



City of Richmond

Report to Committee

To: Finance Committee

Date: April 20, 2017

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 2016 Audited Financial Statements and Q4 - 2016

Staff Recommendation

That the report on the 2016 audited Financial Statements and Financial Information on the fourth quarter ended December 31, 2016 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 25, 2017

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 2016 audited financial statements and Q4 2016**

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2016 audited financial statements (attachment #1) and the Q4 – 2016 statement of operations (shown on page 5) which were unanimously approved by the Corporation's Board of Directors ("BOD").

Highlights

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

Community Use

Several groups used the Oval facility in Q4, including, but not limited to: Air Attack Volleyball, Aura Rhythmic Gymnastics, Brazilian Soccer School, Connaught Figure Skating Club, DRIVE Basketball, Greater Vancouver Canadians, Kajaks Track and Field, Richmond Ball Hockey, Richmond Football Club, Richmond Girls Soccer Club, Richmond Ravens, Richmond Ringette, Richmond Rockets Speed Skating Club, Richmond Minor Hockey Association, Seafair Minor Hockey, Shoseikan Karate, and the Steveston Selects. At the end of Q4 2016, 82% 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 PGA Trade Show, Western Marine Trade Show, Make it Safe Conference, Chinese Women's National Team game, Raven's Hockey Tournament, 150 Alliance Conference, Exile Island, Canadian Tire Jump Start Day, BC Hand ball Cup, Panther Cheer Pink, and the Karate BC Cup. Additionally, on November

26, 2016, the City of Richmond added an additional 17 members to the Richmond Sport Wall of Fame at the Richmond Olympic Oval, bringing the total number of honorees to 33. Some of the events secured by Events/Sport Hosting in Q4 included the Karate BC Open and the 2018 Gymnaestrada.

Q4 was a busy quarter for High Performance events at the Oval and included hosting the following events:

- Petro-Canada Fueling Athlete and Coaching Excellence (FACE) Summit was held at the Oval (Nov 5th – 7th). Petro-Canada selected 50 athletes and coaches to receive financial support and attend educational sessions.
- OvalHP led a training camp for 12 provincial level squash athletes. This was HP's third camp with Squash BC and was delivered by HP Coaches and Practitioners (Nov 18th – 20th).
- BC Wheelchair Sports Association held their bi-annual Athletics Clinic on the 200M Track & Court 12 with approximately 16 para-athletes attending (Nov 27th).

Additional Oval athlete achievements included:

- Six Athletes from the Oval's Speed Skating Performance program travelled to Calgary to compete in Octoberfest against 100+ of the brightest young talent from across Canada. This was the largest group ever from the Richmond Oval to compete at Octoberfest, a preparation event for Nationals held in Feb 2017.
- The Vancouver Angel's Midget Hockey Team won Tier 1 at The Hayley Wickenheiser Female Hockey Festival. The team trains at the Richmond Oval weekly, developing their skills and performance with on-ice and off-ice sessions.
- Oval Athlete Gavin Bains was named to the JR World Cup Team for Field Hockey Canada.

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, 2016. 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 2016 audited financial statements have a net income before amortization of \$2.26M, which represents a favorable variance of \$0.12M 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 2016. The Corporation also received \$3.31M

from a contribution from the City. With respect to memberships, admissions, events and programs, the Oval's revenue was \$7.89M for 2016.

Other revenue of \$1.98M was recognized in 2016 for items such as parking, space leasing, sponsorship, and external capital funding revenue.

Expenses

2016 represented the first full year of operations for several new business enterprises. As such, the increase in expenses from 2015 were expected and budgeted for. Total salaries and benefits for 2016 was \$8.68M. There were 70 full-time and 230 part-time, seasonal and auxiliary employees on the payroll as of December 31, 2016.

Other costs of \$6.44M primarily included the following: utilities costs of \$1.05M related to the heat, light and power for the Oval, \$1.39M of amortization costs, \$0.79M 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, \$0.93M of administration costs related to accounting, information technology and office supplies, \$0.76M of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, membership sales, as well as those costs pertaining to marketing the Corporation's new initiatives such as the ROX, the retail store and Yoga, \$1.12M of costs pertained to programs as well as the sport hosting function out of the Oval and \$0.05M of professional fees related to legal, consulting and audit fees.

