



City of Richmond

Report to Committee

To: Finance Committee

Date: April 26, 2018

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: Richmond Olympic Oval Corporation 2017 Audited Financial Statements

Staff Recommendation

That the report on the 2017 audited Financial Statements 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 26, 2018

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

Andrew Nazareth
Chief Financial Officer, Richmond Olympic Oval Corporation

Robert Gonzalez
Interim General Manager, Richmond Olympic Oval Corporation

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

Re: Richmond Olympic Oval Corporation 2017 audited financial statements

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2017 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD"), as well as an update on the 4th quarter ('Q4').

Highlights

The following are some of the highlights of the activities undertaken by the Corporation during Q4.

Community Use

Several community groups used the Oval facility in Q4, including, but not limited to: Air Attack Volleyball, Asahi Baseball, Aura Rhythmic Gymnastics, BC Rugby, BC Wheelchair Sports Association, Brazilian Soccer School, Cadets 692 Squadron, Connaught Figure Skating Club, DRIVE Basketball, Field Hockey BC, Greater Vancouver Canadians, Kajaks Track and Field, Metro Basketball League, Richmond Ball Hockey, Richmond City Baseball Association, Richmond Football Club, Richmond Girls Soccer Club, Richmond Minor Hockey Association, Richmond Ravens, Richmond Ringette, Richmond Rockets Speed Skating Club, Seafair Minor Hockey, Steveston Selects, and the West Coast Chinese Sports Association. At the end of Q4 2017, 81% of Oval members were Richmond residents.

Sport Development and Events

Some of the highlights from Sport Hosting and Events held at the Oval during Q4 included the International Shotokan Federation junior karate championships, PGA buying show, Western Marine tradeshow,

Children's Make a Wish Foundation - hero's challenge, Tom's warehouse sale, Handball BC Cup, Vancouver International Mountain Film Festival, Panther Cheer Pink championships, the Karate BC Cup and the Western Elite short track speed skating circuit.

OvalHP and the Events department hosted the Own the Podium SPort INnovation (SPIN) Summit. SPIN is Canada's leading-edge symposium for professional development and networking in the areas of applied sport science, sports medicine, and innovation. The 12th annual conference brought 300+ sport science and medicine experts from around the globe together at the Oval to share knowledge and tools to nurture future Olympic and Paralympic sport success.

Nine outstanding individuals were inducted into the Richmond Sports Wall of Fame at the Richmond Olympic Oval on November 18th, 2017. Originally launched in 2015, The Wall honors individuals and teams who have played significant roles in building Richmond's sports community and/or excelled at their sport.

Notable Oval athlete achievements included:

- Oval Speed Skating Performance Athlete Cormac Chui qualified for the Canadian Open National Qualifier;
- As captain of the U18 Team BC, Richmond resident Courtney Vorster led her hockey team to a bronze medal at the U18 Nationals in Quebec. Courtney was also named to the National Women's U18 Team that competed at the 2018 IIHF U18 Women's World Championship (January 6-13) in Dmitrov, Russia.
- Oval and Citius Table Tennis Club Athletes Gu Meng and Cindy Wang won the Men's and Women's singles championships respectively at the Canada Cup #1 (Nov 2017).
- Rowan Harris, Goalkeeper for the National Women's Field Hockey team and UBC Thunderbird Team, was named Canada West player of the year and goalkeeper of the year.
- Volleyball Canada Regional Excellence Athlete Max Harongar signed with the Douglas College Royals for the 2018-19 season. Max was also named as the Top BC Senior Boys volleyball player in the province.
- Volleyball Canada Regional Excellence athlete Sydney Grills was ranked 4th on the Varsity Letters Super 15 list of BC's top senior girl's volleyball players. Sydney signed with the University of British Columbia Okanagan Heat for the 2018 season.
- Judo Athlete Caleigh Kuramoto who trains as part of the Oval Athlete Development Program won two golds in the U18 -57kg and the U21-63kg categories at the Canada West Invitational.

