



City of Richmond

Report to Committee

To: Finance Committee

Date: April 17, 2020

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 – 2019 Audited Financial Statements**

Staff Recommendation

That the report on 2019 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 17, 2020

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

Andrew Nazareth
Chief Financial Officer, Richmond Olympic Oval Corporation

FROM: Rick Dusanj, CPA, CA
Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation 2019 audited financial statements**

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2019 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 16, 2020, as well as an update on the 4th quarter ('Q4').

Q4 Highlights

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

Community Use

The Oval's sport and fitness programming continues to receive strong registration numbers from the community. Learn to Skate programs saw the highest fall registration on record in Q4, with a 34% increase in registrations over 2018. Q4 also presented the highest quarterly group fitness visitation to date with a 27% increase in visitations compared to Q4 2018.

Some of the community groups from Richmond, or groups with strong Richmond based participation, include, but are not limited to: Richmond Minor Hockey, Richmond Rockets Speed Skating Club, Richmond Ravens, Richmond Ringette, Connaught Figure Skating, Brazilian Soccer School, Volleyball BC, DRIVE Basketball, Metro Basketball League, Greater Vancouver Canadians, Vancouver Ki Society, Shoseikan Karate, the John MS Lecky Boathouse, Urban Rec, Aura Rhythmic Gymnastics, and the Non-Contact Hockey League.

In accordance with the Richmond Oval Agreement between the City of Richmond ("City") and the Corporation, the funding that is received from the City on an annual basis is required for the Corporation to fulfill the operating objectives which include the Corporation providing facilities, programs and services for

quality sport, fitness, recreational uses and wellness services for the Richmond community, neighbouring communities and the general public. Without the Oval and the annual contribution from the City, these facilities, programs and services would have to be provided elsewhere. As in previous quarters, community group use continued to constitute the majority of Oval usage in Q4. All prime-time space (ice, court & track zones) at the Oval is fully allocated. In Q4, Richmond-based organizations or programs/organizations with significant Richmond representation used 95% of prime-time space. At the end of Q4, 77% of Oval members were Richmond residents. The remaining 23% is a key indicator that the Oval has regional appeal, and while satisfying community demand, it can also attract a client base outside of Richmond that positively contributes to the Oval's brand awareness and financial performance.

Sport Development and Events

Some of the highlights from Sport Hosting and Events held at the Oval during Q4 included the Volleyball Canada Women's Red and Black match, PGA of BC trade show, Western Marine trade show, Prosperous Badminton tournament, Coaching Association of Canada sport leadership sportif conference – welcome reception, Handball BC Cup, BC Indigenous Provincial Basketball selection camp, City Shred (fitness challenge), Paratough, Karate BC provincials, Speed Skating BC Cup Short Track #2, and the Pinnacle Cheer – PINK championships. Some of the future events secured in Q4 included: the 2020 Wheelchair Rugby Paralympic qualification tournament, 2020 Wheelchair Rugby Canada Cup, and Wheelchair Rugby national team training camps.

Events and training camps that occurred during Q4 for High Performance included: Karate BC training camp, BC Wheelchair Sport Association clinic, BC Speed Skating officials clinic, Softball Canada Women's national team testing, Canada National Sports Exchange Association table tennis tournament, Air Attack Volleyball tryouts, Richmond Rockets Speed Skating tryouts, and the BC Short Track Speed Skating competition.

Notable Oval athlete successes during Q4 include:

- AAA Girls Volleyball Provincials - Elysse Barfoot, Elizabeth Lee and Lucy Borowski won gold
- AA Girls Volleyball Provincials - Emily Tsiandoulas, Maddie Yee, Sophie Fernback won gold under Oval Coach Kelvin Ma
- Field Hockey Canada Men's National team won Olympic qualifier in Vancouver, BC and in doing so qualified for the Tokyo Olympic Games.