As explained during Q2, the amortization expenses were under budgeted for 2016 due to a longer useful life for the ROX being used for budgeting purposes. The review of the useful life of the ROX components and project was completed after the budget was approved and after the majority of the ROX costs were accounted for. The end result is that the ROX project is being amortized at a faster rate than budgeted. The amortization variance is an accounting estimate and does not represent any overspending. In addition, amortization is a non-cash item and does not impact the overall cash balance.

Statement of Financial Position

The total financial assets of the Corporation were \$10.26M, with liabilities of \$7.56M, and non-financial assets of \$12.20M as of December 31, 2016.

Financial Assets

The total Financial Assets of the Corporation were \$10.26M as of December 31, 2016, which primarily included investments of \$8.70M which represent the Corporation's investments invested through the City, a cash balance of \$0.87M, and an accounts receivable balance of \$0.57M.

Financial Liabilities

The total Liabilities of the Corporation were \$7.56M as of December 31, 2016, which primarily included accounts payable and accrued liabilities of \$1.73M such as payroll accruals and trade payables for heat, light, power, legal, and audit fees, deferred revenue of \$5.82M which includes

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 2016 for membership and programs to be delivered in 2017.

Non-Financial Assets

The total Non-Financial Assets of the Corporation were \$12.20M as of December 31, 2016, which primarily included \$11.68M of tangible capital assets which included the ROX project, Mezzanine project, Yoga studios, athletic equipment, computer software and equipment, facility equipment, etc., and \$0.41M 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, Finance & Corporate Services, Richmond Olympic Oval Corporation

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

For the quarter ended December 31, 2016

Unaudited, prepared by management

	QTR 4 2016		QTR 4 2015		YTD ended Dec 31, 2016		YTD ended Dec 31, 2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
REVENUES								
2010 Games Operating Trust Fund	700,000	700,000	657,014	657,014	2,800,000	2,800,000	-	0%
Contributions from City of Richmond	327,731	827,731	1,384,925	1,384,925	3,310,927	3,310,927	-	0%
Memberships, admissions and programs	2,073,161	2,034,090	1,916,211	1,916,211	8,177,190	7,892,385	(284,805)	-3%
Other	473,491	493,563	762,693	762,693	1,893,964	1,984,056	90,092	5%
	4,074,383	4,055,384	4,720,844	4,720,844	16,182,081	15,987,368	(194,713)	-1%
EXPENSES								
Memberships, admissions, and program services	1,326,551	1,426,601	1,351,776	1,351,776	5,509,331	5,600,748	(91,417)	-2%
Facility Operations	1,064,176	1,071,682	1,135,303	1,135,303	4,256,704	4,145,121	111,583	3%
Marketing	274,453	123,660	429,348	429,348	989,947	998,456	(8,509)	-1%
Contribution to capital	-	-	76,970	76,970	-	-	-	-
Admin/Finance	820,111	854,442	711,277	711,277	3,283,509	2,957,146	326,363	10%
	3,485,291	3,476,384	3,704,673	3,704,673	14,039,491	13,701,471	338,020	2%
Income before amortization and transfers	589,092	578,999	1,016,171	1,016,171	2,142,590	2,285,897	143,307	7%
Amortization (Note 1)	212,534	360,291	237,322	237,322	850,144	1,384,160	(534,016)	-63%
Income after amortization and before transfers	376,558	218,708	778,849	778,849	1,292,446	901,737	(390,709)	-30%
Transfers to reserves/provisions (Note 2)	300,000	1,151,847	1,068,788	1,068,788	1,200,000	2,208,487	1,008,487	84%
Net after amortization and transfers	76,558	(933,139)	(289,939)	(289,939)	92,446	(1,306,750)	(1,399,156)	

Note 1 - Amortization expenses were under budgeted for 2016 due to a longer useful life for the FOX being used for budgeting purposes. The review of the useful life of the FOX components and project was completed after the budget was approved and after the majority of the FOX costs were accounted for. The end result is that the FOX project is being amortized at a faster rate than budgeted. The amortization variance is an accounting estimate and does not represent any overspending. In addition, amortization is a non-cash item and does not impact the overall cash balance.

