



City of Richmond

Report to Committee

To: Finance Committee

Date: April 23, 2019

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 – 2018 Audited Financial Statements

Staff Recommendation

That the report on the 2018 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 23, 2019

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, CPA, CA
Controller, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation 2018 audited financial statements**

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2018 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 18, 2019, as well as an update on the 4th quarter ("Q4").

Q4 Highlights

Some of the highlights of the activities undertaken by the Corporation during Q4 are highlighted below. Q4 was a successful quarter from both a program and financial perspective.

Community Use

The Oval executed a successful Community Legacy Day Celebration in December, which offered a variety of free activities for Richmond residents. Activities included skating with Santa, climbing, gingerbread decorating, learn to play wheelchair basketball, Olympian autographs and more.

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.

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, the Non-Contact Hockey League. High Performance community groups Connaught Figure Skating, Karate BC Team, Fusion FC, and the Greater Vancouver Canadians also utilized the Oval's training facilities in Q4. At the end of Q4 2018, 80% of Oval members were Richmond residents.

Sport Development and Events

Some highlights from Sport Hosting and Events held at the Oval during Q4 included the PGA Buymart, Western Marine Trade Show, Karate BC Provincials, and Paratough. Future events secured in Q4 included the RYU Warehouse Sale as well as the WHL Combine.

The Oval High Performance events and training camps that occurred during Q4 included Air Attack volleyball tryouts, Volleyball BC team training camp, Special Olympics BC Powerlifting training camp, Sledge Hockey BC training camp, Richmond Oval speed skating interclub meet, and BC Wheelchair Sports Association athletics clinic.

Notable Oval athlete successes during Q4 include:

- Chris Poljer-So and Lukas Macdonald both qualified for the Short Track Canada Cup for speed skating.
- 8 Oval trained athletes were shortlisted for the female U18 Team BC 2019 Canada Winter Games for ice hockey.
- Volleyball Canada's women's national team athlete Kiera Van Ryk was named as the Canada West athlete of the month for November.
- Avery Froh won the Western Canadian Regional Oireachtas (Irish dance) for girls U12.
- Para table tennis (PTT) athlete Peter Isherwood won silver at the PTT Copa Tango.
- David Li won Silver at the Pre-novice Canadian Figure Skating Championship.
- Jenn Gardiner was selected to play in the International Ice Hockey Federation (IIHF) U18 Women's World Championship.

Governance

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

2018 Audited Financial Statements

Please see attachment #1 for the audited financial statements of the Corporation for the year ended December 31, 2018. 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 \$13.46M, with liabilities of \$8.04M, and non-financial assets of \$12.11M as of December 31, 2018. The total financial assets of \$13.46M primarily included investments of \$11.81M which represent the Corporation's investments placed through the City, an accounts receivable balance of \$0.57M and a cash balance of \$0.85M. The total liabilities of \$8.04M primarily included accounts payable and accrued liabilities of \$1.71M and deferred revenue of \$6.32M. The non-financial assets of the Corporation of \$12.11M primarily included \$11.62M of tangible capital assets and \$0.44M of prepaid expenses.

Statement of Operations

The 2018 audited financial statements have a net income before transfers to reserves of \$1.43M, which represents a favorable variance of \$0.84M when compared to budget and an increase of \$0.23M compared to the prior year. Total revenues for 2018 were \$16.85M, which represents a favorable variance of \$0.04M compared to budget and a \$0.32M increase compared to the prior year. Total expenses for the year were \$15.42M in 2018, which represented a favorable variance of \$0.80M compared to budget and a slight increase of \$0.09M (less than 1%) relative to the prior year.

Notes to the Financial Statements

The notes to the financial statements provide additional information pertaining to the Corporation's operations and financial position. Note 2 (a), basis of presentation, refers to the fact that the financial statements have been prepared in accordance with Canadian generally accepted accounting principles of the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. In addition, this note mentions that the comparative information includes the Corporation's 50% proportionate share of the operations of VROX Sport Simulation Ltd ("VROX"), a previous government partnership. The latter portion of the note is required given that the partnership with VROX existed in 2017 and the Corporation's audited financial statements includes prior year comparative data. The note goes on to state that as at December 31, 2017, VROX transferred all of its assets and liabilities to the Corporation. Specifically, the Corporation's proportionate share of the assets that were transferred had a net book value of \$82,000, whereas the liabilities had a net book value of \$46,000.



