



**To:** Finance Committee

**Date:** April 29, 2015

**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 – 2014 Audited Financial Statements**

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**Staff Recommendation**

That the report on the 2014 Audited Financial Statements for the Richmond Olympic Oval 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 30, 2015

**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 2014 audited financial statements**

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**Origin**

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2014 audited financial statements which were unanimously approved by the Corporation's Board of Directors ("BOD").

**Analysis**

Please see the attachment for the audited financial statements of the Corporation for the year ended December 31, 2014. The Corporation's financial statements are prepared in accordance with Public Sector Accounting Standards.

Statement of Operations

The 2014 final audited financial statements have a net income of \$2.68M before transfers to reserves/provisions with revenues of \$13.77M and expenses of \$11.09M.

Revenues

The City applies for and receives funding from the Games Operating Trust ("GOT") Fund. GOT revenue of \$2.27M was received and recognized in 2014. The Corporation also received a contribution of \$3.21M from the City. With respect to memberships, admissions, events and programs, the Oval's revenue was \$6.88M for 2014.

Other revenue of \$1.41M was recognized in 2014 for items such as parking, space leasing, sponsorship and interest income.

Expenses

Total salaries and benefits for 2014 was \$6.94M. There were 59 full-time and 206 part-time, seasonal and auxiliary employees on the payroll as of December 31, 2014.

Other costs of \$4.15M included the following: utilities costs of \$0.90M related to the heat, light and power for the Oval, \$0.37M 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, \$0.68M of administration costs related to accounting, information technology and office supplies, \$0.20M of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, and membership sales, \$0.74M of costs pertained to running sport and fitness programs as well as the sport hosting function out of the Oval and \$0.13M of professional fees related to legal, consulting and audit fees.

Statement of Financial Position

Financial Assets

The Corporation had a cash balance of \$1.62M as of December 31, 2014. The accounts receivable balance was \$0.34M and the Investments balance of \$8.68M represents the Corporation's investments invested through the City.

Financial Liabilities

Accounts payable and accrued liabilities as of December 31, 2014 were \$2.59M and primarily included payroll accruals and trade payables for heat, light, power, legal, the Richmond Olympic Experience ("ROX") project, and audit fees. Deferred revenue of \$4.32M included unspent funding pertaining to the Sport Hosting function, sponsorship fees, unspent funding pertaining to the ROX project and the pro rata portion of fees received in 2014 for membership and programs to be delivered in 2015. The amount due to the City of \$0.17M primarily pertains to the chargeback of City resources that were utilized by the Corporation, which will be repaid by the Corporation.

Non-Financial Assets

As at December 31, 2014, the Corporation had \$7.08M of tangible capital assets which included the ROX project, Mezzanine project, Yoga studios, athletic equipment, computer software and equipment, facility equipment, etc. Deferred lease costs of \$0.16M are direct costs incurred in connection with leases and are deferred and amortized over the terms of the lease. Prepaid expenses of \$0.85M primarily consisted of unamortized portions of the premiums on the Corporation's insurance policies, deposits paid on simulators that will be used in the ROX project, as well as 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

Consolidated Financial Statements of

**RICHMOND OLYMPIC OVAL  
CORPORATION**

Year ended December 31, 2014



**KPMG LLP**  
**Chartered Accountants**  
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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying consolidated financial statements of Richmond Olympic Oval Corporation, which comprise the consolidated statement of financial position as at December 31, 2014, 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, 2014 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 Accountants

