



City of Richmond

Report to Committee

To: Finance Committee

Date: April 25, 2016

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: 2015 Financial Statements and 2015 Q4- Oval

Staff Recommendation

That the report on 2015 Financial Statements and 2015 fourth quarter ended December 31, 2015 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 28, 2016

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 2015 audited financial statements and Q4 2015**

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2015 audited financial statements and the Q4 – 2015 statement of operations (shown on page 3) which were unanimously approved by the Corporation's Board of Directors ("BOD").

Analysis

Please see the attachment 1 for the consolidated audited financial statements of the Corporation for the year ended December 31, 2015. 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 2015 audited financial statements have a net income of \$2.31M before transfers to reserves/provisions with revenues of \$16.15M and expenses of \$13.83M.

Revenues

The City applies for and receives funding from the Games Operating Trust ("GOT") Fund. GOT revenue of \$2.46M was received and recognized in 2015. The Corporation also received \$3.81M from a contribution from the City, of which \$0.58M represented the portion of Post Games Legacy Funding that was approved for the Corporation's Richmond Olympic Experience project. With respect to memberships, admissions, events and programs, the Oval's revenue was \$7.64M for 2015.

Other revenue of \$2.22M was recognized in 2015 for items such as parking, space leasing, sponsorship and interest income.

Expenses

Total salaries and benefits for 2015 was \$7.87M. There were 68 full-time and 210 part-time, seasonal and auxiliary employees on the payroll as of December 31, 2015.

Other costs of \$5.96M primarily included the following: utilities costs of \$1.01M related to the heat, light and power for the Oval, \$0.61M of amortization costs, \$0.91M of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$0.35M of costs for property and liability insurance, \$0.80M of administration costs related to accounting, information technology and office supplies, \$0.44M capital contribution to the retail store, which is a City asset, \$0.67M 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, \$1.06M of costs pertained to programs as well as the sport hosting function out of the Oval and \$0.11M of professional fees related to legal, consulting and audit fees.

Statement of Financial Position

Financial Assets

The total Financial Assets of the Corporation were \$10.15M as of December 31, 2015, which primarily included cash equivalents of \$8.63M which represent the Corporation's investments invested through the City, a cash balance of \$0.91M, and an accounts receivable balance of \$0.47M.

Financial Liabilities

The total Financial Assets of the Corporation were \$8.56M as of December 31, 2015, which primarily included accounts payable and accrued liabilities of \$2.77M such as payroll accruals and trade payables for heat, light, power, legal, the Richmond Olympic Experience ("ROX") project, and audit fees, deferred revenue of \$5.60M 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 2015 for membership and programs to be delivered in 2016.

Non-Financial Assets

The total Non-Financial Assets of the Corporation were \$12.44M as of December 31, 2015, which primarily included \$11.76M of tangible capital assets which included the ROX project, Mezzanine project, Yoga studios, athletic equipment, computer software and equipment, facility equipment, etc., and \$0.56M 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, 2015

Unaudited, prepared by management

	QTR 4 2015		\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	QTR 4 2014	Year ended Dec 31, 2015		\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Year ended Dec 31, 2014
	BUDGET	ACTUAL			ACTUAL	BUDGET	ACTUAL			ACTUAL
REVENUES										
2010 Games Operating Trust Fund	575,000	657,014	82,014	14%	580,386	2,300,000	2,464,029	164,029	7%	2,270,900
Contribution from City of Richmond (COR) (Note 1)	809,925	1,384,925	575,000	71%	801,900	3,239,700	3,814,700	575,000	18%	3,207,600
Memberships, admissions and programs	1,982,588	1,916,211	(66,376)	-3%	1,717,165	7,490,238	7,642,707	152,469	2%	6,877,930
Other	513,913	762,693	248,780	48%	405,320	1,780,650	2,222,353	441,703	25%	1,412,253
	3,881,426	4,720,844	839,418	22%	3,504,771	14,810,588	16,143,789	1,333,201	9%	13,768,684
EXPENSES										
Memberships, admissions, and program services	1,492,550	1,429,907	62,643	4%	1,002,214	5,358,190	5,141,290	216,899	4%	4,231,982
Facility Operations	1,083,215	1,225,983	(142,768)	-13%	1,024,936	4,337,346	4,369,469	(32,123)	-1%	3,982,275
Marketing	254,599	429,348	(174,749)	-69%	95,673	989,947	869,020	120,927	12%	354,334
Contribution to capital (Note 2)	-	76,970	(76,970)	0%	-	-	437,017	(437,017)	0%	24,505
Admin/Finance	819,871	779,787	40,084	5%	774,397	3,343,531	2,892,143	451,388	14%	2,434,461
	3,650,235	3,941,995	(291,759)	-8%	2,897,219	14,029,013	13,708,939	320,074	2%	11,027,557
Income (loss) before transfers to reserves/provisions	231,190	778,849	547,659		607,552	781,575	2,434,850	1,653,275		2,741,127
Transfers to reserves/provisions (Note 3)	175,000	702,122	527,122		327,123	525,000	2,308,487	1,783,487		2,804,600
Net after transfers to reserves/provisions	56,190	76,727	20,537		280,429	256,575	126,364	(130,211)		(63,473)

