

Shaw) Centre
Canada's Meeting Place

2019 / 2020 ANNUAL REPORT

Shaw Centre

55 Colonel By Drive, Ottawa
Ontario, Canada, K1N 9J2

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Executive Leadership Team

Nina Kressler
President & CEO

Dan Young
Vice-President & COO

Loretta Briard
General Manager

OCC Board of Directors

Jo-Anne Poirier – Chair
March 2018 to March 2021

Jim Armour
June 6, 2019 to June 6, 2022

Debra Armstrong
February 27, 2019 to November 30, 2020

Michael Crockett
February 27, 2019 to November 30, 2020

Councillor George Darouze/replacing Councillor Jenna Sudds
February 26, 2020 to December 2022

Annie Dugas
May 31, 2017 to May 30, 2020

Annie Hillis
December 11, 2013 to December 10, 2019

Jean Lalande
September 8, 2014 to September 7, 2020

Richard Patten
April 16, 2014 to April 15, 2020

Maria Ricci
December 11, 2013 to December 10, 2019

Sean Webster
December 12, 2018 to December 12, 2021

MESSAGE FROM THE CHAIR AND PRESIDENT & CEO

The Centre hosted a total of 456 events in the 2019-20 fiscal year. Of those events, 74 drew participants from outside of the Ottawa-Gatineau area. This equaled over 63,000 out-of-town visitors who enjoyed the city of Ottawa and boosted the region’s economy by \$150M. This direct spending contributed approximately \$122M to Ottawa’s GDP and supported approximately 1,649 jobs, resulting in \$76M in direct and indirect labour income. This includes \$47M in labour income that stems from 1,248 jobs that are supported directly by events held at the Ottawa Convention Centre. In total, \$54.5M in taxes for all three levels of government was generated in 2019/2020.

We experienced significant short-term business increases in all market segments. In our fourth quarter, several significant events cancelled just as the pandemic started to take hold in Canada. All events in the last two weeks of March cancelled which resulted in not meeting budget for the month. We are very pleased to share that between tight expense control coupled with strong revenue generation in corporate partnerships, sales, and advertising, the OCC realized a \$1.34M surplus to a budget of \$1.1M.

The OCC hosted 46 conventions of which many were city-wide groups in our association, corporate and international sectors. We were delighted to welcome delegates and families from around the world to Ottawa here to attend the International Conference on Large Dams, 2019 Water Conference and Tradeshow, International Metropolis Conference, Open Government Partnership Summit, Go Media Canada 2019, Pet Valu and Association of Municipalities of Ontario to name a few. Key performance indicators are critical in the measurement of success. Our customer service scores were 4.8/5 for overall total satisfaction, exceeding our goal of 4.5.

Our occupancy during the 2019/2020 fiscal year is reflected in the table below.

	Q1	Q2	Q3	Q4	Total
Ballroom	54.9%	43.5%	67.4%	25.3%	55.5%
Tradeshow Hall	64.1%	27.2%	44.1%	30.9%	48.5%
Meeting Room	48.3%	35.5%	34.9%	26.6%	42.4%
Total	56.5%	32.2%	44.2%	28.4%	47.2%

Giving back to our community is an important pillar in our corporate philosophy and a strong belief by all our associates. Quarterly initiatives as well as hosting the Coldest Night of the Year on February 22, 2020 in support of the Ottawa Mission remains one of higher staff involved commitments. Hosting and sponsorship of Bouge Bouge 5K Run as well as many partnerships with our local community to assist in fundraising for local charities through food and beverage sponsorships such as Gold Medal Plates. We welcomed the Annual Christmas Cheer Breakfast who found themselves in need of a new home. This event sold out in a few days with more than 800 participants from our local community ready to give back.

While we take great pride in maintaining our beautiful world class facility, we welcomed several capital upgrades in both front and back of house. Some examples of this include new flooring in our kitchen, stewarding and back of house hallways.

The purchase of new banquet chairs and customer focusing food and beverage presentation displays as well as staff uniforms. Upgrades to health and safety items such as new security systems and camera upgrades, and new front doors.

It has truly been a great year with the Centre fulfilling on so many of our strategic plan initiatives and delivering a strong surplus to our stakeholders. As always, success is not achieved on our own. We wish to thank and acknowledge our closest partners, Aramark Entertainment Services Canada Inc. and Encore Audio-Visual/Freeman Electrical Services. Our established vision of *Inspired People Creating Extraordinary Events* remains part of our culture and DNA. We also wish to thank our colleagues' ongoing commitment to customer service and delivering excellence. These individuals are the lifeblood of our business and no matter how busy they make magic happen every day and help the OCC continue to be a genuinely wonderful place to work! We are very appreciative of the support from our Minister, The Honourable Lisa MacLeod and her dedicated staff as well as our Board of Directors for providing strategic guidance as we continue to build on our successes leading into our 10th year of operations.



