



City of Richmond

Report to Committee

To: Finance Committee

Date: May 18, 2011

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

File:

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

Re: Richmond Olympic Oval Corporation-2010 Audited Financial Statements

Staff Recommendation

That the report on the 2010 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, Business and Financial Services
& Chief Financial Officer, Richmond Olympic Oval

REVIEWED BY TAG

YES

NO





DATE: May 25, 2011

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

Andrew Nazareth
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills
General Manager, Richmond Olympic Oval Corporation

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

Re: Richmond Olympic Oval Corporation 2010 audited financial statements

Origin

Section 7.3 of the Operating Agreement between the City of Richmond (the "City") and the Richmond Olympic Oval Corporation (the "Corporation") requires reporting with respect to business plans, budgets, audited financial statements, and quarterly comparisons of actual results to budget along with projections to fiscal year end. This staff report deals with the 2010 audited financial statements of the Corporation.

Analysis

Please see the attachment for the audited financial statements of the Corporation for the year ended December 31, 2010. The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

During the period commencing December 1, 2009 through to March 31, 2010 Vanoc had exclusive use of the Oval for the Olympic and Paralympic Winter Games (the "Games"). In addition, after the Games, the legacy conversion construction project commenced. During these time periods, revenue earning operations ceased.

Statement of Operations and Retained Earnings

As previously reported to Council at the March 2011 Finance Committee meeting, the Corporation had a planned net loss for the 2010 fiscal year. The 2010 final audited financial statements show a net loss for the year of \$1,192k with revenues of \$5,422k and expenses of \$6,614k.

2010 Revenues mainly consisted of the following items:

- \$2,305k of revenue from the Games Operating Trust ("GOT"). The City applies for and receives funding from the GOT. This amount represents the 2009 annual distributable amount received in 2010;
- \$1,500k of revenue from a contribution from the City. In accordance with the operating agreement between the City and the Corporation, the City is to provide annual financial support to the Corporation of not less than \$1,500k to the Corporation in 2010, 2011 and 2012;
- \$1,437k of revenue from memberships, admissions and programs; and
- Other revenue of \$180k which includes mainly parking, space leasing, and sponsorship revenue.

2010 Expenses mainly consisted of the following items:

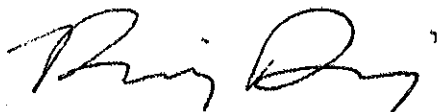
- Salaries and benefits of \$3,647k. There were 39 full-time and 155 part-time employees on the payroll as at December 31, 2010;
- Utilities costs of \$821k relating to the heat, light and power for the Oval;
- \$485k of amortization costs;
- \$399k of supply and equipment costs associated with supplies for operating the facilities, including general building maintenance costs;
- \$324k of costs for property and liability insurance;
- \$378k of administration costs related to accounting, information technology, office supplies, etc.;
- \$293k of costs related to marketing which included rebranding and design costs and sponsor services;
- \$102k of costs pertaining to running sport and fitness programs out of the Oval;
- \$137k of professional fees relating mainly to the preparation of the business plan and audit fees; and
- \$28k of recruiting and consulting fees for staff positions.

Balance Sheet

- Cash and accounts receivable aggregating \$708k resulted mainly from GOT & City funding together with sponsorship fees and sales of admissions, memberships and programs.
- Prepaid expenses of \$331k mainly includes prepaid insurance, prepaid sponsorship commissions and other prepaid costs;
- Deferred lease costs of \$133k (short and long term) relate to costs directly associated with a space leasing contract and these costs are deferred and will be amortized over the term of the lease;
- Capital assets of \$824k which includes assets under capital lease, athletic equipment, computer software and equipment, uniforms, ice skates, helmets, etc.;
- Accounts Payable and accrued liabilities of \$721k includes general trade payables, payroll accruals, HST payable, and other accrued liabilities which includes the year end audit accrual;
- A total balance of \$438k (short term and long term) for obligations under capital leases;
- Deferred revenue of \$536k mainly includes fees received in 2010 pertaining to membership and program fees to be serviced in 2011, and sponsorship fees received;