Note 1 - The \$575,000 favorable variance pertains to City Council approved legacy funding pertaining to the Richmond Olympic Experience project.

Note 2 - This amount pertains to the Oval's capital contribution to the retail store. The Oval Corporation committed capital reserve funding to complete the retail store which is a City asset.

Note 3 - In Q4, \$702,000 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.

Numbers may be off due to rounding.

Consolidated Financial Statements of

**RICHMOND OLYMPIC OVAL
CORPORATION**

Year ended December 31, 2015



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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, 2015, 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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, 2015 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 28, 2016
Burnaby, Canada

RICHMOND OLYMPIC OVAL CORPORATION

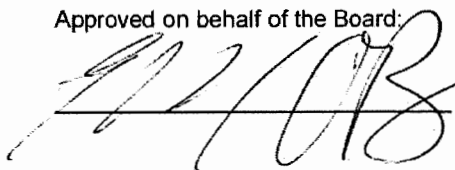
Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
		(recast – note 3)
Financial Assets		
Cash	\$ 910,373	\$ 1,616,338
Cash equivalents (note 4)	8,631,723	8,677,855
Accounts receivable	473,132	319,102
Inventories held for resale	136,308	81,535
	<u>10,151,536</u>	<u>10,694,830</u>
Liabilities		
Accounts payable and accrued liabilities	2,767,926	2,587,430
Deferred revenue (note 7)	5,598,459	4,316,354
Due to City of Richmond (note 8)	187,753	166,413
Rental deposits	9,263	9,263
	<u>8,563,401</u>	<u>7,079,460</u>
Net financial assets	1,588,135	3,615,370
Non-Financial Assets		
Tangible capital assets (note 9)	11,755,988	7,075,748
Deferred lease costs (note 10)	127,712	155,250
Prepaid expenses and other deposits	558,926	872,002
	<u>12,442,626</u>	<u>8,103,000</u>
Economic dependence (note 16)		
Accumulated surplus (note 11)	\$ 14,030,761	\$ 11,718,370

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, 2015

	2015 Budget (note 2(k))	2015	2014
Revenue:			
2010 Games Operating Trust Fund (note 6)	\$ 2,300,000	\$ 2,464,029	\$ 2,270,900
Contribution from City of Richmond (note 13(i))	3,239,700	3,814,700	3,207,600
Memberships, admissions and programs	7,490,238	7,643,069	6,879,478
Other	1,780,650	2,223,421	1,411,374
	14,810,588	16,145,219	13,769,352
Expenses:			
Salaries and benefits	8,129,661	7,867,871	6,939,941
Utilities	1,050,000	1,009,384	900,555
Amortization	850,144	606,294	372,635
Supplies and equipment	697,500	913,096	794,399
Insurance	365,000	347,453	337,034
General and administration	1,032,009	802,134	546,804
Capital contribution to City of Richmond (note 13(i))	-	437,017	24,505
Marketing	769,450	672,993	197,708
Program services	1,017,160	1,064,664	849,149
Professional fees	118,090	111,922	125,924
	14,029,014	13,832,828	11,088,654
Annual surplus	781,574	2,312,391	2,680,698
Accumulated surplus, beginning of year	11,718,370	11,718,370	9,037,672
Accumulated surplus, end of year	\$ 12,499,944	14,030,761	\$ 11,718,370

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statements of Changes in Net Financial Assets

