncan
Chief Administrative Officer
& President and CEO
Richmond Olympic Oval

Andrew Nazareth
General Manager, Finance and Corporate Services
& Chief Financial Officer,
Richmond Olympic Oval



DATE: April 24, 2013

TO: George Duncan
Chief Executive Officer, Richmond Olympic Oval Corporation

Andrew Nazareth
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills
Chief Operating Officer, Richmond Olympic Oval Corporation

FROM: Rick Dusanj, CA
Controller, Richmond Olympic Oval Corporation

Re: Richmond Olympic Oval Corporation 2012 audited financial statements

Origin

Section 7.3 of the Operating Agreement between the City of Richmond (the "City") and the Richmond Olympic Oval Corporation (the "Corporation") requires reporting with respect to business plans, budgets, audited financial statements, and quarterly comparisons of actual results to budget along with projections to fiscal year end. This staff report deals with the 2012 audited financial statements of the Corporation.

Analysis

Please see the attachment for the audited financial statements of the Corporation for the year ended December 31, 2012. The Corporation's financial statements are prepared in accordance with Public Sector Accounting Standards.

Statement of Operations and Retained Earnings

The 2012 final audited financial statements have an annual surplus of \$3,067k before transfers to reserves/provisions with revenues of \$12,893k and expenses of \$9,826k.

Revenues

There was \$2,785k of revenue from the Games Operating Trust ("GOT"). The City applies for and receives funding from the GOT. This amount represents the amount received in 2012. The Oval also received \$3,074k from a contribution from the City. With respect to memberships, admissions and programs the Oval earned \$5,480k of revenue in 2012.

Other revenue of \$1,554k was recognized in 2012 which included mainly parking, space leasing and sponsorship revenue, a BC Hydro rebate received as part of the relamping project that was undertaken at the Oval, and sport hosting revenue. Effective July 1, 2011, the sport hosting function from the City was transferred over to the Corporation along with separate funding that is attached to that function through the hotel tax. The funding is recognized as deferred revenue until it is spent at which time the revenue and expense are both recognized.

Expenses

Total salaries and benefits for 2012 was \$6,262k. There were 62 full-time and 145 part-time employees on the payroll as at December 31, 2012.

Other costs included the following: utilities costs of \$915k related to the heat, light and power for the Oval, \$286k of amortization costs, \$557k of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$347k of costs for property and liability insurance, \$397k of administration costs related to accounting, information technology, and office supplies, \$236k of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, and membership sales, \$677k of costs pertained to running sport and fitness programs as well as the sport hosting function out of the Oval and \$149k of professional fees related to legal, consulting and audit fees.

Statement of Financial Position

Financial Assets

The Corporation had a cash balance of \$2,054k as of December 31, 2012. The accounts receivable aggregating \$390k resulted primarily from the BC Hydro rebate, sponsorship fees, leases, sales of memberships, admissions and programs, rentals, special events, interest and HST receivable. The amount due from the City of \$133k arose in the normal course of business. The Investment balance of \$4,805k represents the Corporation's investments invested through the City.

Financial Liabilities

Accounts payable and accrued liabilities as of December 31, 2012 were \$952k and primarily included payroll accruals and trade payables for heat, light, power, legal and audit fees. The Corporation has capital lease obligations for equipment with remaining terms to April 2013; the balance as at December 31, 2012 was \$8k. Deferred revenue of \$2,317k included unspent funding pertaining to the Sport Hosting function, sponsorship fees, unspent funding pertaining to the Richmond Olympic Experience project and the pro rata portion of fees received in 2012 for membership and programs to be delivered in 2013. A rental deposit of \$6k was held as of the end of the year.

Non-Financial Assets

As at December 31, 2012, the Corporation had \$694k of tangible capital assets which included assets under capital lease, athletic equipment, computer software and equipment, facility equipment, etc. Deferred lease costs of \$121k are direct costs incurred in connection with leases and are deferred and amortized over the terms of the lease. Prepaid expenses of \$429k consisted of unamortized

portions of the premiums on the Corporation's insurance policies together with prepaid information technology licences, and equipment maintenance.

Accumulated Surplus

The accumulated surplus as at December 31, 2012 was \$5,345k. Of this amount, \$4,100k has been transferred to the Capital Reserve as of December 31, 2012 in accordance with the Richmond Oval Agreement between the City and the Corporation, \$686k is invested in tangible capital assets, \$212k in other reserves/provisions and \$347k is the operating surplus balance.