Governance

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

2019 Audited Financial Statements

Please see attachment #1 for the audited financial statements of the Corporation for the year ended December 31, 2019. The comments below refer to figures included in the audited financial statements.

Independent Auditors Report

The Corporation received an unqualified audit opinion, which means that the auditor has concluded that the financial statements are presented fairly in accordance with Canadian public sector accounting standards.

Statement of Financial Position

The total financial assets of the Corporation were \$15.5M, with liabilities of \$7.5M, and non-financial assets of \$11.4M as of December 31, 2019. The total financial assets of \$15.5M primarily included investments of \$13.4M which represents the Corporation's investments placed through the City, an accounts receivable balance of \$0.6M and a cash balance of \$1.3M. The total liabilities of \$7.5M primarily included accounts payable and accrued liabilities of \$1.7M and deferred revenue of \$5.8M. The non-financial assets of the Corporation of \$11.4M primarily included \$10.9M of tangible capital assets and \$0.4M of prepaid expenses.

Statement of Operations

The 2019 audited financial statements have a net income before transfers to reserves of \$2.0M, which represents a favorable variance of \$1.4M when compared to budget and an increase of \$0.5M compared to the prior year. Total revenues for 2019 were \$17.9M, which represents a favorable variance of \$0.8M compared to budget and a \$1.1M increase compared to the prior year. Total expenses in 2019 were \$16.0M, which represents a favorable variance of \$0.6M compared to budget and a \$0.6M increase relative to the prior year which is offset by a larger increase in revenues.



Rick Dusanj, CPA, CA

Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation

Financial Statements of

**RICHMOND OLYMPIC OVAL
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

Opinion

We have audited the financial statements of the Richmond Olympic Oval Corporation (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, 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.

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 Corporation 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.



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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these 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

Chartered Professional Accountants

Vancouver, Canada

April 16, 2020

RICHMOND OLYMPIC OVAL CORPORATION

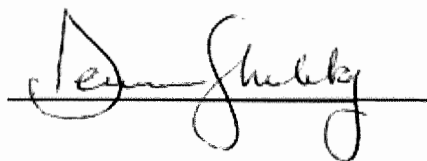
Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 1,278,412	\$ 854,440
Investments (note 3)	13,369,630	11,809,612
Accounts receivable	605,890	569,423
Due from City of Richmond (note 4)	153,851	85,995
Inventories held for resale	131,125	136,355
	<u>15,538,908</u>	<u>13,455,825</u>
Liabilities		
Accounts payable and accrued liabilities	1,667,493	1,708,638
Deferred revenue (note 6)	5,827,008	6,318,796
Rental deposits	7,373	9,263
	<u>7,501,874</u>	<u>8,036,697</u>
Net financial assets	8,037,034	5,419,128
Non-Financial Assets		
Tangible capital assets (note 7)	10,984,873	11,618,088
Deferred lease costs (note 8)	14,346	50,762
Prepaid expenses and other deposits	447,805	440,792
	<u>11,447,024</u>	<u>12,109,642</u>
Economic dependence (note 13)		
Subsequent event (note 18)		
Accumulated surplus (note 9)	<u>\$ 19,484,058</u>	<u>\$ 17,528,770</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

December 31, 2019, with comparative information for 2018

	2019 Budget (note 2(h))	2019	2018
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,900,000	\$ 2,882,719	\$ 2,899,454
Contribution from City of Richmond (note 11(a))	3,527,378	3,527,378	3,451,446
Memberships, admissions and programs	8,730,197	9,228,392	8,345,640
Other (note 15)	1,976,845	2,288,803	2,154,598
	17,134,420	17,927,292	16,851,138
Expenses:			
Salaries and benefits	9,433,997	9,298,161	8,918,535
Utilities	1,052,316	1,054,469	1,055,289
Amortization	1,900,000	1,628,450	1,706,527
Supplies and equipment	971,379	1,004,154	959,879
Insurance	338,486	344,052	320,079
General and administration	925,558	772,990	778,661
Marketing	430,223	376,601	249,210
Program services	1,387,062	1,401,645	1,341,239
Professional fees	156,090	91,482	94,103
	16,595,111	15,972,004	15,423,522
Annual surplus	539,309	1,955,288	1,427,616
Accumulated surplus, beginning of year	17,528,770	17,528,770	16,101,154
Accumulated surplus, end of year	\$ 18,068,079	\$ 19,484,058	\$ 17,528,770

