

Fredericton Convention Centre Inc.
Financial Statements

December 31, 2020

Fredericton Convention Centre Inc.

Financial Statements
Year ended December 31, 2020

Independent Auditor's Report

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Independent auditor's report

To the shareholder of
Fredericton Convention Centre Inc.

Opinion

We have audited the financial statements of **Fredericton Convention Centre Inc.** [the "Company"], which comprise the statement of financial position as at December 31, 2020, and the statement of income and comprehensive income, statement of changes in equity and statement of 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 Company as at December 31, 2020 and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRS"].

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 Company 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

Ernst + Young LLP

Fredericton, Canada
March 26, 2021

Chartered Professional Accountants



A member firm of Ernst & Young Global Limited

Fredericton Convention Centre Inc.

Statement of Financial Position As at December 31

| | 2020 | 2019 |
|--------------------------------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 823,890 | \$ 568,873 |
| Accounts receivable | 117,311 | 245,919 |
| Prepaid expenses | 13,151 | 11,571 |
| | <u>\$ 954,352</u> | <u>\$ 826,363</u> |
| Property, equipment and intangible assets [schedule 1] | \$ 95,856 | \$ 122,613 |
| Investments [note 7] | 2,395,915 | 2,328,694 |
| | <u>\$ 3,446,123</u> | <u>\$ 3,277,670</u> |
| Liabilities and shareholder's equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 106,751 | \$ 117,814 |
| Unearned revenue | 118,016 | 122,236 |
| | <u>224,767</u> | <u>240,050</u> |
| Shareholder's equity | | |
| Capital replacement reserve [note 6] | \$ 2,819,474 | \$ 2,654,112 |
| Share capital | | |
| Authorized unlimited number of common shares | | |
| Issued 1 common share | 1 | 1 |
| Retained earnings | 328,609 | 328,771 |
| Accumulated other comprehensive income | 73,272 | 54,736 |
| Total shareholder's equity | <u>\$ 3,221,356</u> | <u>\$ 3,037,620</u> |
| | <u>\$ 3,446,123</u> | <u>\$ 3,277,670</u> |

See accompanying notes

On behalf of the Board:



Director

Fredericton Convention Centre Inc.

Statement of Income and Comprehensive Income Year ended December 31

| | 2020 | 2019 |
|--------------------------------------|-------------|--------------|
| Event revenue | \$ 661,919 | \$ 3,180,697 |
| Event expenses | 321,757 | 2,335,466 |
| Gross profit | 340,162 | 845,231 |
| City of Fredericton grant [note 8] | (950,000) | (950,000) |
| Salaries and payroll | 570,802 | 563,802 |
| Building maintenance | 348,864 | 551,272 |
| General and administrative | 199,573 | 172,837 |
| Advertising, marketing and promotion | 34,866 | 87,868 |
| Amortization | 28,100 | 36,763 |
| Net operating income | 107,957 | 382,689 |
| Finance income | (57,243) | (77,038) |
| Net income | \$ 165,200 | \$ 459,727 |
| Other comprehensive income | | |
| Gain on investments | \$ (18,536) | \$ (48,856) |
| Comprehensive income | \$ 183,736 | \$ 508,583 |

See accompanying notes

Fredericton Convention Centre Inc.

Statement of Changes in Equity Year ended December 31

| | 2020 | 2019 |
|-----------------------------------------------------------|--------------|--------------|
| Retained earnings, beginning of year | \$ 328,771 | \$ 326,768 |
| Net income | 165,200 | 459,727 |
| Transfer to capital replacement reserve [note 6] | (165,362) | (457,724) |
| Retained earnings, end of year | \$ 328,609 | \$ 328,771 |
| Accumulated other comprehensive income, beginning of year | \$ 54,736 | \$ 5,880 |
| Gain on investments | 18,536 | 48,856 |
| Accumulated other comprehensive income, end of year | \$ 73,272 | \$ 54,736 |
| Capital replacement reserve, beginning of year | \$ 2,654,112 | \$ 2,196,388 |
| Capital replacement reserve [note 6] | 165,362 | 457,724 |
| Capital replacement reserve, end of year | \$ 2,819,474 | \$ 2,654,112 |
| Total equity, beginning of year | \$ 3,037,620 | \$ 2,529,037 |
| Comprehensive income | 183,736 | 508,583 |
| Total equity, end of year | \$ 3,221,356 | \$ 3,037,620 |

See accompanying notes

Fredericton Convention Centre Inc.