Summary

The annual surplus before transfers to reserves/provisions for 2012 was \$3,067k compared to \$2,214k in 2011. The total accumulated surplus as of December 31, 2012 was \$5,345k. Of this amount the Corporation has transferred \$4,100k in total to the Capital Reserve in accordance with the Richmond Oval Agreement.



Rick Dusanj, CA
Controller, Richmond Olympic Oval Corporation

cc: Shana Turner
Director, Finance & Corporate Services, Richmond Olympic Oval Corporation

Financial Statements of

**RICHMOND OLYMPIC OVAL
CORPORATION**

Year ended December 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying financial statements of Richmond Olympic Oval Corporation, which comprise the statement of financial position as at December 31, 2012, the statements of operations, changes in net financial assets (debt) 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 control. 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 in our audit 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 Richmond Olympic Oval Corporation as at December 31, 2012 and its results of operations, its changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

April 18, 2013

Burnaby, Canada

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Financial Position

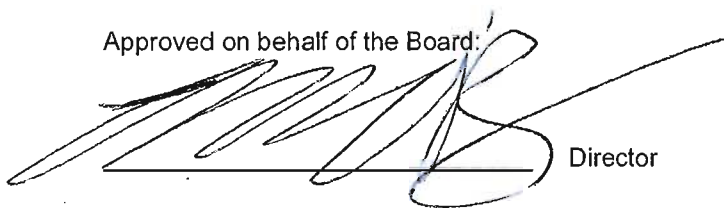
December 31, 2012, with comparative information for 2011

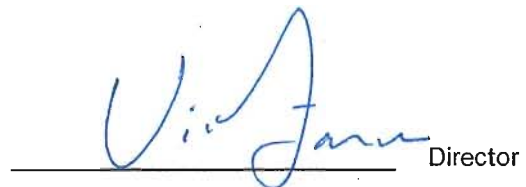
	2012	2011
Financial Assets		
Cash	\$ 2,053,574	\$ 1,430,735
Investments (note 3)	4,805,363	2,250,000
Due from City of Richmond (note 8)	132,632	-
Accounts receivable	390,081	368,744
	<u>7,381,650</u>	<u>4,049,479</u>
Liabilities		
Accounts payable and accrued liabilities	952,216	772,430
Obligations under capital leases (note 6)	8,491	205,663
Deferred revenue (note 7)	2,317,370	1,879,250
Due to City of Richmond	-	139,798
Rental deposits	5,513	5,513
	<u>3,283,590</u>	<u>3,002,654</u>
Net financial assets	4,098,060	1,046,825
Non-Financial Assets		
Tangible capital assets (note 9)	694,497	661,555
Deferred lease costs (note 10)	121,186	123,809
Inventories of supplies	2,508	1,865
Prepaid expenses and other deposits	428,954	444,327
	<u>1,247,145</u>	<u>1,231,556</u>
Accumulated surplus (note 11)	\$ 5,345,205	\$ 2,278,381

Economic dependence (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

For the year ended December 31, 2012

	2012 Budget (unaudited – note2(g))	2012	2011
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,500,000	\$ 2,784,637	\$ 2,739,398
Contribution from City of Richmond (note 12)	3,073,883	3,073,883	3,022,500
Memberships, admissions and programs	4,820,246	5,480,286	4,067,266
Other (note 12)	991,856	1,554,377	1,031,052
	11,385,985	12,893,183	10,860,216
Expenses (note 12):			
Salaries and benefits	6,496,140	6,261,653	5,320,829
Utilities	1,107,750	914,519	818,959
Amortization	323,789	286,071	526,964
Supplies and equipment	606,337	557,441	442,954
Insurance	368,225	347,487	326,631
General and administration	612,437	396,618	489,134
Marketing and sponsorship	290,743	235,990	290,330
Program services	587,365	677,223	302,058
Professional fees	148,540	149,357	127,887
	10,541,326	9,826,359	8,645,746
Annual surplus	844,659	3,066,824	2,214,470
Accumulated surplus, beginning of year	2,278,381	2,278,381	63,911
Accumulated surplus, end of year	\$ 3,123,040	\$ 5,345,205	\$ 2,278,381

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets (Debt)