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

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

Financial Statements of

**RICHMOND OLYMPIC
OVAL CORPORATION**

Year ended December 31, 2018



KPMG LLP
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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, 2018
- 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 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, 2018, 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 18, 2019

RICHMOND OLYMPIC OVAL CORPORATION

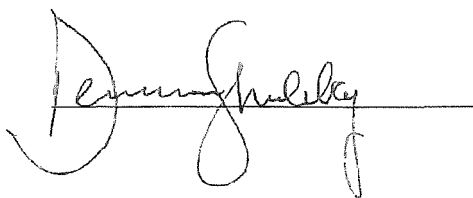
Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	\$ 854,440	\$ 309,846
Investments (note 3)	11,809,612	10,576,342
Accounts receivable	569,423	907,140
Due from City of Richmond (note 4)	85,995	250,737
Inventories held for resale	136,355	203,782
	<u>13,455,825</u>	<u>12,247,847</u>
Liabilities		
Accounts payable and accrued liabilities	1,708,638	1,702,855
Deferred revenue (note 6)	6,318,796	6,514,601
Rental deposits	9,263	9,263
	<u>8,036,697</u>	<u>8,226,719</u>
Net financial assets	5,419,128	4,021,128
Non-Financial Assets		
Tangible capital assets (note 7)	11,618,088	11,648,902
Deferred lease costs (note 8)	50,762	76,412
Prepaid expenses and other deposits	440,792	354,712
	<u>12,109,642</u>	<u>12,080,026</u>
Economic dependence (note 13)		
Accumulated surplus (note 9)	<u>\$ 17,528,770</u>	<u>\$ 16,101,154</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

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

	2018 Budget	2018	2017
	(Note 2(h))		
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,900,000	\$ 2,899,454	\$ 2,804,671
Contribution from City of Richmond (note 11(a))	3,451,446	3,451,446	3,377,146
Memberships, admissions and programs	8,347,591	8,345,640	8,099,678
Other	2,110,345	2,154,598	2,252,637
	16,809,382	16,851,138	16,534,132
Expenses:			
Salaries and benefits	9,298,717	8,918,535	8,916,249
Utilities	1,052,316	1,055,289	1,050,194
Amortization	1,800,000	1,706,527	1,513,281
Supplies and equipment	1,001,379	959,879	930,883
Insurance	338,486	320,079	342,203
General and administration	976,058	778,661	905,986
Marketing	337,694	249,210	283,826
Program services	1,265,203	1,341,239	1,300,871
Professional fees	156,090	94,103	88,209
	16,225,943	15,423,522	15,331,702
Annual surplus	583,439	1,427,616	1,202,430
Accumulated surplus, beginning of year	16,101,154	16,101,154	14,898,724
Accumulated surplus, end of year	\$ 16,684,593	\$ 17,528,770	\$ 16,101,154

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

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

	2018 Budget	2018	2017
	(Note 2(h))		
Annual surplus for the year	\$ 583,439	\$ 1,427,616	\$ 1,202,430
Acquisition/transfer of tangible capital assets	(1,361,190)	(1,675,713)	(1,483,002)
Amortization of tangible capital assets	1,800,000	1,706,527	1,513,281
	438,810	30,814	30,279
Amortization of deferred lease costs	-	25,650	25,650
Increase in prepaid expenses and other deposits	-	(654,008)	(459,544)
Use of prepaid expenses and other deposits	-	567,928	519,713
Change in net financial assets	1,022,249	1,398,000	1,318,528
Net financial assets, beginning of year	4,021,128	4,021,128	2,702,600
Net financial assets, end of year	\$ 5,043,377	\$ 5,419,128	\$ 4,021,128

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,427,616	\$ 1,202,430
Items not involving cash:		
Amortization of tangible capital assets	1,706,527	1,513,281
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	337,717	(341,997)
Due from City of Richmond	164,742	(239,433)
Inventories held for resale	67,427	(88,670)
Prepaid expenses and other deposits	(86,080)	60,169
Accounts payable and accrued liabilities	5,783	(25,028)
Deferred revenue	(195,805)	695,649
	<u>3,453,577</u>	<u>2,841,805</u>
Capital activities:		
Acquisition/transfer of tangible capital assets	(1,675,713)	(1,522,756)
Investing activities:		
Net purchase of investments	(1,233,270)	(1,874,492)
Increase (decrease) in cash	544,594	(555,443)
Cash, beginning of year	309,846	865,289
Cash, end of year	<u>\$ 854,440</u>	<u>\$ 309,846</u>

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

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.

The comparative information includes 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"), previously a government partnership. As at December 31, 2017, VROX transferred all its assets and liabilities to the Corporation.

(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 (continued)

Year ended December 31, 2018

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 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 (continued)

Year ended December 31, 2018

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 2018 budget approved by the Board of Directors on January 31, 2018.

(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 (continued)

Year ended December 31, 2018

3. Investments:

Investments represent term deposits as follows:

Purchase Date	Maturity Date	2018	2017
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	-
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
		\$ 11,809,612	\$ 10,576,342

The interest rate of the term deposits range from 2.40% to 3.00% (2017- 1.60% to 2.10%).