April 28, 2015

Burnaby, Canada

# RICHMOND OLYMPIC OVAL CORPORATION

## Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
<b>Financial Assets</b>		
Cash	\$ 1,616,338	\$ 1,963,267
Investments (note 3)	8,677,855	8,676,448
Accounts receivable	340,779	223,030
	<u>10,634,972</u>	<u>10,862,745</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	2,587,430	1,692,492
Deferred revenue (note 6)	4,316,354	2,824,218
Due to City of Richmond (note 7)	166,413	532,415
Rental deposits	9,263	9,263
	<u>7,079,460</u>	<u>5,058,388</u>
Net financial assets	3,555,512	5,804,357
<b>Non-Financial Assets</b>		
Tangible capital assets (note 8)	7,075,748	2,663,644
Deferred lease costs (note 9)	155,250	141,665
Inventories of supplies	81,535	1,755
Prepaid expenses and other deposits	850,325	426,251
	<u>8,162,858</u>	<u>3,233,315</u>
Economic dependence (note 14)		
Accumulated surplus (note 10)	<u>\$ 11,718,370</u>	<u>\$ 9,037,672</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

# RICHMOND OLYMPIC OVAL CORPORATION

## Consolidated Statement of Operations

For the year ended December 31, 2014

	2014 Budget (note 2(j))	2014	2013
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,200,000	\$ 2,270,900	\$ 2,823,239
Contribution from City of Richmond (note 12)	3,208,000	3,207,600	3,574,700
Memberships, admissions and programs	6,421,758	6,877,930	6,568,014
Other	1,310,830	1,412,922	1,235,038
	<u>13,140,588</u>	<u>13,769,352</u>	<u>14,200,991</u>
Expenses:			
Salaries and benefits	7,177,888	6,939,941	6,712,878
Utilities	1,050,000	900,555	1,002,566
Amortization	486,125	372,635	309,991
Supplies and equipment	631,450	794,399	618,349
Insurance	335,225	337,034	350,543
General and administration	894,253	675,819	642,501
Marketing and sponsorship	267,450	197,708	209,857
Program services	604,363	744,639	619,247
Professional fees	118,080	125,924	42,592
	<u>11,564,834</u>	<u>11,088,654</u>	<u>10,508,524</u>
Annual surplus	1,575,754	2,680,698	3,692,467
Accumulated surplus, beginning of year	9,037,672	9,037,672	5,345,205
Accumulated surplus, end of year	<u>\$ 10,613,426</u>	<u>\$ 11,718,370</u>	<u>\$ 9,037,672</u>

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

## Consolidated Statements of Changes in Net Financial Assets

For the year ended December 31, 2014

	2014 Budget (note 2(j))	2014	2013
Annual surplus for the year	\$ 1,575,754	\$ 2,680,698	\$ 3,692,467
Acquisition of tangible capital assets	(2,872,465)	(4,784,739)	(2,279,138)
Amortization of tangible capital assets	486,125	372,635	309,991
	(2,386,340)	(4,412,104)	(1,969,147)
Amortization of deferred lease costs	-	17,932	17,711
Acquisition of inventory of supplies	-	(80,560)	(1,390)
Increase in prepaid expenses	-	(1,309,901)	(582,833)
Consumption of Inventory	-	780	2,143
Use of prepaid expenses and other deposits	-	885,827	585,536
Additions of deferred leasing costs	-	(31,517)	(38,190)
Change in net financial assets	(810,586)	(2,248,845)	1,706,297
Net assets, beginning of year	5,804,357	5,804,357	4,098,060
Net financial assets, end of year	\$ 4,993,771	\$ 3,555,512	\$ 5,804,357

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

## Consolidated Statements of Cash Flows

For the year ended December 31, 2014 and 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 2,680,698	\$ 3,692,467
Items not involving cash:		
Amortization of tangible capital assets	372,635	309,991
Amortization of deferred lease costs	17,932	17,711
Changes in non-cash operating working capital:		
Accounts receivable	(117,749)	167,051
Deferred lease costs	(31,517)	(38,190)
Inventory	(79,780)	753
Prepaid expenses and other deposits	(424,074)	2,703
Accounts payable and accrued liabilities	894,938	740,276
Deferred revenue	1,492,136	506,848
Due to the City of Richmond	(366,002)	665,047
	4,439,217	6,064,657
Capital activities:		
Cash used to acquire tangible capital assets	(4,784,739)	(2,279,138)
Investing activities		
Purchase of investments	(1,407)	(3,871,085)
Financing activities:		
Repayment of obligations under capital leases	-	(8,491)
Increase in rental deposits	-	3,750
	-	(4,741)
Decrease in cash	(346,929)	(90,307)
Cash, beginning of year	1,963,267	2,053,574
Cash, end of year	\$ 1,616,338	\$ 1,963,267

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2014

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## 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) as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The consolidated financial statements include the accounts of all the funds of the Corporation and the Corporation's 50% proportionate share of operations of VROX Sport Simulation Ltd (VROX). VROX is a government partnership established to develop, manufacture and sell sport simulators to the Corporation and third party customers.