For the year ended December 31, 2012

	2012 Budget (unaudited - note 3(g))	2012	2011
Annual surplus for the year	\$ 844,659	\$ 3,066,824	\$ 2,214,470
Acquisition of tangible capital assets	(503,111)	(319,013)	(364,544)
Amortization of tangible capital assets	323,789	286,071	526,964
	(179,322)	(32,942)	162,420
Amortization of deferred lease costs	-	13,729	17,002
Acquisition of inventory of supplies	-	(3,655)	(1,487)
Acquisition of prepaid expense	-	(500,385)	(679,609)
Consumption of inventories of supplies	-	3,012	2,236
Use of prepaid expenses and other deposits	-	515,758	566,495
Additions of deferred leasing costs	-	(11,106)	(7,492)
Change in net financial assets	665,337	3,051,235	2,274,035
Net financial assets (debt), beginning of year	1,046,825	1,046,825	(1,227,210)
Net financial assets, end of year	\$ 1,712,162	\$ 4,098,060	\$ 1,046,825

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

For the year ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,066,824	\$ 2,214,470
Items not involving cash:		
Amortization of tangible capital assets	286,071	526,964
Amortization of deferred lease costs	13,729	17,002
Changes in non-cash operating working capital:		
Accounts receivable	(21,337)	(51,276)
Deferred lease costs	(11,106)	(7,492)
Inventories of supplies	(643)	749
Prepaid expenses and other deposits	15,373	(113,114)
Accounts payable and accrued liabilities	179,786	51,465
Deferred revenue	438,120	1,343,725
Due from/to the City of Richmond	(272,430)	(74,977)
	3,694,387	3,907,516
Capital activities:		
Purchase of tangible capital assets	(319,013)	(364,544)
Investing activities:		
Purchase of investments	(2,555,363)	(2,250,000)
Financing activities:		
Repayment of obligations under capital leases	(197,172)	(231,890)
Increase in rental deposits	-	(21,248)
	(197,172)	(253,138)
Increase in cash	622,839	1,039,834
Cash, beginning of year	1,430,735	390,901
Cash, end of year	\$ 2,053,574	\$ 1,430,735

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2012

1. Incorporation and nature of business:

The Richmond Olympic Oval Corporation (the "Corporation") was incorporated on June 16, 2008 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). On August 10, 2010, the Corporation changed its name from 0827805 B.C. Ltd. to Richmond Olympic Oval Corporation. The business of the Corporation is to use the Richmond Olympic Oval facility (the "Oval") to provide a venue for a wide range of sports, business and community activities, including, but not limited to, being the long-track speed skating venue for the 2010 Olympic and Paralympic Winter Games (the "Games").

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(b) Revenue recognition:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by the 2010 Games Operating Trust (note 5) and when the related operating expenses and capital maintenance costs of the Oval are incurred.

Sponsorship revenues are deferred and amortized to revenue over the term of sponsorship agreements.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

2. Significant accounting policies (continued):

(c) Non-financial assets (continued)

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis at rates that reflect estimates of the economic lives of the assets over the following periods:

Assets	Rate
Athletic equipment	5 years
Automobile	5 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Signage	3 years
Uniforms, ice skates and helmets	3 years

Tenant improvements are amortized over the term of the lease.

(ii) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(iii) Assets held under capital lease:

Assets held under capital lease are stated at historical cost, being the lesser of the present value of the future minimum lease payments and fair value at the date of acquisition, and are amortized on a straight-line basis over their estimated useful lives.

(iv) Deferred lease costs:

The initial direct costs incurred in connection with leases of rental properties in the Oval are deferred and amortized over the initial term of the leases. Such costs include agent commissions, legal fees, and costs of negotiating the leases.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

2. Significant accounting policies (continued):

(d) Pension plan:

The Corporation and its employees make contributions to the Municipal Pension Plan (the "Plan"). As the Plan is a multi-employer contributory defined benefit pension plan, these contributions are expensed as incurred.

(e) Income taxes:

The Corporation is not subject to income taxes as it is a municipal corporation wholly-owned by the City of Richmond.

(f) Functional and object reporting:

The operations of the Oval are comprised of a single function, operations related to sport, fitness and recreation. As a result, the expenses of the Oval are presented by object in the statement of operations.

(g) Budget data:

The unaudited budget data presented in these financial statements is based upon the 2012 budget approved by the Board of Directors on February 29, 2012.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of valuation of accounts receivable, useful lives of tangible capital assets for amortization, and deferred lease costs. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in earnings in the year in which they become known.

3. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2012	2011
March 28, 2012	March 28, 2013	\$ 2,000,000	\$ -
July 20, 2012	January 16, 2013	1,805,363	-
July 20, 2012	January 16, 2013	1,000,000	-
March 21, 2011	March 20, 2012	-	2,250,000
Total		\$ 4,805,363	\$ 2,250,000

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

4. Richmond Oval Agreement:

The Corporation is party to the Richmond Oval Agreement (the "Agreement") with the City, which had an effective date of July 1, 2008. The Agreement established the terms and conditions of the relationship between the City and the Corporation.

5. 2010 Games Operating Trust Fund:

On November 14, 2002, under the terms of the Multiparty Agreement for the Games, the Government of Canada and the Province of British Columbia agreed to establish the Legacy Endowment Fund (the "Fund") and to each contribute \$55 million. On March 31, 2004, under the terms of the 2010 Games Operating Trust Agreement, an irrevocable trust was created known as GOT and the 2010 Games Operating Trust Society (the "Society") became the trustee of the Fund. The purpose of the Fund is to fund operating expenses and capital maintenance costs of certain facilities created for the Games, specifically the Oval and the Whistler Sliding Centre and Nordic Centre, and to assist with the continued development of amateur sport in Canada. Subsequent to the formation of the Trust, the City, as owner of the Oval, became a beneficiary of the Trust and became responsible for complying with obligations set by the Trust and GOT in order to receive funding.

Effective December 31, 2007:

- (a) the Fund was divided into three funds: the Speed Skating Oval Fund; the Whistler Sliding Centre and Nordic Centre Fund, and the Contingency Fund; and
- (b) the capital and any accumulated but undistributed income of the Fund was divided as follows: Speed Skating Oval Fund (40%), Whistler Sliding Centre and Nordic Centre Fund (40%), and the Contingency Fund (20%).

Effective April 21, 2009, the City entered into an agreement with VANOC. The agreement details the terms and conditions to which the City is required to adhere in order to receive funding from GOT. Effective September 1, 2011 VANOC assigned the agreement to the Society.

Funds from GOT are paid to the City, the funds are then paid to the Corporation.

Revenue from GOT is comprised of:

	2012	2011
2011 annual distributable amount approved and received in 2012	\$ 2,784,637	\$ -
2010 annual distributable amount approved and received in 2011	-	2,739,398
	<u>\$ 2,784,637</u>	<u>\$ 2,739,398</u>

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

6. Obligations under capital leases:

The capital leases have an estimated cost of borrowing ranging from 0.21% to 0.35% per month. The principal and interest payments as at December 31, 2012 and December 31, 2011 are as follows:

	2012	2011
Total minimum lease payments	\$ 8,517	\$ 208,445
Imputed interest	(26)	(2,782)
Obligations under capital leases	\$ 8,491	\$ 205,663

As at December 31, 2012, the Corporation was committed to payments under capital leases of \$8,517 in 2013.

7. Deferred revenue:

	2012	2011
Balance, beginning of year	\$ 1,879,250	\$ 535,525
Add: receipts	7,472,783	6,442,043
Less: revenue recognized	(7,034,663)	(5,098,318)
Balance, end of year	\$ 2,317,370	\$ 1,879,250

Deferred revenue comprises of:

	2012	2011
Memberships and programs	\$ 946,082	\$ 537,041
Sponsorship fees	433,333	408,333
Sport Hosting funding (note 12)	507,779	933,876
Richmond Olympic Experience (note 12)	430,176	-
	\$ 2,317,370	\$ 1,879,250

8. Due from the City of Richmond:

The amount due from the City of Richmond arises in the normal course of business and is non-interest bearing with no stated repayment terms.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

9. Tangible capital assets:

Cost	Balance at December 31, 2011	Additions	Balance at December 31, 2012
Assets under capital lease	\$ 905,888	\$ -	\$ 905,888
Athletic equipment	692,935	164,089	857,024
Automobile	23,158	-	23,158
Building improvements	26,727	9,963	36,690
Computer software and equipment	176,383	59,982	236,365
Facility equipment	63,343	14,027	77,370
Signage	43,884	-	43,884
Tenant improvements	16,979	-	16,979
Uniforms, ice skates, and helmets	126,838	1,128	127,966
Work-in-progress (note 12)	-	69,824	69,824
	\$ 2,076,135	\$ 319,013	\$ 2,395,148

