Financial Statements of

THE LONDON CONVENTION CENTRE CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The London Convention Centre Corporation

Opinion

We have audited the financial statements of The London Convention Centre Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023 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.

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 auditor's report.

We are independent of the Entity 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 8, 2024

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	$ 838,569	$ 848,206
Accounts receivable (note 3)	614,394	518,468
Other receivables	34,680	279,819
Receivable from The City of London	-	184,596
	1,487,643	1,831,089
Financial liabilities:		
Accounts payable and accrued liabilities	483,474	816,200
Payable to The City of London	100,423	-
Accrued sick and vacation	28,123	12,707
Advance deposits and deferred revenue	607,191	893,339
	1,219,211	1,722,246
Net financial assets	268,432	108,843
Non-financial assets		
Inventory (note 4)	66,966	86,199
Tangible capital assets (note 6)	16,874,878	16,725,652
Prepaid expenses	75,687	64,337
	17,017,531	16,876,188
Contingencies (note 11)		
Accumulated surplus (note 8)	$ 17,285,963	$ 16,985,031

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director _______________ Director

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(note 10)		
Sales:			
Food and beverage	$ 3,465,000	$ 4,329,574	$ 2,839,848
Other	1,033,900	1,182,274	875,616
Capital reserve drawdown	460,000	1,177,510	506,761
Space rental	585,000	757,546	549,500
City capital appropriation	677,604	677,604	667,587
Technical	342,985	536,881	272,380
Federal grants	-	404,602	558,201
Parking	418,450	400,412	254,311
City grant	-	-	850,000
	6,982,939	9,466,403	7,374,204
Cost of goods sold:			
Food and beverage	982,060	1,140,578	798,897
Other	135,013	50,949	72,676
Technical	7,503	6,985	6,587
	1,124,576	1,198,512	878,160
	5,858,363	8,267,891	6,496,044
Expenditures:			
Event services and culinary	2,210,963	2,121,611	1,680,653
Amortization of tangible capital assets	1,343,444	1,398,083	1,343,444
Corporate services	1,049,879	1,111,121	1,049,900
City appropriation	677,604	1,030,329	699,983
Sales and catering	908,202	906,296	741,818
Facility services	561,187	637,236	479,741
Energy	570,060	604,191	540,772
Cleaning	131,812	82,720	59,595
Other	49,615	48,897	22,226
Parking	52,738	26,475	39,743
	7,555,504	7,966,959	6,657,875
Annual surplus (deficit) (note 9)	(1,697,141)	300,932	(161,831)
Accumulated surplus, beginning of year	16,985,031	16,985,031	17,146,862
Accumulated surplus, end of year	$ 15,287,890	$ 17,285,963	$ 16,985,031

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 10)	2023 Actual	2022 Actual
Annual surplus (deficit)	$ (1,697,141)	$ 300,932	$ (161,831)
Amortization of tangible capital assets	1,343,444	1,398,083	1,343,444
Acquisition of tangible capital assets	(460,000)	(1,547,309)	(1,105,064)
	(813,697)	151,706	76,549
Acquisition of inventory	-	(66,966)	(86,199)
Acquisition of prepaid expenses	-	(75,687)	(64,337)
Consumption of inventory	-	86,199	44,421
Use of prepaid expenses	-	64,337	39,267
Change in net financial assets	(813,697)	159,589	9,701
Net financial assets, beginning of year	108,843	108,843	99,142
Net financial assets, end of year	$ (704,854)	$ 268,432	$ 108,843

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ 300,932	$ (161,831)
Item not involving cash:		
Amortization of tangible capital assets	1,398,083	1,343,444
Changes in non-cash operating working capital:		
Accounts receivable	(95,926)	(269,771)
Other receivables	245,139	(235,138)
Inventory	19,233	(41,778)
Prepaid expenses	(11,350)	(25,070)
Accounts payable and accrued liabilities	(332,726)	584,870
Accrued sick and vacation	15,416	(38,662)
Receivable from the City of London	285,019	(168,000)
Advance deposits and deferred revenue	(286,148)	(73,208)
	1,537,672	914,856
Capital activities:		
Acquisition of tangible capital assets	(1,547,309)	(1,105,064)
Net change in cash	(9,637)	(190,208)
Cash, beginning of year	848,206	1,038,414
Cash, end of year	$ 838,569	$ 848,206

See accompanying notes to financial statements.