Note 2 - In Q4, \$1,152,000 was transferred into reserves/provisions. The total transfers to capital reserves vary from quarter to quarter and have been finalized by the Capital Works Committee in accordance with the operating agreement and are based on the income before amortization.

Numbers may be off due to rounding.

Consolidated Financial Statements of

**RICHMOND OLYMPIC
OVAL CORPORATION**

Year ended December 31, 2016



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

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, 2016, 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, 2016 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 19, 2017
Burnaby, Canada

RICHMOND OLYMPIC OVAL CORPORATION

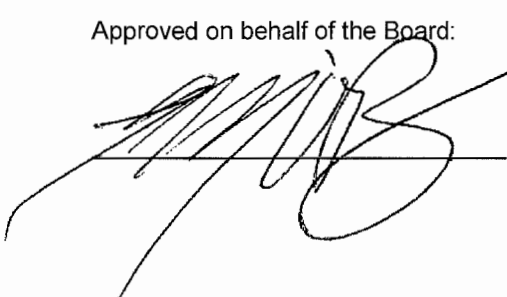
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash	\$ 865,289	\$ 910,373
Cash equivalents (note 3)	-	8,631,723
Investments (note 4)	8,701,850	-
Accounts receivable	565,143	473,132
Due from City of Richmond (note 5)	11,304	-
Inventories held for resale	115,112	136,308
	<u>10,258,698</u>	<u>10,151,536</u>
Liabilities		
Accounts payable and accrued liabilities	1,727,883	2,767,926
Deferred revenue (note 8)	5,818,952	5,598,459
Due to City of Richmond (note 5)	-	187,753
Rental deposits	9,263	9,263
	<u>7,556,098</u>	<u>8,563,401</u>
Net financial assets	2,702,600	1,588,135
Non-Financial Assets		
Tangible capital assets (note 9)	11,679,181	11,755,988
Deferred lease costs (note 10)	102,062	127,712
Prepaid expenses and other deposits	414,881	558,926
	<u>12,196,124</u>	<u>12,442,626</u>
Economic dependence (note 17)		
Accumulated surplus (note 11)	\$ 14,898,724	\$ 14,030,761

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, 2016, with comparative information for 2015

	2016 Budget	2016	2015
	(Note 2(k))		
Revenue:			
2010 Games Operating Trust Fund (note 7)	\$ 2,800,000	\$ 2,800,000	\$ 2,464,029
Contribution from City of Richmond (note 13(a))	3,310,927	3,310,927	3,814,700
Memberships, admissions and programs	8,177,190	7,892,385	7,643,069
Other	1,893,964	1,984,908	2,223,421
	16,182,081	15,988,220	16,145,219
Expenses:			
Salaries and benefits	8,618,681	8,684,234	7,867,871
Utilities	1,050,000	1,048,006	1,009,384
Amortization	850,144	1,394,439	606,294
Supplies and equipment	886,000	794,447	913,096
Insurance	365,000	344,412	347,453
General and administration	1,033,058	931,639	802,134
Capital contribution to City of Richmond (note 13(a))	-	-	437,017
Marketing	762,934	759,554	672,993
Program services	1,188,728	1,118,165	1,064,664
Professional fees	135,090	45,361	111,922
	14,889,635	15,120,257	13,832,828
Annual surplus	1,292,446	867,963	2,312,391
Accumulated surplus, beginning of year	14,030,761	14,030,761	11,718,370
Accumulated surplus, end of year	\$ 15,323,207	\$ 14,898,724	\$ 14,030,761

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016	2015
	(Note 2(k))		
Annual surplus for the year	\$ 1,292,446	\$ 867,963	\$ 2,312,391
Acquisition of tangible capital assets	(4,232,580)	(1,317,632)	(5,286,534)
Amortization of tangible capital assets	850,144	1,394,439	606,294
	(3,382,436)	76,807	(4,680,240)
Amortization of deferred lease costs	-	25,650	27,538
Increase in prepaid expenses	-	(399,078)	(358,625)
Use of prepaid expenses and other deposits	-	543,123	671,701
Change in net financial assets	(2,089,990)	1,114,465	(2,027,235)
Net financial assets, beginning of year	1,588,135	1,588,135	3,615,370
Net financial assets, end of year	\$ (501,855)	\$ 2,702,600	\$ 1,588,135