Jo-Anne Poirier
Chair, Board of Directors



Nina Kressler
President & CEO

CORPORATE GOALS

OCC’s corporate goals are set annually by the Board of Directors and Executive Leadership Team. In 2019/20, OCC’s corporate goals focused on the following strategic priorities: financial sustainability, client satisfaction, colleague satisfaction, partner performance and corporate social responsibility

Financial Sustainability

OCC’s long-range financial imperative is to generate revenues to support a surplus to allow for the annual \$1M debt repayment, and to maintain cash flows sufficient to provide for lifecycle requirements.

Economic Impact for 2019/20

In the 2019-20 fiscal year, OCC hosted a total of 456 events of which 74 events drew participants primarily from outside the Ottawa-Gatineau area. This equaled over 63,000 out-of-town visitors who boosted Ottawa’s economy by \$150M in direct spending, including:

- \$117M in attendee spending
- \$21M in exhibitor spending
- \$11M in production spending

This direct spending contributed approximately \$122M to Ottawa’s GDP and supported approximately 1,649 jobs, resulting in \$76M in direct and indirect labour income. This includes \$47M in labour income that stems from 1,248 jobs that are supported directly by events held at the Ottawa Convention Centre. In total, \$54.5M in taxes for all three levels of government was generated in 2019/2020.

Financial Results

Goal	2019/20 Objective	2019/20 Result
Gross Revenue	\$18.4M	\$18.1M
Net Operating Profit	\$1.11M	\$1.34 M
Booking Pace	\$18.1M	\$18.6M

Improving Client Satisfaction

OCC recognizes the paramount importance of client satisfaction and reflects this through systems and procedures that ensure superior customer service from initial contact through to final invoicing. In 2019/20, our client satisfaction scores reached 4.8 out of 5. We continue to look forward to maintaining and enhancing this year’s score in 2020/21.

We remain confident in the knowledge that we have earned a strong reputation in both the convention and meetings marketplaces for hosting outstanding events and providing exceptional customer service to our clients.

Colleagues & Partners

OCC recognizes the fundamental role of colleague and partner excellence in delivering a superior event experience and maintains a formal program to recruit, retain, recognize and train colleagues in all key areas of the organization, and maintain positive and mutually supportive partner relations.

Our colleagues have identified rewards and recognition as important to them. At OCC, we are focused on a culture of appreciation for our colleagues and clients; a culture where great work and results are noticed. To that end, we will continue to celebrate great work and encourage even better through programs like *Encore! Encore!* which gives us the vehicle to recognize colleagues who live our company values every day on the job. When our colleagues meet a milestone career anniversary, we honour their dedication with special recognition and rewards. Our goal is for our colleagues to know that each of them is a valued member of the OCC team and as such is responsible for our exceptional customer service scores. Recognition Road is just one of the ways we honour our colleagues' contributions. Recognition Road is our monthly acknowledgement program that recognizes a colleague from each department who has gone above and beyond expectations.

OCC's primary service partners, Aramark Entertainment Services (Canada) Inc. and Freeman Audio-Visual/Freeman Electrical Services, are a key ingredient of our operational product offerings and third-party initiatives. OCC works very closely with our service partners to ensure customer service remains high and product quality exceeds industry standards and client demands.

Corporate Social Responsibility

OCC recognizes the role we play in the life and economy of our host community and the role that the community plays in supporting and enhancing the event experience of our clients. In doing so, we undertake to demonstrate ongoing corporate responsibility and maintain a positive community interface.

At OCC we continuously strive to find strategies that will maximize the efficiency of our waste management system with a diversion goal of at least 65%. In 2019/20, OCC successfully diverted 55% of waste from landfills. We expect this number to continue to grow in the coming years as our focus on waste management increases. Further to this, the OCC has a robust focus on energy savings. OCC participates in a rigorous food waste program utilizing Organic Refuse Conversion Alternatives that turns organic waste and compost waste into environmentally safe grey water. OCC continues to be part of Carbon 613, a network of Ottawa businesses committed to working towards a reduction of greenhouse gasses.