Statement of Cash Flows Year ended December 31

| | 2020 | 2019 |
|-------------------------------------------------------|--------------------|---------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Net income | \$ 165,200 | \$ 459,727 |
| Amortization | 28,100 | 36,763 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 128,608 | (54,600) |
| Prepaid expenses | (1,580) | (10,171) |
| Accounts payable and accrued liabilities | (11,063) | (91,409) |
| Unearned revenue | (4,220) | (59,484) |
| | \$ 305,045 | \$ 280,826 |
| Investing activities | | |
| Purchase of investments | (1,560,435) | (1,011,750) |
| Sale of investments | 1,511,750 | 800,000 |
| Purchase of property, equipment and intangible assets | (1,343) | (14,259) |
| | \$ (50,028) | \$ (226,009) |
| Net increase in cash | 255,017 | 54,817 |
| Cash, beginning of year | 568,873 | 514,056 |
| Cash, end of year | \$ 823,890 | \$ 568,873 |

See accompanying notes

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

1. Nature of operations

The Fredericton Convention Centre Inc. [the "Company"], a municipal corporation owned by the City of Fredericton, is incorporated under the *Business Corporations Act (New Brunswick)*. Its principal business activities include management and operations of the Fredericton Convention Centre. The Company is defined as an other government organization as per Public Sector Accounting guidelines. Other government organizations are able to apply either Public Sector Accounting Standards ["PSAS"] or International Financial Reporting Standards ["IFRS"]. The Company has elected to apply IFRS as it best meets the users' needs and has commercial-type operations and substantially derives its revenue from these activities.

2. Significant accounting policies

(a) Statement of compliance

These financial statements as at and for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards ["IFRS"] and interpretations adopted by the International Accounting Standards Board.

(b) Basis of presentation

The financial statements for the Company as at and for the year ended December 31, 2020 were authorized for issue by the Board of Directors on March 26, 2021.

(c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on deposit, investments in money-market funds and short-term investments. Cash and cash equivalents held by external investment managers for investing rather than liquidity purposes are classified as investments.

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

2. Significant accounting policies [continued]

(e) Property, equipment and intangible assets

Property, equipment and intangible assets are recorded at cost, net of accumulated amortization and impairment losses, if any. Amortization is provided using the declining balance method at the following annual rates:

| Assets | Rate |
|-------------------------|------|
| Computer software | 50% |
| Computer hardware | 45% |
| Décor | 30% |
| Vehicle | 30% |
| Furniture and equipment | 20% |

The assets' residual values, useful lives and methods of amortization are reviewed annually and adjusted prospectively, if appropriate.

(f) Investments

Investments are stated at market value, which approximates fair value, using published market valuations, where applicable, or market-related determinations.

Bonds and equities: Bonds and equities are valued using published quotations as at December 31.

(g) Revenue recognition

Revenue from contracts with customers are recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received.

Investment income (loss) recorded in the statement of income and comprehensive income consists of interest, and unrealized and realized gains and losses, net of related fees.

(h) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

2. Significant accounting policies [continued]

(i) Financial instruments

Initial recognition and measurement

The Company at initial recognition designates its financial assets either as (i) financial assets at fair value through profit or loss, (ii) loans and receivables or as (iii) available for sale. Financial liabilities are classified as (i) fair value through profit or loss, (ii) financial liabilities at amortized cost or as (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial instruments are initially measured at fair value plus, in the case of financial assets not recognized at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and cash equivalents, investments, and accounts receivable. The Company's financial liabilities include accounts payable and accrued liabilities.