Governance

Meetings of the Corporation's Audit & Finance Committee, Business Planning and Budget Committee and the Board of Directors took place during Q4.

Financial

Please see attachment 1 for the consolidated audited financial statements of the Corporation for the year ended December 31, 2017. The comments below refer to figures included in the audited financial statements which are prepared in accordance with Public Sector Accounting Standards.

Statement of Operations

The 2017 audited financial statements have a net income before transfers to reserves of \$1.20M, which represents a favorable variance of \$0.46M when compared to budget.

Revenues

The City applies for and receives funding from the Games Operating Trust ("GOT") Fund. GOT revenue of \$2.80M was received and recognized in 2017. The Corporation also received a \$3.38M contribution from the City. With respect to memberships, admissions, events and programs, the Oval's revenue was \$8.10M for 2017.

Other revenue of \$2.25M was recognized in 2017 for items such as parking, space leasing, sponsorship, and external capital funding revenue.

Expenses

Total salaries and benefits for 2017 was \$8.92M. There were 70 full-time and approximately 260 part-time, seasonal and auxiliary employees on the payroll as of December 31, 2017.

Other costs of \$6.42M primarily included the following: utilities costs of \$1.05M related to the heat, light and power for the Oval, \$1.51M of amortization costs, \$0.93M of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$0.34M of costs for property and liability insurance, \$0.91M of administration costs related to accounting, information technology and office supplies, \$0.28M of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, membership sales, ROX, the retail store and Yoga, \$1.30M of costs pertained to programs as well as the sport hosting function out of the Oval and \$0.09M of professional fees related to legal, consulting and audit fees.

Statement of Financial Position

The total financial assets of the Corporation were \$12.25M, with liabilities of \$8.23M, and non-financial assets of \$12.08M as of December 31, 2017.

Financial Assets

The total Financial Assets of the Corporation were \$12.25M as of December 31, 2017, which primarily included investments of \$10.58M which represent the Corporation's investments invested through the City, an accounts receivable balance of \$0.91M and a cash balance of \$0.31M.

Financial Liabilities

The total Liabilities of the Corporation were \$8.23M as of December 31, 2017, which primarily included accounts payable and accrued liabilities of \$1.70M and deferred revenue of \$6.51M. The payables include payroll accruals and trade payables for heat, light, power, legal, and audit fees. Deferred revenue primarily consists of unspent funding pertaining to the Sport Hosting function, sponsorship fees, unrealized revenue pertaining to the ROX project and the pro rata portion of fees received in 2017 for membership and programs to be delivered in 2018.

Non-Financial Assets

The total Non-Financial Assets of the Corporation were \$12.08M as of December 31, 2017, which primarily included \$11.65M of tangible capital assets which included the ROX project, Mezzanine project, Yoga studios, athletic equipment, computer software and equipment, facility equipment, etc., and \$0.35M of prepaid expenses that mainly consisted of unamortized portions of the premiums on the Corporation's insurance policies, prepaid information technology licences, and equipment maintenance.



Rick Dusanj, CPA, CA
Controller, Richmond Olympic Oval Corporation

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

Consolidated Financial Statements of

**RICHMOND OLYMPIC
OVAL CORPORATION**

Year ended December 31, 2017



KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying consolidated financial statements of Richmond Olympic Oval Corporation, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, consolidated changes 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Richmond Olympic Oval Corporation as at December 31, 2017 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.