While many companies now practice some form of social responsibility programs, we, at the Ottawa Convention Centre, have decided to make it a core of our operations. Undertaking socially responsible initiatives not only allows us to appeal to socially conscious consumers (and colleagues), but it also makes a tangible difference in the world. We also encourage our clients to give back to our community. We offer three flexible CSR programs that enable them to have a positive impact with minimal effort, all of which are facilitated by our team: Leave a Legacy Program, FoodRescue.ca and Mealshare. This past year, many local charities and organizations benefited from our clients' generosity including St. Joe's Women's Shelter, Ottawa Mission, Parkdale Food Centre, Ottawa Food Bank and the Ottawa District School Board.

OCC colleagues also recognize the importance of giving back to the community, and as such have set a goal to participate in volunteer activities throughout the year. In 2019/20 OCC staff participated in a number of initiatives aimed at supporting various local community organizations and groups including OCC staff serving approximately 500 lunches at the Ottawa Mission on a quarterly basis. We will continue to look for partnership opportunities in the hopes of ensuring all salvageable materials that are left behind are delivered to charities most in need.

OPERATING STATISTICS 2019-2020

Number of events: **456**

Number of conventions: **46**

Number of trade & consumer shows: **7**

Number of meetings: **300**

Other Events: **103**

Revenue: **\$18.1M**

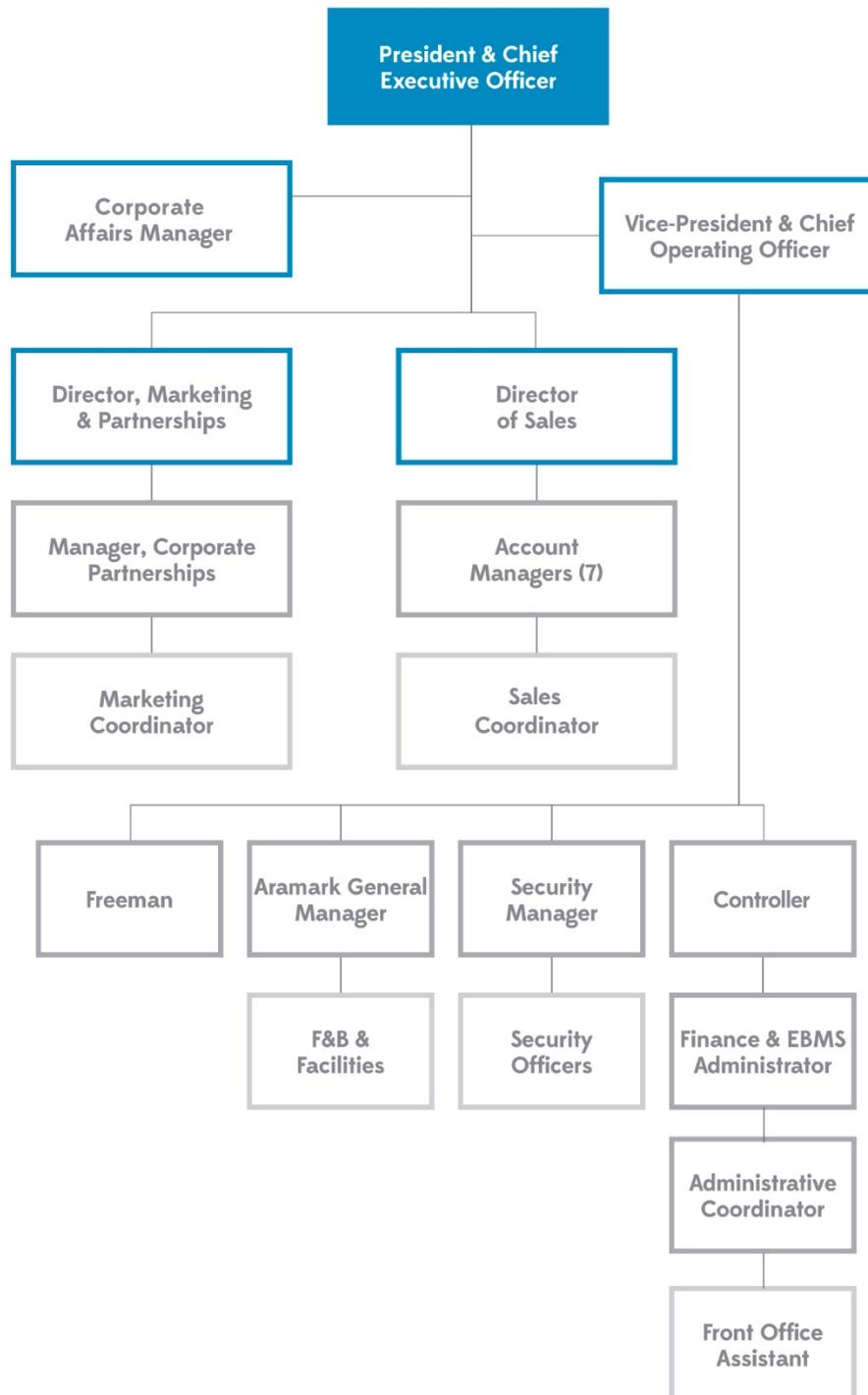
Operating Surplus: **\$1.34M**

DISCLOSURE OF REMUNERATION

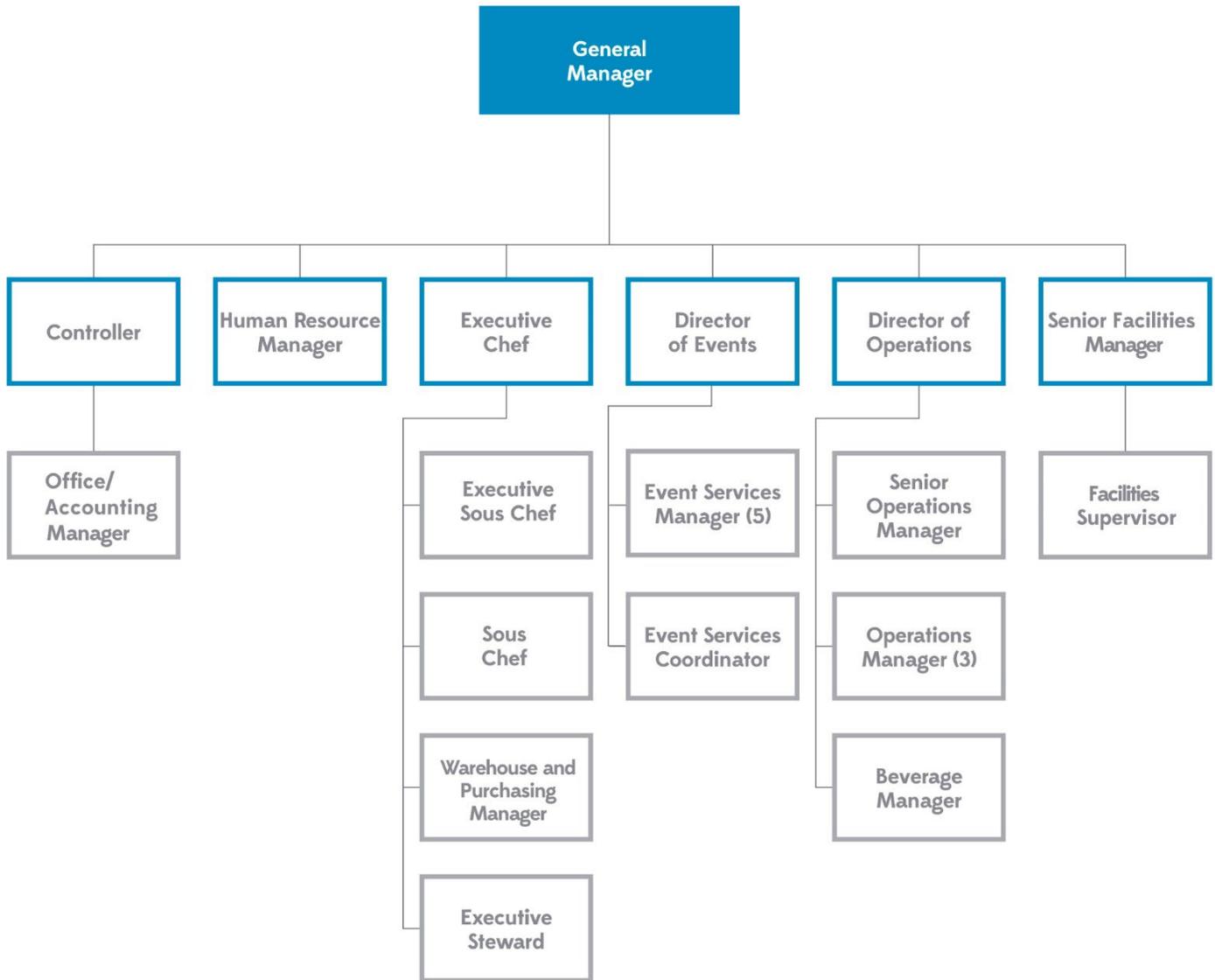
Except for the City of Ottawa representative and one Provincial Government representative who has chosen to re-invest his remuneration back to the Ottawa Convention Centre; each member of Ottawa Convention Centre's Board of Directors is paid for his or her attendance at board, committee and other meetings as required. Outlined below is the total remuneration paid to each director for fiscal 2019/20.