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

December 31, 2019, with comparative information for 2018

	2019 Budget (note 2(h))	2019	2018
Annual surplus for the year	\$ 539,309	\$ 1,955,288	\$ 1,427,616
Acquisition of tangible capital assets	(2,566,721)	(1,001,564)	(1,682,646)
Loss (gain) on sale of tangible capital assets	-	4,429	(3,704)
Proceeds on sale of tangible capital assets	-	1,900	10,637
Amortization of tangible capital assets	1,900,000	1,628,450	1,706,527
	(666,721)	633,215	30,814
Amortization of deferred lease costs	-	36,416	25,650
Acquisition of prepaid expenses and other deposits	-	(591,072)	(654,008)
Use of prepaid expenses and other deposits	-	584,059	567,928
Change in net financial assets	(127,412)	2,617,906	1,398,000
Net financial assets, beginning of year	5,419,128	5,419,128	4,021,128
Net financial assets, end of year	\$ 5,291,716	\$ 8,037,034	\$ 5,419,128

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,955,288	\$ 1,427,616
Items not involving cash:		
Amortization of tangible capital assets	1,628,450	1,706,527
Loss (gain) on sale of tangible capital assets	4,429	(3,704)
Amortization of deferred lease costs	36,416	25,650
Changes in non-cash operating working capital:		
Accounts receivable	(36,467)	337,717
Due from City of Richmond	(67,856)	164,742
Inventories held for resale	5,230	67,427
Prepaid expenses and other deposits	(7,013)	(86,080)
Accounts payable and accrued liabilities	(41,145)	5,783
Deferred revenue	(491,788)	(195,805)
Rental deposits	(1,890)	-
	2,983,654	3,449,873
Capital activities:		
Acquisition of tangible capital assets	(1,001,564)	(1,682,646)
Proceeds on sale of tangible capital assets	1,900	10,637
	(999,664)	(1,672,009)
Investing activities:		
Net purchase of investments	(1,560,018)	(1,233,270)
Increase in cash	423,972	544,594
Cash, beginning of year	854,440	309,846
Cash, end of year	\$ 1,278,412	\$ 854,440

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

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 financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") of the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

(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. Any amounts received but not yet spent are recognized as deferred revenue.

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

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

(c) 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, due from City of Richmond, 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. As there are no financial instruments carried at fair value, the statement of remeasurement gains and losses has not been prepared.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies (continued):

(d) 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.

(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
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Infrastructure	40 years
Signage	3 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years

Work-in-progress ("WIP") assets are not amortized until the asset is available for use.

(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.

(e) 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies (continued):

(f) Income taxes:

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

(g) 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.

(h) Budget data:

The budget data presented in these financial statements is based upon the 2019 budget approved by the Board of Directors on January 17, 2019.

(i) 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 surplus in the year in which they become known.

(j) 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

3. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2019	2018
January 14, 2019	January 14, 2020	\$ 1,533,961	\$ -
February 19, 2019	February 18, 2020	889,373	-
April 1, 2019	March 31, 2020	2,500,000	-
April 1, 2019	March 31, 2020	3,218,792	-
June 18, 2019	June 17, 2020	1,000,000	-
July 11, 2019	July 10, 2020	1,000,000	-
October 1, 2019	March 30, 2020	500,000	-
November 5, 2019	November 4, 2020	2,727,504	-
July 17, 2018	January 14, 2019	-	2,899,454
August 20, 2018	February 18, 2019	-	878,855
October 2, 2018	April 1, 2019	-	3,179,844
October 31, 2018	October 31, 2019	-	1,721,445
November 5, 2018	November 5, 2019	-	2,480,014
December 20, 2018	June 18, 2019	-	650,000
		\$ 13,369,630	\$ 11,809,612

The interest rate of the term deposits ranges from 2.37% to 3.15% (2018 - 2.40% to 3.00%).