For the year ended December 31, 2015

	2015 Budget (note 2(k))	2015	2014
Annual surplus for the year	\$ 781,574	\$ 2,312,391	\$ 2,680,698
Acquisition of tangible capital assets	(3,150,555)	(5,286,534)	(4,784,739)
Amortization of tangible capital assets	850,144	606,294	372,635
	(2,300,411)	(4,680,240)	(4,412,104)
Amortization of deferred lease costs	-	27,538	17,932
Increase in prepaid expenses	-	(358,625)	(1,331,578)
Use of prepaid expenses and other deposits	-	671,701	885,827
Additions of deferred leasing costs	-	-	(31,517)
Change in net financial assets	(1,518,837)	(2,027,235)	(2,190,742)
Net financial assets, beginning of year	3,615,370	3,615,370	5,806,112
Net financial assets, end of year	\$ 2,096,533	\$ 1,588,135	\$ 3,615,370

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statements of Cash Flows

For the year ended December 31, 2015 and 2014

	2015	2014
		(recast – note 3)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 2,312,391	\$ 2,680,698
Items not involving cash:		
Amortization of tangible capital assets	606,294	372,635
Amortization of deferred lease costs	27,538	17,932
Changes in non-cash operating working capital:		
Accounts receivable	(154,030)	(96,072)
Deferred lease costs	-	(31,517)
Inventories held for resale	(54,773)	(79,780)
Prepaid expenses and other deposits	313,076	(445,751)
Accounts payable and accrued liabilities	180,496	894,938
Deferred revenue	1,282,105	1,492,136
Due to the City of Richmond	21,340	(366,002)
	4,534,437	4,439,217
Capital activities:		
Acquisition of tangible capital assets	(5,286,534)	(4,784,739)
Decrease in cash and cash equivalents	(752,097)	(345,522)
Cash and cash equivalents, beginning of year	10,294,193	10,639,715
Cash and cash equivalents, end of year	\$ 9,542,096	\$ 10,294,193

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2015

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 is a government partnership established to develop, manufacture and sell sport simulators to the Corporation and third party customers, as well as to maintain the simulators for the Corporation.

(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 6) 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) Cash equivalents:

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

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

2. Significant accounting policies (continued):

(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

(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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

2. Significant accounting policies (continued):

(g) Capital assets (continued):

(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 2015 budget approved by the Board of Directors on February 25, 2015.

(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.

(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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

3. Recast of comparative figures:

During the year, the Corporation determined that an adjustment was required to correct the classification of certain financial instruments in its comparative figures. This adjustment is immaterial to the financial statements as a whole. Certain guaranteed investment certificates were reclassified from Investments to Cash equivalents as these instruments are considered highly liquid investments with a term to maturity of three months or less at the date of purchase. This resulted in an immaterial reclassification of \$8,677,855 between investments and cash equivalents as at December 31, 2014.

4. Cash equivalents

Cash equivalents represent term deposits as follows:

Purchase Date	Maturity Date	2015	2014
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
October 13, 2015	January 11, 2016	4,631,723	-
November 23, 2015	February 22, 2016	4,000,000	-
Total		\$ 8,631,723	\$ 8,677,855

The interest rate of the term deposits range from 1.30% to 1.50%.

5. 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

6. 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:

	2015	2014
2014 annual distributable amount approved and received in 2015	\$ 2,464,029	\$ -
2013 annual distributable amount approved and received in 2014	\$	\$ 2,270,900
	\$ 2,464,029	\$ 2,270,900

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

7. Deferred revenue:

	2015	2014
Balance, beginning of year	\$ 4,316,354	\$ 2,824,218
Add: additions	11,148,595	9,782,988
Less: revenue recognized	(9,866,490)	(8,290,852)
Balance, end of year	\$ 5,598,459	\$ 4,316,354

Deferred revenue comprises of:

	2015	2014
Memberships and programs	\$ 960,680	\$ 993,972
Sponsorship fees	1,759,946	1,087,500
Sport Hosting funding (note 13(ii))	569,320	554,706
Richmond Olympic Experience (note 13(ii))	2,308,513	1,680,176
	\$ 5,598,459	\$ 4,316,354

8. 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.

9. Tangible capital assets:

Cost	Balance at December 31, 2014	Additions	Balance at December 31, 2015
Athletic equipment	\$ 1,087,903	\$ 1,120,015	\$ 2,207,918
Automobile	23,158	-	23,158
Building improvements	288,106	76,823	364,929
Computer software and equipment	1,355,097	603,477	1,958,574
Facility equipment	314,675	337,116	651,791
Infrastructure	-	5,831,069	5,831,069
Signage	52,579	29,488	82,067
Simulators and exhibit fabrication	-	3,368,067	3,368,067
Tenant improvements	65,729	-	65,729
Uniforms, ice skates, and helmets	153,656	38,601	192,257
Work in progress	6,118,122	(6,118,122)	-
	\$ 9,459,025	\$ 5,286,534	\$ 14,745,559