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 867,963	\$ 2,312,391
Items not involving cash:		
Amortization of tangible capital assets	1,394,439	606,294
Amortization of deferred lease costs	25,650	27,538
Changes in non-cash operating working capital:		
Accounts receivable	(92,011)	(154,030)
Inventories held for resale	21,196	(54,773)
Prepaid expenses and other deposits	144,045	313,076
Accounts payable and accrued liabilities	(1,040,043)	180,496
Deferred revenue	220,493	1,282,105
Due from (to) the City of Richmond	(199,057)	21,340
	1,342,675	4,534,437
Capital activities:		
Acquisition of tangible capital assets	(1,317,632)	(5,286,534)
Investing activities:		
Purchase of investments	(8,701,850)	-
Decrease in cash and cash equivalents	(8,676,807)	(752,097)
Cash and cash equivalents, beginning of year	9,542,096	10,294,193
Cash and cash equivalents, end of year	\$ 865,289	\$ 9,542,096

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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.

(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 7) 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, 2016

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) Cash equivalents:

Cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(e) 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.

(f) 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.

(g) 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, 2016

2. Significant accounting policies (continued):

(g) 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.

(h) 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.

(i) Income taxes:

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

(j) 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.

(k) Budget data:

The budget data presented in these financial statements is based upon the 2016 budget approved by the Board of Directors on January 21, 2016.

(l) 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, 2016

2. Significant accounting policies (continued):

(m) 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. Cash equivalents:

Cash equivalents represent term deposits as follows:

Purchase Date	Maturity Date	2016	2015
October 13, 2015	January 11, 2016	\$ -	\$ 4,631,723
November 23, 2015	February 22, 2016	-	4,000,000
Total		\$ -	\$ 8,631,723

Cash equivalents are those instruments are considered highly liquid investments with a term to maturity of three months or less at the date of purchase.

4. Investments:

Investments represent term deposits as follows:

Purchase Date	Maturity Date	2016	2015
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	-
Total		\$ 8,701,850	\$ -

Investments are those instruments with a term to maturity of more than three months at the date of purchase. The interest rate of the term deposits range from 1.60% to 1.65%.

5. 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. 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.

7. 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:

	2016	2015
2015 annual distributable amount approved and received in 2016	\$ 2,800,000	\$ -
2014 annual distributable amount approved and received in 2015	-	2,464,029
	<u>\$ 2,800,000</u>	<u>\$ 2,464,029</u>

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Deferred revenue:

	2016	2015
Balance, beginning of year	\$ 5,598,459	\$ 4,316,354
Add: additions	10,097,786	11,148,595
Less: revenue recognized	(9,877,293)	(9,866,490)
Balance, end of year	\$ 5,818,952	\$ 5,598,459

Deferred revenue comprises of:

	2016	2015
Memberships and programs	\$ 1,110,552	\$ 960,680
Sponsorship fees	1,400,001	1,759,946
Sport Hosting funding (note 13(b))	616,386	569,320
Richmond Olympic Experience (note 13(b))	2,692,013	2,308,513
	\$ 5,818,952	\$ 5,598,459

9. Tangible capital assets:

Cost	Balance, December 31, 2015	Additions	Balance, December 31, 2016
Athletic equipment	\$ 2,207,918	\$ 304,057	\$ 2,511,975
Building improvements	364,929	139,825	504,754
Computer software and equipment	1,958,574	250,806	2,209,380
Facility equipment	651,791	222,472	874,263
Infrastructure	5,831,069	49,871	5,880,940
Signage	82,067	9,358	91,425
Simulators and exhibit fabrication	3,368,067	319,101	3,687,168
Tenant improvements	65,729	-	65,729
Uniforms, ice skates, and helmets	192,257	7,760	200,017
Work-in-progress	-	14,382	14,382
	\$ 14,722,401	\$ 1,317,632	\$ 16,040,033

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Tangible capital assets (continued):

Accumulated amortization	Balance, December 31, 2015	Amortization expense	Balance, December 31, 2016
Athletic equipment	\$ 942,123	\$ 259,293	\$ 1,201,416
Building improvements	138,080	77,710	215,790
Computer software and equipment	1,333,996	315,671	1,649,667
Facility equipment	265,658	207,804	473,462
Infrastructure	9,750	146,738	156,488
Signage	52,161	14,027	66,188
Simulators and exhibit fabrication	20,807	342,611	363,418
Tenant improvements	53,025	9,750	62,775
Uniforms, ice skates, and helmets	150,813	20,835	171,648
	\$ 2,966,413	\$ 1,394,439	\$ 4,360,852