4. Due from City of Richmond:

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

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 GOT, the City, as owner of the Oval, became a beneficiary of the GOT and became responsible for complying with obligations set by the Society and GOT in order to receive funding.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

5. 2010 Games Operating Trust Fund (continued):

Effective December 31, 2007:

- (a) the Society 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 Society 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 the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("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:

	2019	2018
2018 annual distributable amount approved and received in 2019	\$ 2,882,719	\$ -
2017 annual distributable amount approved and received in 2018	-	2,899,454
	\$ 2,882,719	\$ 2,899,454

6. Deferred revenue:

	2019	2018
Balance, beginning of year	\$ 6,318,796	\$ 6,514,601
Add: amounts received	11,025,407	10,304,433
Less: revenue recognized	(11,517,195)	(10,500,238)
Balance, end of year	\$ 5,827,008	\$ 6,318,796

Deferred revenue comprises of:

	2019	2018
Memberships and programs	\$ 941,088	\$ 1,040,617
Sponsorship fees	343,833	614,666
Sport Hosting funding (note 11(b))	473,878	430,407
Richmond Olympic Experience (note 11(b))	4,068,209	4,233,106
	\$ 5,827,008	\$ 6,318,796

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

7. Tangible capital assets:

	Balance December 31, 2018	Additions and transfers	Disposals	Balance December 31, 2019
Athletic Equipment	\$ 2,913,470	\$ 385,886	\$ (32,752)	\$ 3,266,604
Building Improvements	1,974,170	136,559	-	2,110,729
Computer Software and Equipment	2,561,070	316,176	-	2,877,246
Facility Equipment	1,130,854	29,928	-	1,160,782
Infrastructure	5,880,940	-	-	5,880,940
Signage	132,107	1,254	-	133,361
Simulators & Exhibit Fabrication	3,830,705	19,400	-	3,850,105
Tenant Improvements	65,729	-	-	65,729
Uniforms, Ice Skates & Helmets	309,789	38,460	-	348,249
WIP Projects	439,668	73,901	-	513,569
	<u>\$ 19,238,502</u>	<u>\$ 1,001,564</u>	<u>\$ (32,752)</u>	<u>\$ 20,207,314</u>

	Balance December 31, 2018	Amortization expense	Disposals	Balance December 31, 2019
Athletic Equipment	\$ 1,706,919	\$ 304,939	\$ (26,423)	\$ 1,985,435
Building Improvements	677,885	360,901	-	1,038,786
Computer Software and Equipment	2,317,493	208,540	-	2,526,033
Facility Equipment	920,520	133,678	-	1,054,198
Infrastructure	462,976	147,024	-	610,000
Signage	109,571	15,777	-	125,348
Simulators & Exhibit Fabrication	1,130,198	409,609	-	1,539,807
Tenant Improvements	62,573	3,156	-	65,729
Uniforms, Ice Skates & Helmets	232,279	44,826	-	277,105
	<u>\$ 7,620,414</u>	<u>\$ 1,628,450</u>	<u>\$ (26,423)</u>	<u>\$ 9,222,441</u>

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

7. Tangible capital assets (continued):

	2019	2018
	Net book value	Net book value
Athletic Equipment	\$ 1,281,169	\$ 1,206,551
Building Improvements	1,071,943	1,296,285
Computer Software and Equipment	351,213	243,577
Facility Equipment	106,584	210,334
Infrastructure	5,270,940	5,417,964
Signage	8,013	22,536
Simulators & Exhibit Fabrication	2,310,298	2,700,507
Tenant Improvements	-	3,156
Uniforms, Ice Skates & Helmets	71,144	77,510
WIP Projects	513,569	439,668
	<u>\$ 10,984,873</u>	<u>\$ 11,618,088</u>

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.