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

9. Tangible capital assets (continued):

Accumulated Amortization	Balance at Dec 31, 2014	Amortization Expense	Balance at Dec 31, 2015
Athletic equipment	\$ 751,710	\$ 190,413	\$ 942,123
Automobile	20,457	2,701	23,158
Building improvements	68,893	69,187	138,080
Computer software and equipment	1,191,411	142,585	1,333,996
Facility equipment	144,905	120,753	265,658
Infrastructure	-	9,750	9,750
Signage	44,248	7,913	52,161
Simulators and exhibit fabrication	-	20,807	20,807
Tenant improvements	23,573	29,452	53,025
Uniforms, ice skates, and helmets	138,080	12,733	150,813
	\$ 2,383,277	\$ 606,294	\$ 2,989,571

	Net book value December 31, 2015	Net book value December 31, 2014
Athletic equipment	\$ 1,265,795	\$ 336,193
Automobile	-	2,701
Building improvements	226,849	219,213
Computer software and equipment	624,578	163,686
Facility equipment	386,133	169,770
Infrastructure	5,821,319	-
Signage	29,906	8,331
Simulators and exhibit fabrication	3,347,260	-
Tenant improvements	12,704	42,156
Uniforms, ice skates, and helmets	41,444	15,576
Work in progress	-	6,118,122
	\$ 11,755,988	\$ 7,075,748

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 items from the prior year are now in service and the amortization of these assets has commenced in 2015.

(b) Write-down of tangible capital assets

There was no write-down of tangible capital assets during the year (2014 - nil).

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

10. Deferred lease costs:

	2015	2014
Balance, beginning of year	\$ 155,250	\$ 141,665
Add: additions	-	31,518
Less: amortization	(27,538)	(17,933)
Balance, end of year	\$ 127,712	\$ 155,250

11. Accumulated surplus:

Accumulated surplus is comprised of:

	2015	2014
Share capital	\$ 1	\$ 1
Capital reserve	3,191,222	4,327,834
Other reserves/provisions	890,195	681,709
Operating surplus	501,868	1,313,254
Invested in tangible capital assets	9,447,475	5,395,572
	\$ 14,030,761	\$ 11,718,370

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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

12. Financial risk management (continued):

(b) Market and interest rate risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return of risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rate.

It is management's opinion that the Corporation is not exposed to significant market or interest rate risk from its financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risks by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

It is management's opinion that the Corporation is not exposed to significant liquidity risk.

13. Related party transactions:

(i) 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 \$192,880 (2014 - \$132,788) to the City for the provision of City staff time.

In 2015, \$nil (2014 - \$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 2015, the Corporation received a contribution from the City of \$3,814,700 (2014 - \$3,207,600). Included in the contribution received in 2015 was \$575,000 related to the Richmond Olympic Experience project that was funded from the City's Legacy Fund.

During 2015, the Corporation spent \$437,017 (2014 - \$24,505) from its capital reserve funding towards the construction of the "ROX Shop" retail store, which is a City asset.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

13. Related party transactions (continued):

(ii) 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 2015, \$400,000 (2014 - \$400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2015, \$569,320 (2014 - \$554,706) was included in deferred revenue (note 7) and \$385,386 (2014 - \$397,936) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$500,000 from the hotel tax funding in 2015 (2014 - \$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 \$450,000 (2014 - \$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. As at year-end, \$2,308,513 (2014 - \$1,680,176) 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.

14. Government partnership:

VROX is a government partnership established to develop, manufacture and sell sport simulators to the Corporation and third party customers. 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:

	2015	2014
<u>Financial Position</u>		
Total assets	\$ 323,339	\$ 502,972
Total liabilities	(359,454)	(609,966)
Deficit	\$ (36,115)	\$ (106,994)
<u>Results of Operations</u>		
Total revenues	\$ 868,880	\$ 1,336
Total expenses	(798,001)	(108,430)
Net Income (loss)	\$ 70,879	\$ (107,094)

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

14. Government partnership (continued):

VROX's revenues during the year were primarily from sales to the Corporation. 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.

15. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd 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, 2014, the plan has about 185,000 active members and approximately 80,000 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, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The next valuation will be 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 pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The 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. The Corporation paid \$398,948 (2014 - \$338,471) for employer contributions to the Plan in fiscal 2015.

16. Economic dependence:

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

17. Comparative figures:

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