Summary

The 2010 results show a net loss of \$1,192k, however, the Corporation has performed to plan when looking at the overall 46 month period from the commencement of operations in March 2007 to December 2010. It was understood that the four month exclusive use period from December 1, 2009 to March 31, 2010 coupled with the subsequent legacy conversion construction project, would limit the ability of the Corporation to generate revenue in 2010. The Corporation had a retained earnings balance at the beginning of the 2010 of \$1,256k which has been mostly used up to offset the absence of revenue during these periods.



Rick Dusanj, CA
Controller, Richmond Olympic Oval Corporation

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

Financial Statements of

**RICHMOND OLYMPIC OVAL
CORPORATION**

(formerly 0827805 B.C. Ltd.)
Year ended December 31, 2010



KPMG Enterprise™
Metrotower II 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca/enterprise

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying financial statements of Richmond Olympic Oval Corporation (formerly 0827805 B.C. Ltd.), which comprise the balance sheet as at December 31, 2010 and the statements of operations and retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Richmond Olympic Oval Corporation as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

April 27, 2011
Burnaby, Canada

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RICHMOND OLYMPIC OVAL CORPORATION

Balance Sheet

December 31, 2010, with comparative figures for 2009

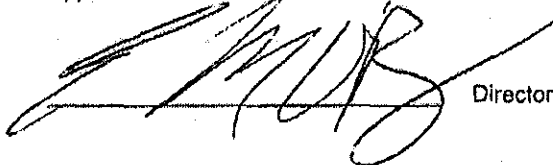
	2010	2009
Assets		
Current assets:		
Cash	\$ 390,901	\$ 1,021,195
Accounts receivable	317,468	88,918
Inventory	2,614	2,046
Prepaid expenses	330,513	430,565
Deferred lease costs (note 5)	13,871	-
	<u>1,055,367</u>	<u>1,542,724</u>
Deferred lease costs, long term portion (note 5)	119,448	-
Capital assets (note 6)	823,976	1,176,978
Other assets	700	700
	<u>\$ 1,999,490</u>	<u>\$ 2,720,402</u>

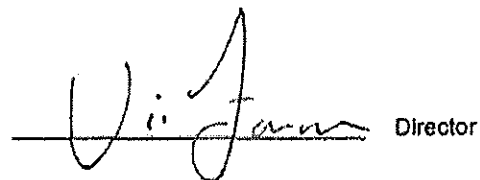
Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 720,965	\$ 571,982
Obligations under capital leases (note 7)	231,891	242,199
Deferred revenue (note 8)	535,525	78,023
Due to the City of Richmond (note 9)	214,775	103,205
	<u>1,703,156</u>	<u>995,409</u>
Obligations under capital leases (note 7)	205,662	469,033
Rental deposit	26,761	-
	<u>1,935,579</u>	<u>1,464,442</u>
Shareholder's equity:		
Share capital (note 10)	1	1
Retained earnings	63,910	1,255,959
	<u>63,911</u>	<u>1,255,960</u>
Commitments (note 3)		
Economic dependence (note 13)		
	<u>\$ 1,999,490</u>	<u>\$ 2,720,402</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:


Director


Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations and Retained Earnings

For the year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
2010 Games Operating Trust Fund (note 4)	\$ 2,304,796	\$ 5,536,509
Contribution from City of Richmond (note 11)	1,500,000	1,050,000
Memberships, admissions and programs	1,437,025	1,498,041
Other	180,136	31,267
	<u>5,421,957</u>	<u>8,115,817</u>
Expenses:		
Salaries and benefits	3,646,871	3,354,066
Utilities	821,064	973,988
Amortization	485,324	402,292
Supplies and equipment	398,497	397,052
Insurance	324,342	303,621
General and administration	377,843	459,911
Marketing and sponsorship	293,260	376,199
Program services	101,588	264,762
Professional fees	136,820	230,233
Recruiting and consulting	28,397	72,627
Opening ceremonies and special events	-	172,584
	<u>6,614,006</u>	<u>7,007,334</u>
Net earnings (loss)	(1,192,049)	1,108,483
Retained earnings, beginning of year	1,255,959	147,476
Retained earnings, end of year	<u>\$ 63,910</u>	<u>\$ 1,255,959</u>