Name	Title	Amount
Jo-Anne Poirier	Chair	\$3,000.00
Jim Armour	Director	\$500.00
Annie Dugas	Director	\$1,250.00
Annie Hillis	Director	\$750.00
Jean Lalande	Director	\$750.00
Richard Patten	Director	\$ 375.00
Maria Ricci	Director	\$1,375.00
Debra Armstrong	Director	\$750.00
Sean Webster	Director	\$0.00
Michael Crockatt	Director	\$750.00
Jenna Sudds/George Darouze	Director	\$0.00

OTTAWA CONVENTION CENTRE ORGANIZATIONAL STRUCTURE



OTTAWA CONVENTION CENTRE FOOD SERVICE PROVIDER



Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Financial Statements
March 31, 2020

Independent Auditor's Report

To the Members of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa:

Opinion

We have audited the financial statements of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa (the "Centre"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets (liabilities) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Centre for the year ended March 31, 2019 were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those statements on June 13, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Ontario

June 25, 2020

MNP **LLP**

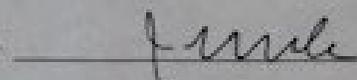
Chartered Professional Accountants

Licensed Public Accountants

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Statement of Financial Position
As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	5,441,803	7,513,483
Accounts receivable	1,304,241	791,957
Prepaid expenses	93,621	99,691
	<u>6,839,665</u>	<u>8,405,131</u>
Property, plant and equipment (note 4)	<u>137,516,138</u>	<u>140,415,817</u>
	<u>144,355,803</u>	<u>148,820,948</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	2,503,373	2,673,598
Current portion of deferred revenue and deposits	2,676,737	2,658,351
Current portion of long-term debt (note 6)	177,647	169,548
	<u>5,357,757</u>	<u>5,501,497</u>
Non-current liabilities		
Deferred revenue and deposits	611,085	969,850
Long-term debt (note 6)	28,607,020	28,784,667
Deferred contributions related to property, plant and equipment (note 7)	95,492,872	97,441,539
	<u>130,668,734</u>	<u>132,697,553</u>
Net assets	<u>14,280,269</u>	<u>16,123,395</u>
	<u>144,355,803</u>	<u>148,820,948</u>
Commitments (note 11)		

Approved by the Board of Directors


 _____ Director
 
 _____ Director

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Financial Position

As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	5,441,803	7,513,483
Accounts receivable	1,304,241	791,957
Prepaid expenses	93,821	99,691
	<u>6,839,865</u>	<u>8,405,131</u>
Property, plant and equipment (note 4)	137,515,138	140,415,817
	<u>144,355,003</u>	<u>148,820,948</u>
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Current portion of deferred revenue and deposits	2,676,737	2,658,351
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	<u>5,357,757</u>	<u>5,501,497</u>
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Deferred contributions related to property, plant and equipment (note 7)	95,492,872	97,441,539
	<u>130,068,734</u>	<u>132,697,553</u>
Net assets	<u>14,286,269</u>	<u>16,123,395</u>
	<u>144,355,003</u>	<u>148,820,948</u>
Commitments (note 11)		

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Operations

For the year ended March 31, 2020

	2020 \$	2019 \$
Revenue		
Food and beverage	10,880,270	10,954,257
Space rental	4,830,877	4,662,783
Commissions	1,570,241	1,620,610
Advertising	628,143	531,650
Interest earned	119,297	90,150
Other	50,000	58,928
	<u>18,078,828</u>	<u>17,918,378</u>
Expenses (note 8)		
Direct	7,894,859	7,921,789
Facilities	5,656,989	5,622,488
Selling, general and administrative	3,191,721	3,023,088
	<u>16,743,569</u>	<u>16,567,365</u>
Excess of revenue over expenses before undernoted items	1,335,259	1,351,013
Interest on long-term debt	(1,060,452)	(1,068,176)
Amortization of deferred contributions related to property, plant and equipment	3,284,667	3,217,867
Amortization of property, plant and equipment	<u>(5,396,600)</u>	<u>(5,271,804)</u>
Excess of expenses over revenues before non-recurring items	(1,837,126)	(1,771,100)
Gain on debt extinguishment (note 6)	<u>-</u>	<u>24,045,319</u>
Excess of revenues over expenses (expenses over revenues) for the year	<u>(1,837,126)</u>	<u>22,274,219</u>

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Changes in Net Assets (Liabilities)

For the year ended March 31, 2020

	2020 \$	2019 \$
Net assets (liabilities) – Beginning of year	16,123,395	(6,150,824)
Excess of revenues over expenses (expenses over revenues) for the year	<u>(1,837,126)</u>	<u>22,274,219</u>
Net assets – End of year	<u>14,286,269</u>	<u>16,123,395</u>