1. Significant accounting policies:

The financial statements of The London Convention Centre Corporation (the "Corporation") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Buildings and building improvements	5-40 years
Furniture and equipment	5-20 years
Infrastructure	3-10 years
Vehicles	10-20 years

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

An asset retirement obligation is recognized when, at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

1. Significant accounting policies (continued):

(c) Revenue recognition:

Revenue from events is recorded in the statement of operations in the year in which the event is held, and the related receivable is considered collectible.

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Inventory:

Inventory is valued at the lower of cost, being laid down cost, and net realizable value, using the specific item costing method.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include valuation of accounts receivable, inventory, and tangible capital assets. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments in the financial statements on a prospective basis. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

(f) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and public sector accounting standards ("PSAS"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAS.

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial Instruments are classified into three categories: fair value, amortized cost or cost. Portfolio investments reported at fair value consist of equity instruments, certain fixed income securities, derivative instruments, and any other investments where the investments are managed and evaluated on a fair value basis and the fair value option is elected.

Other financial instruments, including cash and cash equivalents, investments in guaranteed investment certificates, accounts receivable, loans receivable, accounts payable and accrued liabilities, and long-term debt are initially recorded at their fair value and are subsequently measured at cost or amortized cost, net of any provisions for impairment.

Upon standard implementation, amortized cost will be measured using the effective interest rate method, as opposed to the straight-line method.

Fair value category: The Corporation manages and reports performance for groups of financial assets on a far-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and related balances reversed from the Statement of Remeasurement Gains and Losses. A Statement of Remeasurement Gains and Losses has not been included as there are no material matters to report therein.

Amortized cost: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category.

Cost category: Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

2. Change in accounting policy - adoption of new accounting standards:

The Corporation adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments.

(a) PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

(b) PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and nonmonetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

(c) PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

2. Change in accounting policy - adoption of new accounting standards (continued):

(d) PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

Fair value hierarchy: The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

(i) Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(iii) Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

2. Change in accounting policy - adoption of new accounting standards (continued):

(e) PS 3280 Asset Retirement Obligations ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

In the past, the Corporation has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

3. Accounts receivable:

Included in accounts receivable is $148,007 (2022 - $25,815) owing from the City of London.

4. Inventory:

At December 31, inventory consists of:

	2023	2022
Food	$ 25,097	$ 28,386
Beverages	41,869	57,813
	$ 66,966	$ 86,199

5. Capital reserve:

A capital reserve is managed by The City of London to finance future capital expenditures. The reserve has not been recognized in these financial statements and will be accounted for as the funds are received and expended.

	2023	2022
Opening balance	$ 2,405,852	$ 2,174,386
Interest	51,151	38,310
Contributions	784,413	699,917
Capital expenditures	(1,368,932)	(506,761)
Closing balance	$ 1,872,484	$ 2,405,852

6. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Building	$ 27,143,683	$ -	$ -	$ 27,143,683
Building improvements	13,245,560	1,612,079	-	14,857,639
Equipment	1,757,096	84,720	-	1,841,816
Furniture	1,106,315	5,425	-	1,111,740
Infrastructure	1,063,946	246,539	-	1,310,485
Vehicles	63,841	2,263	-	66,104
Construction in progress	435,344	31,627	(435,344)	31,627
	$ 44,815,785	$ 1,982,653	$ (435,344)	$ 46,363,094