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 (continued)

Year ended December 31, 2018

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:

	2018	2017
2017 annual distributable amount approved and received in 2018	\$ 2,899,454	\$ -
2016 annual distributable amount approved and received in 2017	-	2,804,671
	\$ 2,899,454	\$ 2,804,671

6. Deferred revenue:

	2018	2017
Balance, beginning of year	\$ 6,514,601	\$ 5,818,952
Add: additions	10,304,433	11,047,964
Less: revenue recognized	(10,500,238)	(10,352,315)
Balance, end of year	\$ 6,318,796	\$ 6,514,601

Deferred revenue comprises of:

	2018	2017
Memberships and programs	\$ 1,040,617	\$ 1,064,226
Sponsorship fees	614,666	1,123,000
Sport Hosting funding (note 11(b))	430,407	382,189
Richmond Olympic Experience (note 11(b))	4,233,106	3,945,186
	\$ 6,318,796	\$ 6,514,601

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets:

	Balance, December 31, 2017	Additions	Balance, December 31, 2018
Athletic equipment	\$ 2,610,259	\$ 303,211	\$ 2,913,470
Building improvements	1,287,996	686,174	1,974,170
Computer software and equipment	2,347,327	213,743	2,561,070
Facility equipment	989,394	141,460	1,130,854
Infrastructure	5,880,940	-	5,880,940
Signage	132,107	-	132,107
Simulators and exhibit fabrication	3,824,386	6,319	3,830,705
Tenant improvements	65,729	-	65,729
Uniforms, ice skates, and helmets	265,688	44,101	309,789
Work-in-progress	158,963	280,705	439,668
	\$ 17,562,789	\$ 1,675,713	\$ 19,238,502

	Balance, December 31, 2017	Amortization expense	Balance, December 31, 2018
Athletic equipment	\$ 1,446,640	\$ 260,279	\$ 1,706,919
Building improvements	345,937	331,948	677,885
Computer software and equipment	2,012,818	304,675	2,317,493
Facility equipment	711,624	208,896	920,520
Infrastructure	315,953	147,023	462,976
Signage	87,749	21,822	109,571
Simulators and exhibit fabrication	747,382	382,816	1,130,198
Tenant improvements	52,823	9,750	62,573
Uniforms, ice skates, and helmets	192,961	39,318	232,279
	\$ 5,913,887	\$ 1,706,527	\$ 7,620,414

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets (continued):

	2018	2017
	Net book value	Net book value
Athletic equipment	\$ 1,206,551	\$ 1,163,619
Building improvements	1,296,285	942,059
Computer software and equipment	243,577	334,509
Facility equipment	210,334	277,770
Infrastructure	5,417,964	5,564,987
Signage	22,536	44,358
Simulators and exhibit fabrication	2,700,507	3,077,004
Tenant improvements	3,156	12,906
Uniforms, ice skates, and helmets	77,510	72,727
Work-in-progress	439,668	158,963
	\$ 11,618,088	\$ 11,648,902

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 (2017 - nil).

8. Deferred lease costs:

	2018	2017
Balance, beginning of year	\$ 76,412	\$ 102,062
Less amortization	(25,650)	(25,650)
Balance, end of year	\$ 50,762	\$ 76,412

9. Accumulated surplus:

Accumulated surplus is comprised of:

	2018	2017
Share capital	\$ 1	\$ 1
Capital reserve	6,323,413	4,749,421
Other reserves/provisions	1,357,010	1,683,596
Operating surplus	592,476	546,350
Invested in tangible capital assets	9,255,870	9,121,786
	\$ 17,528,770	\$ 16,101,154

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

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. 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

11. Related party transactions:

(a) City of Richmond:

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

In 2018, \$191,690 (2017 - \$204,451) of general and administration and salaries and benefits expenses were charged to the Corporation for the provision of City staff time.

In 2018, \$57,581 (2017 - \$104,185) 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 2018, the Corporation received a contribution from the City of \$3,451,446 (2017 - \$3,377,146).

(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 2018, \$433,333 (2017 - \$100,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2018, \$430,407 (2017 - \$382,189) has been included in deferred revenue (note 6) and \$385,117 (2017 - \$334,197) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$452,816 from the hotel tax funding in 2018 (2017 - \$1,418,070) to be used to purchase tangible capital assets related to the Richmond Olympic Experience project. In order to retain this funding, 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, \$4,233,106 (2017 - \$3,945,186) 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 (continued)

Year ended December 31, 2018

12. Pension plan:

The Corporation and its employees contribute to 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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 \$470,176 (2017 - \$506,170) for employer contributions to the Plan in fiscal 2018.

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.

13. Economic dependence:

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

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 three years in the following total amounts:

2019	\$ 660,699
2020	418,432
2021	146,000

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