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	(1,837,126)	22,274,219
Items not affecting cash		
Amortization of property, plant and equipment	5,396,600	5,271,804
Amortization of deferred contributions related to property, plant and equipment	(3,284,667)	(3,217,867)
Gain on debt extinguishment (note 6)	-	(24,045,319)
	<u>274,807</u>	<u>282,837</u>
Net change in non-cash working capital balances related to operations (note 9)	<u>(1,305,313)</u>	<u>1,724,879</u>
	(1,030,506)	2,007,716
Capital activities		
Purchase of property, plant and equipment	(1,581,441)	-
Additional capital contributions received	709,815	49,358
Financing activities		
Repayment of long-term debt	<u>(169,548)</u>	<u>(161,823)</u>
Increase (decrease) in cash during the year	(2,071,680)	1,895,251
Cash – Beginning of year	<u>7,513,483</u>	<u>5,618,232</u>
Cash – End of year	<u>5,441,803</u>	<u>7,513,483</u>
Supplementary information		
Interest paid	1,060,452	1,068,176
Supplementary non-cash capital activities		
Additional capital contributions receivable	626,185	-
Purchase of property, plant and equipment payable	914,480	-

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2020

1 Nature of organization

The Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa ("the Centre") was incorporated by a special act of the Ontario Provincial Legislature. The mandate of the Centre is to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario. The Centre is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Centre are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations.

Revenue recognition

Revenue from food, beverage, space rental and other is recognized when the related goods or services are provided to the customer. Advertising revenue is recognized in the year in which the advertising is provided to the client. Commission revenue is recognized in the year in which the related event is held.

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services

From time to time, the Centre may receive contributed materials and services. Since these materials and services are either not normally purchased by the Centre or the fair value of the materials or services cannot be reasonably estimated, contributed materials and services are not recognized in these financial statements.

Use of estimates

The preparation of financial statements in conformity with PSAS 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include the useful lives of property, plant and equipment and accrued liabilities. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2020

2 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful lives of the various classes of assets, except in the year of acquisition when a pro-rated share of the year's amortization is recorded based on the fiscal quarter in which the asset is acquired. Amortization is calculated at the following rates:

Building	40 years straight-line
Software	5 years straight-line
Furniture, equipment and fixtures	10 years straight-line
Technology network	15 years straight-line

The Centre reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the Centre. The impairment loss, if any, is the excess of the carrying value over any residual value. Impairment losses are not reversed in future periods.

Deferred revenue and deposits

Deferred revenue and deposits represent amounts received in advance from customers in relation to services to be rendered in future periods.

Deferred contributions related to property, plant and equipment

Deferred contributions represent amounts received from various levels of government to be used towards the construction and purchase of property, plant and equipment. An additional contribution was also received from one of the Centre's significant partners.

Deferred contributions received from the government are recognized as revenue on the same basis as the amortization of property, plant and equipment.

The deferred contributions received from the Centre's significant partner are recognized over the term of the agreement.

Employee future benefits

All full-time employees of the Centre are eligible to be members of the Centre's defined contribution pension plan which offers employees a pension benefit, upon retirement or termination, based on the accumulated contributions made by the individual employee and by the Centre, on their behalf, plus any investment earnings on these contributions. Contributions required to be made by the Centre are recorded in the period in which employee services are rendered.

During the year, the Centre recorded an expense of \$110,294 (2019 – \$87,229) for contributions made to the defined contribution pension plan, which is included in selling, general and administrative expenses.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2020

2 Summary of significant accounting policies (continued)

Financial instruments

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Centre has classified its financial instruments as follows:

Asset/liability	Measurement
Cash	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost

3 Related party transactions

The Centre is related through common ownership to all Province of Ontario ministries, agencies, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

4 Property, plant and equipment

	2020		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Building	170,840,512	38,366,118	132,474,394
Software	274,577	274,577	-
Furniture, equipment and fixtures	10,939,748	7,643,032	3,296,716
Technology network	2,476,912	1,486,147	990,765
Land	753,263	-	753,263
	185,285,012	47,769,874	137,515,138
	2019		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Building	170,840,512	34,095,105	136,745,407
Software	274,577	274,577	-
Furniture, equipment and fixtures	8,443,827	6,682,572	1,761,255
Technology network	2,476,912	1,321,020	1,155,892
Land	753,263	-	753,263
	182,789,091	42,373,274	140,415,817

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2020

5 Credit facility

At March 31, 2020, the Company has an available credit facility of \$3,000,000 (2019 - \$3,000,000) which bears interest at prime rate and is repayable on demand. It is secured by a general security agreement on all personal property. At March 31, 2020, no amounts (2019 - \$Nil) were drawn with respect to this credit facility. As directed by the Ministry of Heritage, Sport, Tourism and Culture, the Centre must obtain an approved Order in Council from the Ministry prior to drawing on the facility. Subsequent to March 31, 2020, management of the Centre submitted an application for an Order in Council which management expects will be approved.