Accumulated amortization	Balance at December 31, 2022	Disposals	Amortization expense	Balance at December 31, 2023
Building	$ 19,794,070	$ -	$ 686,648	$ 20,480,718
Building improvements	5,139,541	-	561,375	5,700,916
Equipment	1,610,543	-	41,532	1,652,075
Furniture	756,567	-	28,897	785,464
Infrastructure	752,984	-	77,237	830,221
Vehicles	36,428	-	2,394	38,822
Construction in progress	-	-	-	-
	$ 28,090,133	$ -	$ 1,398,083	$ 29,488,216

Net book value	Balance at December 31, 2022	Balance at December 31, 2023
Building	$ 7,349,613	$ 6,662,965
Building improvements	8,106,019	9,156,723
Equipment	146,553	189,741
Furniture	349,748	326,276
Infrastructure	310,962	480,264
Vehicles	27,413	27,282
Construction in progress	435,344	31,627
	$ 16,725,652	$ 16,874,878

6. Tangible capital assets (continued):

Ownership of capital assets is vested with the City of London. The Centre Corporation operates the facilities on behalf of the City of London. The fixed assets and the related amortization have been included in the financial statements of The London Convention Centre Corporation in order to reflect the assets over which it has stewardship.

7. Pension agreement:

The London Convention Centre Corporation contributes to the Ontario Municipal Employees Retirement Fund ("OMERS") which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2023 was $233,015 (2022 - $188,199) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2023. At that time, the plan reported a $4.2 billion actuarial deficit (2022 - $6.7 billion), based on actuarial liabilities for $136.1 million (2022 - $130.3 million) and actuarial assets for $131.9 million (2022 - $123.6 million). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

8. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves funds as follows:

	2023	2022
Surplus:		
Invested in tangible capital assets	$ 16,874,878	$ 16,725,652
Other	411,085	259,379
	$ 17,285,963	$ 16,985,031

9. Income from operations:

In order to assess the operations of the Corporation, management removes the impact of capital items from the operating results included in the statement of operations. Accordingly, management defines income from operations as follows:

	2023	2022
Annual surplus (deficit)	$ 300,932	$ (161,831)
Add back:		
Amortization	1,398,083	1,343,444
City appropriation	1,030,329	699,983
	2,428,412	2,043,427
Deduct:		
City capital funding	(1,855,114)	(1,174,348)
	$ 874,230	$ 707,248

10. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

Revenues	$ 5,845,335
Cost of goods sold	(1,124,576)
Expenses	(5,534,456)
Annual deficit, as budgeted	(813,697)
City capital appropriation	677,604
Capital reserve drawdown	460,000
Amortization of capital assets	(1,343,444)
City appropriation	(677,604)
Annual deficit, revised	$ (1,697,141)

11. Contingencies:

The Corporation is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. It has been determined by management that the outcome of these claims are not determinable at this point and as such, no amounts have been included in these financial statement.

12. Financial and other risks:

As the valuation of all financial instruments held by the Corporation at fair value are derived from quoted process in active markets, all would be in Level 1 of the fair value hierarchy.

Risks arising from financial instruments and risk management

The Corporation is exposed to a variety of financial risks including credit risks, liquidity risk and market risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

(a) Credit risk:

The Corporation's principal financial assets that are subject to credit risk are cash and accounts receivable. The carrying amounts of financial assets on the Statement of Financial Position represent the Corporation's maximum credit exposure as at the Statement of Financial Position date.

(b) Liquidity risk:

The Corporation mitigates liquidity risk by monitoring cash activities and expected outflows through extensive budgeting. Accounts payable and accrued liabilities are all current. There have been no significant changes from the previous year in the Corporation's exposure to liquidity risk or policies, procedures and methods used to measure the risk. All accounts payable and accrued liabilities will be paid within six (6) months.

The Corporation's financial instruments consist of cash, bank indebtedness, accounts receivable, long-term receivables, and accounts payable and accrued liabilities. It is the Corporation's opinion that the Corporation is not exposed to significant interest rate or currency risks arising from these financial instruments except as otherwise disclosed.