### (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 5) 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.

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

### (d) Financial instruments:

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

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

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

## 2. Significant accounting policies (continued):

### (e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (f) Capital assets:

#### (i) Tangible capital assets:

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis at rates that reflect estimates of the economic lives of the assets over the following periods:

Assets	Rate
Athletic equipment	5 years
Building improvements	5 years
Automobile	5 years
Facility equipment	3 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.

#### (ii) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company'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.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

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## 2. Significant accounting policies (continued):

(g) Pension plan:

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

(h) Income Taxes:

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

(i) Functional and object reporting:

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

(j) Budget data:

The budget data presented in these financial statements is based upon the 2014 budget approved by the Board of Directors on November 27, 2013.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of valuation of accounts receivable, useful lives of tangible capital assets for amortization, and deferred lease costs. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in earnings in the year in which they become known.

(l) Government transfers:

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

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

### 3. Investments:

Investments represent term deposits as follows:

Purchase Date	Maturity Date	2014	2013
October 30, 2013	February 27, 2014	\$ -	\$ 1,010,754
October 31, 2013	February 28, 2014	-	3,747,109
November 12, 2013	February 10, 2014	-	1,851,597
December 23, 2013	March 24, 2014	-	2,066,988
November 24, 2014	February 23, 2015	3,251,297	-
November 25, 2014	February 23, 2015	3,821,881	-
December 22, 2014	March 23, 2015	1,604,677	-
Total		\$ 8,677,855	\$ 8,676,448

The interest rate of the term deposits range from 1.80% to 1.90%.

### 4. 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.

### 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 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%).

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

## 5. 2010 Games Operating Trust Fund (continued):

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:

	2014	2013
2013 annual distributable amount approved and received in 2014	\$ 2,270,900	\$ -
2012 annual distributable amount approved and received in 2013	-	2,823,239
	<u>\$ 2,270,900</u>	<u>\$ 2,823,239</u>

## 6. Deferred revenue:

	2014	2013
Balance, beginning of year	\$ 2,824,218	\$ 2,317,370
Add: additions	9,782,988	8,309,900
Less: revenue recognized	(8,290,852)	(7,803,052)
Balance, end of year	<u>\$ 4,316,354</u>	<u>\$ 2,824,218</u>

Deferred revenue comprises of:

	2014	2013
Memberships and programs	\$ 993,972	\$ 1,008,067
Sponsorship fees	1,087,500	333,333
Sport Hosting funding (note 12(ii))	554,706	552,642
Richmond Olympic Experience (note 12(ii))	1,680,176	930,176
	<u>\$ 4,316,354</u>	<u>\$ 2,824,218</u>

## 7. Due to the City of Richmond:

The amount due to the City of Richmond arises in the normal course of business and is non-interest bearing with no stated repayment terms.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

## 8. Tangible capital assets:

Cost	Balance at December 31, 2013	Additions	Balance at December 31, 2014
Athletic equipment	\$ 974,709	\$ 113,194	\$ 1,087,903
Automobile	23,158	-	23,158
Building improvements	119,600	168,506	288,106
Computer software and equipment	1,181,355	173,742	1,355,097
Facility equipment	190,162	124,513	314,675
Signage	43,884	8,695	52,579
Tenant improvements	16,979	48,750	65,729
Uniforms, ice skates, and helmets	146,344	7,312	153,656
Work in progress	1,978,095	4,140,027	6,118,122
	<b>\$ 4,674,286</b>	<b>\$ 4,784,739</b>	<b>\$ 9,459,025</b>