There was no write-down of tangible capital assets during the year (2018 - nil).

8. Deferred lease costs:

	2019	2018
Balance, beginning of year	\$ 50,762	\$ 76,412
Less amortization	(36,416)	(25,650)
Balance, end of year	<u>\$ 14,346</u>	<u>\$ 50,762</u>

9. Accumulated surplus:

	2019	2018
Accumulated surplus is comprised of:		
Share capital	\$ 1	\$ 1
Capital reserve	8,856,084	6,323,413
Other reserves/provisions	1,470,615	1,357,010
Operating surplus	604,039	592,476
Invested in tangible capital assets	8,553,319	9,255,870
	<u>\$ 19,484,058</u>	<u>\$ 17,528,770</u>

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

10. 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 account receivables and investments. 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.

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.

(c) 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.

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Year ended December 31, 2019

11. Related party transactions:

(a) City of Richmond:

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

In 2019, \$248,408 (2018 - \$191,690) of general and administration and salaries and benefits expenses were charged to the Corporation for the provision of City staff time.

In 2019, \$100,000 (2018 - \$57,581) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

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. 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 2019, the Corporation received a contribution from the City of \$3,527,378 (2018 - \$3,451,446) (note 16).

(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 2019, \$400,000 (2018 - \$433,333) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2019, \$473,878 (2018 - \$430,407) has been included in deferred revenue (note 6) and during 2019, \$356,529 (2018 - \$385,117) was recognized in memberships, admissions, and programs on the statement of operations relating to Sport Hosting.

The Corporation did not receive any hotel tax funding in 2019 (2018 - \$452,816) restricted for the purpose of purchasing tangible capital assets related to the Richmond Olympic Experience project. In order to retain the funding received in prior years, the Corporation must maintain and operate the tangible capital assets purchased with these funds over the life of the tangible capital assets. On an annual basis, the Corporation must provide a report to the City as to the use of the funds and the maintenance and operation of these tangible capital assets. As at year-end, \$4,068,209 (2018 - \$4,233,106) of the funds restricted for the purchase of tangible capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

12. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The 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, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 Municipal Pension Plan as of December 31, 2018, indicated a \$2,866,000,000 funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021, with results available in 2022.

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.

The Corporation paid \$543,071 (2018 - \$470,176) for employer contributions to the Plan in fiscal 2019.

13. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT (note 5) and the City (note 11).

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

14. Contractual rights:

Contractual rights are right to economic resources arising from contracts or agreements that will result in revenues and assets in the future and are not yet recorded in the financial statements. The Corporation has contractual rights to receive sponsorship revenue and lease revenue over the next five years in the following total amounts:

2020	\$ 451,092
2021	181,350
2022	26,494
2023	27,016
2024	29,857

In addition, the Corporation receives funding from the City (note 11(a)) and from the GOT (note 5).

15. Other revenue:

Other revenues consists primarily of sponsorship revenue, leasing revenue, parking fees, and interest income.

16. Government transfers:

Government transfers are received for operating and capital activities. During 2019, the Corporation received an operating transfer of \$3,527,378 (2018 - \$3,451,446) (note 11) from the City of Richmond. The Corporation received no capital transfer from the City of Richmond during the year (2018 - \$452,816). Capital transfers consists of hotel tax funding.

17. Comparative figures:

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

18. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At this time this situation presents uncertainty over the Corporation's future cash flows, and may have a significant impact on the Corporation's future operations. In response to the outbreak, the Corporation has temporarily closed its facilities. Potential impacts on the Corporation's business could include potential future decreases in revenue. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Corporation is not practicable at this time.