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

For the year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$(1,192,049)	\$ 1,108,483
Amortization, an item not involving cash	485,324	402,292
Changes in non-cash operating working capital:		
Accounts receivable	(228,550)	(68,447)
Inventory	(568)	(2,046)
Prepaid expenses	100,052	(186,850)
Deferred lease costs	(13,871)	-
Accounts payable and accrued liabilities	148,983	61,155
Deferred revenue	457,502	(770,709)
Due to the City of Richmond	111,570	1,017,447
	(131,607)	1,561,325
Investing:		
Purchase of equipment	(170,839)	(424,371)
Deferred lease costs	(119,448)	-
Increase in other assets	-	(700)
	(290,287)	(425,071)
Financing:		
Repayment of obligations under capital leases	(235,161)	(202,224)
Rental deposit	26,761	-
	(208,400)	(202,224)
Increase (decrease) in cash	(630,294)	934,030
Cash, beginning of year	1,021,195	87,165
Cash, end of year	\$ 390,901	\$ 1,021,195
Supplementary information:		
Interest paid	\$ 15,965	\$ 22,872
Assets acquired under capital lease	-	188,172
Provincial sales tax adjustment to assets under capital leases	(38,517)	-

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

1. Incorporation and nature of business:

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

2. Significant accounting policies:

(a) Basis of presentation:

(i) Accounting principles:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

(ii) Statement of earnings and retained earnings:

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. Construction of the Oval was completed in December 2008 at which time operations of the Oval commenced.

During the four-month period from December 1, 2009 to March 31, 2010, the Vancouver Organizing Committee for the Games ("VANOC") acquired exclusive use of the Oval for the speed skating events of the Games. The VANOC exclusive use period was immediately followed by the legacy conversion of the Oval into a multi-sport and recreation facility. The conversion was substantially completed by August 31, 2010 and the costs were paid by the City. During these two periods, substantially all Oval revenue-earning operations from membership, admission and programs ceased but certain operating expenses continued to be incurred.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

2. Significant accounting policies (continued):

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that 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 equipment for amortization, and deferred lease costs. Actual amounts may ultimately differ from these estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in earnings in the year in which they become known.

(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 4) 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.

(d) Capital assets:

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
Computer software and equipment	3 years
Uniforms, ice skates and helmets	3 years
Signage	3 years

Tenant improvements are amortized over the term of the lease.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

2. Significant accounting policies (continued):

(e) Assets held under capital lease:

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

(f) Deferred lease costs:

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

(g) Pension plan:

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

(h) Income taxes:

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

(i) Financial instruments:

The Corporation accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*.

These sections require that all non-derivative financial assets and liabilities be measured at fair value with the exception of loans and receivables, other financial liabilities and held-to-maturity investments, which should be measured at amortized cost; and certain exceptions which are not applicable to the Corporation. The section also requires that gains and losses on financial instruments measured at fair value be recognized in net earnings in the periods in which they arise, with certain exceptions which are not applicable to the Corporation. In addition, disclosure with an emphasis on risks associated with both recognized and unrecognized financial instruments to which an entity is exposed during the year and at the balance sheet date, and how an entity manages these risks, is provided in the financial statements.