Accumulated amortization	Balance at December 31, 2011	Amortization expense	Balance at December 31, 2012
Assets under capital lease	\$ 873,841	\$ 32,047	\$ 905,888
Athletic equipment	272,985	154,625	427,610
Automobile	6,562	4,631	11,193
Building improvements	4,847	6,674	11,521
Computer software and equipment	109,923	43,147	153,070
Facility equipment	6,599	18,444	25,043
Signage	26,808	11,809	38,617
Tenant improvements	16,255	300	16,555
Uniforms, ice skates, and helmets	96,760	14,394	111,154
	\$ 1,414,580	\$ 286,071	\$ 1,700,651

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

9. Tangible capital assets (continued):

	Net book value December 31, 2012	Net book value December 31, 2011
Assets under capital lease	\$ -	\$ 32,047
Athletic equipment	429,414	419,950
Automobile	11,965	16,596
Building improvements	25,169	21,880
Computer software and equipment	83,295	66,460
Facility equipment	52,327	56,744
Signage	5,267	17,076
Tenant improvements	424	724
Uniforms, ice skates, and helmets	16,812	30,078
Work-in-progress (note 12)	69,824	-
	\$ 694,497	\$ 661,555

The Oval land and building complex and its major equipment components are the property of the City and are not recorded in these financial statements.

Assets under capital lease include audio and visual equipment, printers, drivers, computer hardware and other information technology equipment. The lease agreements are between the City and the Municipal Finance Authority of the Province of British Columbia. The equipment is used solely by the Corporation and, accordingly, the leased assets are capitalized and the related obligation recorded in the accounts of the Corporation. The lease payments made by the City are charged at cost to the Corporation.

There was no write down of tangible capital assets during the year (2011 - nil).

10. Deferred lease costs:

	2012	2011
Balance, beginning of year	\$ 123,809	\$ 133,319
Add: payments	11,106	7,492
Less: amortization	(13,729)	(17,002)
Balance, end of year	\$ 121,186	\$ 123,809

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

11. Accumulated surplus:

Accumulated surplus is comprised of:

	2012	2011
Share capital	\$ 1	\$ 1
Capital reserve	4,100,000	1,700,000
Other reserves/provisions	211,790	-
Operating surplus	347,408	122,488
Invested in tangible capital assets	686,006	455,892
	\$ 5,345,205	\$ 2,278,381

12. Related party transactions:

The Corporation leases the Oval from the City for \$1 annually.

Included in general and administration expenses is a management fee of \$61,835 to the City for the provision of city staff time in fiscal year 2012 (2011 - \$60,000).

In 2012, \$93,979 (2011 - \$84,288) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed for the City.

Included as a reduction to other revenue in 2011 is \$39,919 pertaining to management fees paid to the City for services performed pertaining to the parking revenue in 2011. At the end of 2011 the Oval began managing these parking operations internally and therefore did not have any management fees paid to the City in 2012 in respect of such services.

In accordance with the Agreement, the City will provide, for the first fifteen years of the term, financial support as agreed between the City and the Corporation from time to time; for the years 2010, 2011 and 2012 the annual financial support shall not be less than \$1.5 million per year indexed at the city of Vancouver's Consumer Price Index. After fifteen years, any financial assistance from the City will be determined by the City in its sole discretion. Commencing in 2011, the City approved an additional \$1.5 million in annual financial support to the Corporation. The Corporation received a contribution from the City of \$3,073,833 (2011 - \$3,022,500).

Effective July 1, 2011, the Sport Hosting function of the City was transferred to the Corporation. This function is fully funded by the hotel tax. In 2012, nil (2011 - \$1,091,565) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2012, receipts of hotel tax revenue of \$507,779 (2011 - \$933,876) was included in deferred revenue (note 7) and \$426,097 (2011 - \$157,689) was recognized in other revenue on the statement of operations.

The Corporation also received an additional \$500,000 from the hotel tax funding in 2012 to be used for the construction and operation of tourism destination enhancing attractions. This funding will be used for the Richmond Olympic Experience project. Of this amount, \$69,824 was spent in 2012 and is included in tangible capital assets (note 9) as part of work in progress. As such, \$430,176 remains in deferred revenue.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

13. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd pension plan. The Plan's Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation of the Plan as a whole as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risk associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The funding deficit noted above represents a deficit for the Plan as a whole. Management considers the Corporation's future contributions to the Plan not to be significant. During the current fiscal year, the Corporation paid \$263,064 (2011 - \$192,337) as employer contributions to the Pension Plan.

14. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT and the City.

15. Comparative figures:

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