6 Long-term debt

On May 4, 2018, the Centre was granted a release of its obligation to repay the \$40,000,000 loan plus interest to the Ontario Financing Authority (the "OFA"). The release is for the full amount of any outstanding principal and interest totalling \$51,628,557 as of the effective date of March 31, 2018. As a result, a new agreement has been signed requiring the Centre to make annual payments of \$1,000,000 to the OFA in perpetuity subject to the Centre's ability to make such payments and the guarantee it obtained from the Ministry of Heritage, Sport, Tourism and Culture (the "Ministry"). The future cash flows related to this obligation have been valued at the Net Present Value of a perpetuity using a 3.63% discount rate (which is based on the Province of Ontario's 25-year borrowing rate plus a 0.5% premium reflecting the Centre's credit risk) and disclosed below totalling \$27,583,238. The difference in carrying value of the old debt and the new obligation as of April 1, 2018 was recognized as a gain on debt extinguishment totalling \$24,045,319 for the year ended March 31, 2019.

As part of the new agreement with the OFA, the Centre obtained a guarantee from the Ministry, a related party through common control, to pay any shortfall in the required annual payment each year to the OFA on behalf of the Centre. The Centre is not obligated to repay any amounts paid by the Ministry under this guarantee.

The new agreement with the OFA also requires the Centre to make additional annual payments to the OFA to the extent excess cash flow from operations permits. The agreement with the OFA stipulates that the amount of any such additional payment will be negotiated annually by the Centre and the OFA based on actual operating results for the particular year as well as taking into consideration the Centre's three-year plan, including its capital plan.

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March 31, 2020

6 Long-term debt (continued)

	March 31, 2020 \$	March 31, 2019 \$
Present value of non-interest bearing obligation to pay \$1,000,000 per year to the OFA in perpetuity, discounted at a rate of 3.63% per annum	27,583,238	27,583,238
Debt related to acquisition of technology services network, bearing interest at 4.7% per annum and requiring blended monthly payments of \$19,167 (2019 - \$19,167) from April 2011 through March 2026	1,201,429	1,370,977
	<u>28,784,667</u>	<u>28,954,215</u>
Less: Current portion	177,647	169,548
	<u>28,607,020</u>	<u>28,784,667</u>

Principal payments required on long-term debt obligations over the next five years are as follows:

Year Ending March 31	\$
2021	177,647
2022	186,120
2023	195,005
2024	204,313
2025	214,066

The calculation of the gain on debt extinguishment is as follows:

	April 1, 2018 \$
Loan payable to the OFA	51,628,557
Present value of non-interest bearing obligation to pay \$1,000,000 per year to the OFA in perpetuity, discounted at a rate of 3.63% per annum	<u>(27,583,238)</u>
Gain on debt extinguishment recognized during the year ended March 31, 2019	<u>24,045,319</u>

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Notes to Financial Statements

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7 Deferred contributions

	2020 \$	2019 \$
Balance – Beginning of year	97,441,539	100,610,048
Additions	1,336,000	49,358
Amortization	(3,284,667)	(3,217,867)
	<hr/>	<hr/>
Balance – End of year	95,492,872	97,441,539

8 Expenses

Expenses presented by function are represented as follows:

	2020 \$	2019 \$
Direct	7,894,859	7,921,789
Facilities	11,053,589	10,894,292
Selling, general and administrative	3,191,721	3,023,088
Financial	1,060,452	1,068,176
	<hr/>	<hr/>
	23,200,621	22,907,345

The above presentation of expenses by function excludes the amortization of deferred contributions related to property, plant and equipment, as these are considered revenue in accordance with the Centre's accounting policies described in note 2.

9 Net change in non-cash working capital balances

The net change in non-cash working capital balances consists of the following changes in current assets and liabilities:

	2020 \$	2019 \$
Accounts receivable	113,901	131,674
Prepaid expenses	5,870	(10,847)
Accounts payable and accrued liabilities	(1,084,705)	798,445
Deferred revenue and deposits – Current	18,386	521,936
Deferred revenue and deposits – Long-term	(358,765)	283,671
	<hr/>	<hr/>
	(1,305,313)	1,724,879

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Notes to Financial Statements

March 31, 2020

10 Financial instruments and risk management

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash, being the only financial instrument measured at fair value, was measured as a Level 1 financial instrument.