The Corporation's financial instruments are accounts receivable, amounts due to the City, accounts payable and accrued liabilities, and obligations under capital leases. The Corporation classifies its accounts receivable as loans and receivables which are recorded at amortized cost. The Corporation classifies its accounts payable and accrued liabilities and obligations under capital leases as other liabilities which are recorded at amortized cost.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

2. Significant accounting policies (continued):

(i) Financial instruments:

The carrying values of accounts receivable, amounts due to the City and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities. The carrying values of obligations under capital leases approximate their fair values as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

(j) Future accounting changes:

The Public Sector Accounting Board recently approved changes to the scope of Public Sector Accounting Standards ("PSAB"). These amendments require that government business enterprises adopt International Financial Reporting Standards ("IFRS") for periods beginning on or after January 1, 2011. A government business enterprise is one with self-sustaining commercial type operations. Government organizations that are not considered to be business enterprises are either government not-for-profit organizations or other government organizations. Other government organizations will have the option to either adopt IFRS or to prepare their financial statements in accordance with PSAB.

As the Corporation is not expected to be self-sustaining as at January 1, 2011, it would be categorized as another government organization. Management has determined that the Corporation will adopt PSAB which will then make it consistent with the reporting standard of the City of Richmond.

3. 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. Under the terms of the Agreement:

(a) The Corporation:

- (i) leases the Oval for a term of twenty-five years for \$1;**
- (ii) has the power to manage, operate, use and occupy the Oval;**
- (iii) is responsible for repairing and maintaining all components of the Oval;**
- (iv) will receive all revenue and be responsible for all operational expenses and capital expenditures of the Corporation (see (b)(iii) below);**
- (v) will, in 2011, allocate from shareholder's equity to a Sustaining Capital Reserve and an Operating Capital Reserve a total of \$1.7 million to be represented by cash in a capital reserve bank account; subsequent to 2011, the amount of the contribution to the Capital Reserve will be determined by the Capital Works Committee;**

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

3. Richmond Oval Agreement (continued):

- (vi) will indemnify and save harmless the City from any losses or damages arising from or which have occurred as a result of rights and obligations under the Agreement;
- (vii) will maintain property and liability insurance on the Oval;
- (viii) will not allow any encumbrances to be registered against the Oval;
- (ix) will prepare and deliver to the City, on an annual calendar year basis, audited financial statements prepared in accordance with GAAP and an annual report, no later than April 30 of the following fiscal year; and
- (x) will prepare and deliver to the City, financial reports, at dates to be determined by the City, on the financial matters of the Corporation.

(b) The City:

- (i) will provide, for the first fifteen years of the term, financial support as agreed between the City and the Corporation from time to time; for the years 2010, 2011 and 2012 the annual financial support shall not be less than \$1.5 million per year indexed at the City of Vancouver's Consumer Price Index. After fifteen years, any financial assistance from the City will be as determined by the City in its sole discretion;
- (ii) will pay any funds received from the 2010 Games Operating Trust ("GOT") (note 4) to the Corporation within 30 days of receipt; and
- (iii) is responsible for completing construction of the Oval in the Pre-Games configuration and for re-configuring the Oval into the post-games configuration at the City's cost.

4. 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

4. 2010 Games Operating Trust Fund (continued):

Effective December 31, 2007:

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

Effective April 21, 2009, the City entered into an agreement with VANOC. The agreement details the terms and conditions to which the City is required to adhere in order to receive funding from GOT. When VANOC ceases to exist after the Games, the agreement will be assigned to GOT or, with the consent of the City, to another party. As of the reporting date, VANOC has not dissolved and the agreement has not yet been assigned to GOT.

Funds from GOT are paid to the City, and as indicated in note 3(b)(ii), the funds are then paid to the Corporation.

The fund balance of the Speed Skating Oval Fund, after distributions as at December 31, 2010, is \$43,703,000 (2009 - \$40,403,111).