KPMG LLP

Chartered Professional Accountants

April 25, 2018
Burnaby, Canada

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

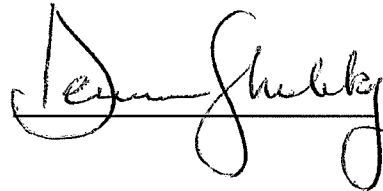
	2017	2016
Financial Assets		
Cash	\$ 309,846	\$ 865,289
Investments (note 3)	10,576,342	8,701,850
Accounts receivable	907,140	565,143
Due from City of Richmond (note 4)	250,737	11,304
Inventories held for resale	203,782	115,112
	<u>12,247,847</u>	<u>10,258,698</u>
Liabilities		
Accounts payable and accrued liabilities	1,702,855	1,727,883
Deferred revenue (note 7)	6,514,601	5,818,952
Rental deposits	9,263	9,263
	<u>8,226,719</u>	<u>7,556,098</u>
Net financial assets	4,021,128	2,702,600
Non-Financial Assets		
Tangible capital assets (note 8)	11,648,902	11,679,181
Deferred lease costs (note 9)	76,412	102,062
Prepaid expenses and other deposits	354,712	414,881
	<u>12,080,026</u>	<u>12,196,124</u>
Economic dependence (note 15)		
Accumulated surplus (note 10)	<u>\$ 16,101,154</u>	<u>\$ 14,898,724</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director



Director

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017	2016
	(Note 2(j))		
Revenue:			
2010 Games Operating Trust Fund (note 6)	\$ 2,856,000	\$ 2,804,671	\$ 2,800,000
Contribution from City of Richmond (note 12(a))	3,377,146	3,377,146	3,310,927
Memberships, admissions and programs	8,288,202	8,099,678	7,892,385
Other	1,871,192	2,252,637	1,984,908
	16,392,540	16,534,132	15,988,220
Expenses:			
Salaries and benefits	8,990,133	8,916,249	8,684,234
Utilities	1,050,000	1,050,194	1,048,006
Amortization	1,500,000	1,513,281	1,394,439
Supplies and equipment	934,500	930,883	794,447
Insurance	350,000	342,203	344,412
General and administration	996,058	905,986	931,639
Marketing	456,508	283,826	759,554
Program services	1,245,011	1,300,871	1,118,165
Professional fees	130,090	88,209	45,361
	15,652,300	15,331,702	15,120,257
Annual surplus	740,240	1,202,430	867,963
Accumulated surplus, beginning of year	14,898,724	14,898,724	14,030,761
Accumulated surplus, end of year	\$ 15,638,964	\$ 16,101,154	\$ 14,898,724

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017	2016
	(Note 2(j))		
Annual surplus for the year	\$ 740,240	\$ 1,202,430	\$ 867,963
Acquisition of tangible capital assets	(2,665,002)	(1,483,002)	(1,317,632)
Amortization of tangible capital assets	1,500,000	1,513,281	1,394,439
	(1,165,002)	30,279	76,807
Amortization of deferred lease costs	-	25,650	25,650
Increase in prepaid expenses	-	(459,544)	(399,078)
Use of prepaid expenses and other deposits	-	519,713	543,123
Change in net financial assets	(424,762)	1,318,528	1,114,465
Net financial assets, beginning of year	2,702,600	2,702,600	1,588,135
Net financial assets, end of year	\$ 2,277,838	\$ 4,021,128	\$ 2,702,600

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,202,430	\$ 867,963
Items not involving cash:		
Amortization of tangible capital assets	1,513,281	1,394,439
Amortization of deferred lease costs	25,650	25,650
Net transfers of tangible capital assets	39,754	-
Changes in non-cash operating working capital:		
Accounts receivable	(341,997)	(92,011)
Inventories held for resale	(88,670)	21,196
Prepaid expenses and other deposits	60,169	144,045
Accounts payable and accrued liabilities	(25,028)	(1,040,043)
Deferred revenue	695,649	220,493
Due from (to) the City of Richmond	(239,433)	(199,057)
	2,841,805	1,342,675
Capital activities:		
Acquisition/transfer of tangible capital assets	(1,522,756)	(1,317,632)
Investing activities:		
Net purchase of investments	(1,874,492)	(8,701,850)
Decrease in cash	(555,443)	(8,676,807)
Cash, beginning of year	865,289	9,542,096
Cash, end of year	\$ 309,846	\$ 865,289

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2017

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"). 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 consolidated 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 Chartered Professional Accountants of Canada.