Credit risk

Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the Centre. The Centre's booking policies are designed to minimize the amounts due from customers upon the conclusion of their event and thereby reduce the Centre's exposure to credit risk. Further, the Centre's management performs regular reviews of the creditworthiness of its customers and has collection policies that management feels are adequate to minimize losses in this area. The Centre does not consider its accounts receivable as presenting any significant credit risk.

As at March 31, 2020, the Centre did not have any accounts receivable that were past due but not impaired.

Furthermore, in May 2018, the Centre obtained a guarantee from the Ministry of Heritage, Sport, Tourism and Culture in relation to its perpetual obligation to the OFA detailed in note 6. The ability of the Centre to draw on this guarantee is subject to the ongoing creditworthiness of the Ministry; however, the Centre does not currently perceive any significant credit risk related to the Ministry.

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10 Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its long-term debt and the obligation to pay \$1,000,000 annually to the OFA (note 6). As part of the new agreement with the OFA, the Centre obtained a guarantee from the Ministry of Heritage, Sport, Tourism and Culture that it will pay on behalf of the Centre all or a portion of the annual payments due to the OFA to the extent the Centre is unable to make such payments. Given the \$1,000,000 annual payment is required in perpetuity, the annual payment is deemed to be interest expense each year and the present value of the future required annual payments is presented as a long-term liability on the balance sheet and included in the “more than 5 years” category in the table below.

The table below is a maturity analysis of the Centre’s financial liabilities (excluding interest) as at March 31, 2020:

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	2,224,029	40,914	47,161	47,161	2,359,265
Long-term debt	87,787	89,860	799,498	27,807,522	28,784,667
	<u>2,311,816</u>	<u>130,774</u>	<u>846,659</u>	<u>27,854,683</u>	<u>31,143,932</u>

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. It has also disrupted the normal operations of many businesses, including the Centre’s. This outbreak has resulted in decreased spending, limited travelling, and limitations on public gatherings adversely affecting demand for and the ability of the Centre to provide its services, forcing the Centre to temporarily halt its operations effective March 12, 2020. It is not possible for the Centre to predict the duration of the outbreak, travel restrictions and limitations on public gatherings, and ultimately the date the Centre will be able to resume operations, nor can it predict the effects of social distancing procedures including event attendance limits, sanitation requirements, and capacity reductions that will be required upon reopening. Management believes that the cash on hand at March 31, 2020 should provide the cash flow necessary to fund operations over the next year through March 2021. The ability to continue as a going concern beyond March 2021 will be dependent upon the Centre’s ability to generate sufficient positive cash flows from operations upon re-opening of the facility, obtain Ministry of Heritage, Sport, Tourism and Culture funding for debt repayment commitments relating to the annual OFA \$1,000,000 interest payment (note 6), and the ability to draw amounts with respect to the \$3,000,000 credit facility (note 5).

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March 31, 2020

10 Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Centre has \$1,201,429 in debt bearing interest annually in relation to the acquisition of technology services network (note 6). Management does not consider the Centre to be exposed to significant interest rate risk.

As at March 31, 2020, the Centre's total exposure to interest rate risk is \$1,201,429. The Centre's estimate of the effect on net assets, as at March 31, 2020, of a one percent increase or decrease in the interest rate on the loan payable, with all other variables held constant, would amount to an approximate increase or decrease of \$45,981. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivity is calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

11 Commitments

The Centre has entered into facility services and technology services agreements related to the operation of the Centre, both expiring in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of \$280,000 (2019 – \$270,000) with annual escalations of \$10,000 thereafter. Under the technology services agreement, the Centre will make annual payments adjusted for inflation of \$316,099 (2019 – \$308,389) attributable to the ongoing service agreement.

The Centre has also entered into a telecommunications equipment lease agreement with RCAP from March 1, 2015 to February 28, 2018. The agreement was renewed in October 2017 and expires April 1, 2021. Under the agreement, the Centre will pay an annual fee of \$25,980 (2019 – \$23,846). All figures exclude applicable taxes.

12 Capital management

The Centre's objective when managing capital is to maintain its ability to continue as a going concern in order to execute its mandate to operate a world-class convention facility. The Centre's capital structure is comprised of its net assets, long-term debt and deferred contributions related to property, plant and equipment. The Centre's objective in management of its capital structure is to ensure access to sufficient cash flow to carry out its ongoing operations and service its obligations.