	2016 Net book value	2015 Net book value
Athletic equipment	\$ 1,310,559	\$ 1,265,795
Building improvements	288,964	226,849
Computer software and equipment	559,713	624,578
Facility equipment	400,801	386,133
Infrastructure	5,724,452	5,821,319
Signage	25,237	29,906
Simulators and exhibit fabrication	3,323,750	3,347,260
Tenant improvements	2,954	12,704
Uniforms, ice skates, and helmets	28,369	41,444
Work-in-progress	14,382	-
	\$ 11,679,181	\$ 11,755,988

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 (2015 - nil).

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

10. Deferred lease costs:

	2016	2015
Balance, beginning of year	\$ 127,712	\$ 155,250
Less amortization	(25,650)	(27,538)
Balance, end of year	\$ 102,062	\$ 127,712

11. Accumulated surplus:

Accumulated surplus is comprised of:

	2016	2015
Share capital	\$ 1	\$ 1
Capital reserve	4,260,950	3,191,222
Other reserves/provisions	1,098,682	890,195
Operating surplus	551,923	501,868
Invested in tangible capital assets	8,987,168	9,447,475
	\$ 14,898,724	\$ 14,030,761

12. 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, 2016

12. 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.

(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.

13. 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 \$189,470 (2015 - \$192,880) from the City for the provision of City staff time.

In 2016, \$94,526 (2015 - nil) 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 2016, the Corporation received a contribution from the City of \$3,310,927 (2015 - \$3,814,700). In 2015, \$575,000 of this contribution related to the Richmond Olympic Experience project that was funded from the City's Legacy Fund, no further amounts were contributed for this project in 2016.

During 2016, the Corporation spent nil (2015 - \$437,017) from its capital reserve funding towards the construction of the "ROX Shop" retail store, which is a City asset. Construction of the ROX Shop was completed in 2015, no further amounts were contributed in 2016.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Related party transactions (continued):

(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 2016, \$400,000 (2015 - \$400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2016, \$616,386 (2015 - \$569,320) was included in deferred revenue (note 8) and \$352,934 (2015 - \$385,386) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$500,000 from the hotel tax funding in 2016 (2015 - \$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. The Corporation received nil (2015 - \$450,000) of grant funding from a third party that is also to go towards the purchase of capital assets related to the Richmond Olympic Experience project. As at year-end, \$2,692,013 (2015 - \$2,308,513) 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.

14. Government partnership:

The Corporation has a 50% partnership interest in VROX, which is accounted for using the proportionate consolidation method.

The financial results of VROX are as follows:

	2016	2015
Financial position:		
Total assets	\$ 130,836	\$ 323,339
Total liabilities	(112,120)	(359,454)
Equity (deficit)	\$ 18,716	\$ (36,115)
Results of operations:		
Total revenues	\$ 470,264	\$ 868,880
Total expenses	(415,433)	(798,001)
Net income	\$ 54,831	\$ 70,879

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

14. Government partnership (continued):

VROX's revenues during the year included transactions with the Corporation which have been eliminated on consolidation. These included the sale of sport simulators for \$263,000 (2015 - \$866,020), the cost of the maintenance services provided of \$10,000 (2015 - nil) and an operating contribution received from the Corporation of \$195,560 (2015 - nil). 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:

	2016	2015
Financial position:		
Total assets	\$ 65,418	\$ 161,670
Total liabilities	(37,836)	(80,361)
Equity	\$ 27,582	\$ 81,309
Results of operations:		
Total revenues	\$ 852	\$ 1,430
Total expenses	(154,676)	(125,275)
Net expense for the year	\$ (153,824)	\$ (123,845)

15. 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, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 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 \$443,446 (2015 - \$398,948) for employer contributions to the Plan in fiscal 2016.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. 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.

16. Commitments:

The Board of Directors of the Corporation has committed to providing financial support to enable VROX to continue operations and to meet its obligations through January 1, 2018.

17. Economic dependence:

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