Revenue from GOT is comprised of:

	2010	2009
Revenue recognized from Trust Income from 2008	\$ -	\$ 805,985
2007 annual distributable amount received in 2009	-	2,497,065
2008 annual distributable amount received in 2009	-	2,233,459
2009 annual distributable amount received in 2010	2,304,796	-
	<u>\$ 2,304,796</u>	<u>\$ 5,536,509</u>

The 2010 annual distributable amount has been approved by GOT in 2011. 80% of the approved amount of \$2,739,398 was received in March 2011 and the remaining amount will be received in June 2011. The Corporation will record this amount as revenue in fiscal year 2011.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

5. Deferred lease costs:

Lease commission	\$ 60,673
Legal fees	66,491
Salaries and benefits	8,350
	135,514
Less: amortization	2,195
	133,319
Current portion of deferred lease costs	13,871
Long term portion of deferred lease costs	\$ 119,448

6. Capital assets:

The cost and net book value of capital assets is as follows:

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Assets under capital lease	\$ 905,888	\$ 584,524	\$ 321,364
Athletic equipment	480,332	155,813	324,519
Computer software and equipment	152,672	54,882	97,790
Uniforms, ice skates, and helmets	96,211	60,239	35,972
Signage	36,351	14,273	22,078
Automobile	23,158	1,930	21,228
Tenant improvements	16,979	15,955	1,024
	\$1,711,591	\$ 887,616	\$ 823,975

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Assets under capital lease	\$ 944,406	\$ 280,342	\$ 664,064
Athletic equipment	406,564	65,471	341,093
Computer software and equipment	87,575	17,421	70,154
Uniforms, ice skates, and helmets	89,922	28,167	61,755
Signage	33,824	2,819	31,005
Tenant improvements	16,979	8,072	8,907
	\$1,579,270	\$ 402,292	\$1,176,978

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

6. Capital assets (continued):

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

7. Obligations under capital leases:

The capital leases have an estimated cost of borrowing ranging from 0.21% to 0.35% per month. The principal and interest payments as at December 31, 2010 and 2009 are as follows:

	2010	2009
Total minimum lease payments	\$ 449,720	\$ 739,365
Imputed interest	(12,167)	(28,133)
	437,553	711,232
Current portion of obligations under capital lease	231,891	242,199
Long term portion of obligations under capital lease	\$ 205,662	\$ 469,033

As at December 31, 2010, the Corporation was committed to payments under capital leases as follows:

2011	\$ 241,275
2012	199,928
2013	8,517
	\$ 449,720

8. Deferred revenue:

	2010	2009
Memberships and programs to be serviced in next fiscal year	\$ 267,752	\$ 78,023
Sponsorship fees	246,525	-
Rental deposit	21,248	-
	\$ 535,525	\$ 78,023

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

9. Due to the City of Richmond:

The amount due to the City of Richmond arises in the normal course of business.

10. Share capital:

Authorized:

Unlimited number of common shares without par value.

Issued:

One common share for cash of \$1.

11. Related party transactions:

The Corporation leases the Oval from the City for \$1 annually (note 3).

Included in general and administration expenses is a management fee of \$30,000 to the City for the provision of city staff time in fiscal year 2010 (2009 - \$60,000).

Included in salaries and benefits expense is a charge of \$42,515 (2009 - \$173,639) relating to the costs of City staff time charged to the Corporation for services performed during 2010.

During 2010, the Corporation received a contribution from the City of \$1,500,000 (2009 - \$1,050,000) (note 3(b)(i)). In January 2011, pursuant to the Richmond Oval Agreement (note 3(b)(i)), the Corporation received a contribution of \$1,522,500 from the City. In addition, the City has approved a further contribution of \$1,500,000 which is to be made in 2011.

12. Pension plan:

The Corporation and its employees contribute to the Pension Plan, a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. As at December 31, 2009, the Plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 44,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1.024 million for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2012 with results available in 2013.

During the current fiscal year, the Corporation paid \$140,257 (2009 - \$109,476) as employer contributions to the Pension Plan.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2010, with comparative figures for 2009

13. Economic dependence:

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

14. Capital disclosures:

The Corporation's capital consists of its share capital and retained earnings. The Corporation's objective when managing capital is to safeguard its assets and to ensure that adequate capital is managed for future requirements. The procedures in place to achieve these goals include establishing effective internal controls, the review and approval of annual budgets and ongoing review of interim financial statements by the board of directors.

15. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year's presentation.