These consolidated financial statements include the accounts of all the funds of the Corporation and the Corporation's 50% proportionate share of the operations of VROX Sport Simulation Ltd. ("VROX"). VROX was established to: (a) conduct the necessary research and development to produce prototype simulators for installation in the Richmond Olympic Experience ("ROX") at the Richmond Olympic Oval; (b) provide ongoing technical and maintenance support for the interactive and sport simulation devices operating in the ROX; (c) utilize the ROX to showcase the Company's products to potential commercial or retail purchasers and the public in general; and (d) conduct research and development needed to produce alternative and/or next generation sport simulators needed to refresh the ROX on an approximately two to three-year cycle. As at December 31, 2017, VROX transferred all its assets and liabilities to the Corporation (note 13).

(b) Investment in government partnership:

Government partnerships are accounted for under the proportionate consolidation method, where the Corporation's share of the partnership is accounted for on a line-by-line basis on the financial statements.

(c) 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 2010 Games Operating Trust (note 6) 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Restricted contributions are deferred and recognized as revenue when the resources are used for the purposes specified by the related agreement.

(d) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or amortized cost instrument. The Corporation holds financial instruments consisting of accounts receivables and term deposits that mature within one year. Due to the short-term nature of these assets, their fair values approximate book value.

The Corporation does not have any financial instruments required or elected to be subsequently recorded at fair value.

(e) 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.

(f) Capital assets:

(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
Infrastructure	40 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years
Signage	3 years

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(f) Capital assets (continued):

(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) 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.

(g) 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.

(h) Income taxes:

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

(i) Functional and object reporting:

The operations of the Corporation are comprised of a single function, which includes sports, fitness, and recreation. As a result, the expenses of the Corporation are presented by object in the statement of operations.

(j) Budget data:

The budget data presented in these financial statements is based upon the 2017 budget approved by the Board of Directors on December 1, 2016.

(k) 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(l) Government transfers:

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

3. Investments:

Investments represent term deposits as follows:

Purchase Date	Maturity Date	2017	2016
July 4, 2017	January 5, 2018	\$ 1,000,000	\$ -
July 10, 2017	January 5, 2018	3,640,899	-
August 22, 2017	February 19, 2018	1,841,571	-
October 2, 2017	October 2, 2018	4,093,872	-
July 8, 2016	January 3, 2017	-	2,800,000
August 22, 2016	February 20, 2017	-	3,047,992
October 6, 2016	April 4, 2017	-	2,853,858
		\$ 10,576,342	\$ 8,701,850

The interest rate of the term deposits range from 1.60% to 2.10%.

4. Due from/to the City of Richmond:

The amounts due from/to the City of Richmond arise in the normal course of business and are non-interest bearing with no stated repayment terms.

5. 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

6. 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 GOT Board divided the Fund into three funds: the Speed Skating Oval Fund; the Whistler Sliding Centre and Nordic Centre Fund, and the Contingency Fund; and
- (b) the GOT Board divided the capital and any accumulated but undistributed income of the Fund 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 first and the City distributes the funds to the Corporation.

Revenue from GOT is comprised of:

	2017	2016
2016 annual distributable amount approved and received in 2017	\$ 2,804,671	\$ -
2015 annual distributable amount approved and received in 2016	-	2,800,000
	<u>\$ 2,804,671</u>	<u>\$ 2,800,000</u>

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

7. Deferred revenue:

	2017	2016
Balance, beginning of year	\$ 5,818,952	\$ 5,598,459
Add: additions	11,047,964	10,097,786
Less: revenue recognized	(10,352,315)	(9,877,293)
Balance, end of year	\$ 6,514,601	\$ 5,818,952

Deferred revenue comprises of:

	2017	2016
Memberships and programs	\$ 1,064,226	\$ 1,110,552
Sponsorship fees	1,123,000	1,400,001
Sport Hosting funding (note 12(b))	382,189	616,386
Richmond Olympic Experience (note 12(b))	3,945,186	2,692,013
	\$ 6,514,601	\$ 5,818,952