Accumulated Amortization	Balance at Dec 31, 2013	Amortization Expense	Balance at Dec 31, 2014
Athletic equipment	\$ 603,837	\$ 147,873	\$ 751,710
Automobile	15,825	4,632	20,457
Building improvements	27,304	41,589	68,893
Computer software and equipment	1,109,905	81,506	1,191,411
Facility equipment	71,040	73,865	144,905
Signage	41,791	2,457	44,248
Tenant improvements	16,855	6,718	23,573
Uniforms, ice skates, and helmets	124,085	13,995	138,080
	<b>\$ 2,010,642</b>	<b>\$ 372,635</b>	<b>\$ 2,383,277</b>

	Net book value December 31, 2014	Net book value December 31, 2013
Athletic equipment	\$ 336,193	\$ 370,872
Automobile	2,701	7,333
Building improvements	219,213	92,296
Computer software and equipment	163,686	71,450
Facility equipment	169,770	119,122
Signage	8,331	2,093
Tenant improvements	42,156	124
Uniforms, ice skates, and helmets	15,576	22,259
Work in progress	6,118,122	1,978,095
	<b>\$ 7,075,748</b>	<b>\$ 2,663,644</b>

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

## 8. Tangible capital assets (continued):

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) Work in progress

Work in progress, having a value of \$6,118,122 (2013 - \$1,978,095) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### (b) Writedown of tangible capital assets

There was no write down of tangible capital assets during the year (2013 - nil).

## 9. Deferred lease costs:

	2014	2013
Balance, beginning of year	\$ 141,665	\$ 121,186
Add: additions	31,518	38,190
Less: amortization	(17,933)	(17,711)
Balance, end of year	\$ 155,250	\$ 141,665

## 10. Accumulated surplus:

Accumulated surplus is comprised of:

	2014	2013
Share Capital	\$ 1	\$ 1
Capital reserve	2,647,658	4,731,850
Other reserves/provisions	681,709	577,108
Operating surplus	1,313,254	1,065,070
Invested in tangible capital assets	7,075,748	2,663,643
	\$ 11,718,370	\$ 9,037,672

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

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## 11. Financial risk management:

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

### a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of investments 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 risk

Market risk are 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 risks are 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)

For the year ended December 31, 2014

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## 12. Related party transactions:

- (i) The Corporation leases the Oval from the City for \$1 annually.

Included in general and administration expenses are fees of \$132,788 to the City for the provision of city staff time in fiscal year 2014 (2013 - \$63,630).

In 2014, \$70,000 (2013 - \$70,000) 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 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 determined by the City in its sole discretion. During 2014, the Corporation received a contribution from the City of \$3,207,600 (2013 - \$3,574,700). In 2013, \$430,000 of this contribution was for the Mezzanine Infill project, no further amounts were contributed for this project in 2014.

- (ii) 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 2014, \$400,000 (2013 - \$400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2014, \$554,706 (2013 - \$552,642) was included in deferred revenue (note 6) and \$397,936 (2013 - \$355,137) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$500,000 from the hotel tax funding in 2014 (2013 - \$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. In addition, the Corporation received \$250,000 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. Currently, \$1,680,176 (2013 - \$930,176) 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 once the project is complete.

- (iii) During the year, the Corporation made a deposit of \$485,000 to VROX for the purchase of sports simulators for the Richmond Olympic Experience project. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the Corporation and VROX.

The assets and liabilities of VROX as at December 31, 2014 were \$489,206 and \$609,965 respectively.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

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## 13. 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 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 based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 78 contributors from the Corporation.

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, 2012 indicated an unfunded liability of \$1,370 million for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The funding deficit noted above represents a deficit for the Plan as a whole. Management considers the Corporation's future contributions to the Plan not to be significant. During the current fiscal year, the Corporation paid \$338,471 (2013 - \$312,990) as employer contributions to the Pension Plan.

## 14. Economic dependence:

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