8. Tangible capital assets:

	Balance, December 31, 2016	Additions/ transfers	Balance, December 31, 2017
Athletic equipment	\$ 2,511,975	\$ 98,284	\$ 2,610,259
Building improvements	504,754	783,242	1,287,996
Computer software and equipment	2,209,380	137,947	2,347,327
Facility equipment	874,263	115,131	989,394
Infrastructure	5,880,940	-	5,880,940
Signage	91,425	40,682	132,107
Simulators and exhibit fabrication	3,687,168	137,218	3,824,386
Tenant improvements	65,729	-	65,729
Uniforms, ice skates, and helmets	200,017	65,671	265,688
Work-in-progress	14,382	144,581	158,963
	\$ 16,040,033	\$ 1,522,756	\$ 17,562,789

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

8. Tangible capital assets (continued):

	Balance, December 31, 2016	Amortization expense/ transfers	Balance, December 31, 2017
Athletic equipment	\$ 1,201,416	\$ 245,224	\$ 1,446,640
Building improvements	215,790	130,147	345,937
Computer software and equipment	1,649,667	363,151	2,012,818
Facility equipment	473,462	238,162	711,624
Infrastructure	168,930	147,023	315,953
Signage	66,188	21,561	87,749
Simulators and exhibit fabrication	370,678	376,704	747,382
Tenant improvements	43,073	9,750	52,823
Uniforms, ice skates, and helmets	171,648	21,313	192,961
	\$ 4,360,852	\$ 1,553,035	\$ 5,913,887

	2017 Net book value	2016 Net book value
Athletic equipment	\$ 1,163,619	\$ 1,310,559
Building improvements	942,059	288,964
Computer software and equipment	334,509	559,713
Facility equipment	277,770	400,801
Infrastructure	5,564,987	5,724,452
Signage	44,358	25,237
Simulators and exhibit fabrication	3,077,004	3,323,750
Tenant improvements	12,906	2,954
Uniforms, ice skates, and helmets	72,727	28,369
Work-in-progress	158,963	14,382
	\$ 11,648,902	\$ 11,679,181

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.

(a) Write-down of tangible capital assets:

There was no write-down of tangible capital assets during the year (2016 - nil).

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

9. Deferred lease costs:

	2017		2016	
Balance, beginning of year	\$	102,062	\$	127,712
Less amortization		(25,650)		(25,650)
Balance, end of year	\$	76,412	\$	102,062

10. Accumulated surplus:

Accumulated surplus is comprised of:

	2017		2016	
Share capital	\$	1	\$	1
Capital reserve		4,749,421		4,260,950
Other reserves/provisions		1,683,596		1,098,682
Operating surplus		546,350		551,923
Invested in tangible capital assets		9,121,786		8,987,168
	\$	16,101,154	\$	14,898,724

11. Financial risk management:

The Corporation has exposure to the following risks from the use of financial instruments: credit risk, market risk, and liquidity risk. The Board of Directors ensures that the Corporation has identified its major risks and ensures that the management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of cash equivalents and account receivables. The Corporation assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

It is management's opinion that the Corporation is not exposed to significant credit risk from its financial instruments.

(b) Market and interest rate risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return of risk.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

11. Financial risk management (continued):

(c) Market and interest rate risk (continued):

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rate.

It is management's opinion that the Corporation is not exposed to significant market or interest rate risk from its financial instruments.

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risks by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

It is management's opinion that the Corporation is not exposed to significant liquidity risk.

12. Related party transactions:

(a) Contribution from/to City of Richmond:

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

Included in general and administration expenses are fees of \$204,451 (2016 - \$189,470) from the City for the provision of City staff time.

In 2017, \$104,185 (2016 - \$94,526) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

In accordance with the Agreement, the City will provide, for the first 15-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 \$1,500,000 per year indexed at the City of Vancouver's Consumer Price Index. After 15-years, any financial assistance from the City will be determined by the City in its sole discretion.

During 2017, the Corporation received a contribution from the City of \$3,377,146 (2016 - \$3,310,927).

(b) Sport Hosting Function:

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 2017, \$100,000 (2016 - \$400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2017, \$382,189 (2016 - \$616,386) has been included in deferred revenue (note 7) and \$334,197 (2016 - \$352,934) was recognized in memberships, admissions, and programs on the statement of operations.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

12. Related party transactions (continued):

(b) Sport Hosting Function (continued):

The Corporation also received \$1,418,070 from the hotel tax funding in 2017 (2016 - \$500,000) to be used to purchase capital assets related to the Richmond Olympic Experience project. In order to retain this funding, the Oval must maintain and operate the capital assets purchased with these funds over the life of the capital assets. On an annual basis, the Oval must provide a report to the City as to the use of the funds and the maintenance and operation of these capital assets. As at year-end, \$3,945,186 (2016 - \$2,692,013) of the funds restricted for the purchase of capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

(c) Transfer of assets and liabilities from VROX:

On December 31, 2017, the assets and liabilities of VROX were transferred to the Corporation and recorded at their net book values (note 13).

13. Government partnership:

On November 29, 2017, the Corporation and VRX Ventures Ltd. ("VRX") entered into an agreement to dissolve VROX. VROX also entered into a Distribution and Assumption Agreement ("Agreement") with the Corporation. In accordance with the Agreement, VROX transferred all its assets and liabilities to the Corporation on December 31, 2017. The following table summarizes the net book value of the assets and liabilities of VROX prior to the transfer to the Corporation, and the 50% proportionate share of the assets and liabilities recorded by the Corporation at December 31, 2017:

	Net book value before dissolution	Oval's 50% proportionate share
Assets:		
Cash	\$ 30,638	\$ 15,319
Accounts receivable	1,444	722
Prepaid expenses	3,428	1,714
Inventory	97,109	48,555
Property and equipment	8,907	4,453
Intangible assets	22,058	11,029
	163,584	81,792
Liabilities:		
Accounts payable and accrued liabilities	49,937	24,969
Deferred revenue	41,051	20,525
	90,988	45,494
Net book value of assets and liabilities	\$ 72,596	\$ 36,298

The net amount of the assets acquired and liabilities assumed were recorded as wind-up costs on the financial statements of VROX, and recorded as a gain by the Corporation upon transfer.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

13. Government partnership (continued):

VROX's revenues during the year included transactions with the Corporation which have been eliminated on consolidation. This includes revenue pertaining to an operating contribution received from the Corporation of \$380,000 (2016 - \$195,560) and the cost of the maintenance services provided of \$30,000 (2016 - \$10,000). In 2016, these revenues also included the sale of sport simulators for \$263,000. No simulators were sold to the Corporation in 2017. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the Corporation and VROX. These amounts are within the appropriate approvals provided by the Corporation's Board of Directors.

The financial results of the Corporation's 50% proportionate share in VROX reflecting adjustments necessary to arrive at the amounts included in the Corporation's financial statements is as follows:

	2017	2016
Financial position:		
Total assets	\$ 50	\$ 65,418
Total liabilities	-	(37,836)
Equity	\$ 50	\$ 27,582
Results of operations:		
Total revenues	\$ 928	\$ 852
Total expenses	(180,427)	(154,676)
Net expense for the year	\$ (179,499)	\$ (153,824)

14. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Plan's Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of Plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate is then adjusted to the extent there is amortization of any funding deficit. The most recent valuation for the Plan as of December 31, 2015, indicated a \$2,224,000,000 funding surplus for basic pension benefits on a going concern basis. The Corporation paid \$506,170 (2016 - \$443,446) for employer contributions to the Plan in fiscal 2017.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

14. Pension plan (continued):

The next valuation will be as at December 31, 2018, with results available in 2019. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

15. Economic dependence:

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

16. Comparative figures:

Certain comparative figures have been reclassified to provide presentation consistency.