All financial instruments are to be initially measured at fair value.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, as follows:

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through the statement of income and comprehensive income. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in other comprehensive income or interest expense in the statement of income and comprehensive income.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

2. Significant accounting policies [continued]

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ["EIR"], less impairment. The losses arising from impairment are recognized in the statement of profit and comprehensive income in amortization and expense.

Securities in this category include cash, and accounts receivable.

iii. Available for sale

Securities classified as available for sale are non-derivative financial assets that are initially designated as available for sale or that are not classified in the fair value through profit or loss or loans and receivables categories. Gains and losses resulting from changes in fair value, except for impairment losses are recognized in the statement of income and comprehensive income through finance income on available for sale securities until the financial asset is derecognized.

Securities in this category include shares of publicly traded companies.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

Subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification, as follows:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognized in the statement of income and comprehensive income. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

2. Significant accounting policies [continued]

ii. Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of income and comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other expenses (income) in the statement of income and comprehensive income.

Financial liabilities classified in this category include accounts payable and accrued liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income and comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

2. Significant accounting policies [continued]

COVID-19 Public Health Emergency

The financial statements have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, restrictions on large gatherings, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in economic slowdown. Canadian and global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Company has considered the potential negative economic outlook and cash flow difficulties that may be experienced as a result of this virus on its customers, suppliers and lenders. The ultimate duration and impact of the COVID-19 pandemic are not currently known however Management has secured contracts to rent out the space during the pandemic and has continued support from the City of Fredericton to support its operations as required.

3. Significant accounting estimates and assumptions

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts recognized in the financial statements of the Company are discussed below.

Determination of useful lives for property, equipment and intangible assets

The Company has based the determination of the useful lives for its property, equipment and intangible assets on a detailed review of all empirical data for the different asset classes and also used the knowledge of the appropriate operations people to conclude on the useful lives. Furthermore, the Company at least annually updates if the current applied useful lives are still valid for the different asset classes. Any external or internal changes in the Company's environment may result in an impact on the expectation of the useful lives of certain assets and hence a triggering event to reconsider the expectation of the useful lives.

Impairment of financial assets

Impairment exists when the enterprise value of an asset exceeds its fair market value. Fair market value can be measured via recent market transactions or through a discounted cash flow model. The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

4. Financial risk management

The Company has exposure to credit risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks and its objectives, policies and procedures for measuring and managing these risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is subject to credit risk with respect to accounts receivable from its customers.

This risk is managed through frequent collection of revenue and the Company's credit evaluation, approval and monitoring processes. A provision for potential credit losses is assessed on an ongoing basis. The Company is not materially exposed to any one individual customer and has applied standard credit practices which limit the Company's exposure to credit risk. There is no provision established for expected credit loss.

5. Economic dependence

Since the incorporation of the Company, the City of Fredericton has supported and continues to support the operations of the Company annually by providing financial resources as required to establish a customer base for use of the Company.

The City of Fredericton provided a grant in the amount of \$950,000 to the Company during the year [2018 - \$950,000].

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

6. Capital replacement reserve

Monies are set aside in an investment to fund future capital replacement needs. The amount transferred to the capital reserve in 2020 is \$165,362 [2019 - \$457,724].

7. Investments

Investments as at December 31 are as follows:

| | 2020 | | 2019 | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Guaranteed investment certificates | \$ 2,025,721 | \$ 2,025,721 | \$ 2,011,750 | \$ 2,011,750 |
| Canadian equities | 370,194 | 311,921 | 316,944 | 277,207 |
| | <u>\$ 2,395,915</u> | <u>\$ 2,337,642</u> | <u>\$ 2,328,694</u> | <u>\$ 2,288,957</u> |

Fair value disclosure

Investments are classified in a hierarchy of three levels depending on the inputs used to determine fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs used in determining the fair value. If different levels of inputs are used to measure the fair value of an investment, the classification is based on the lowest level input used. The three levels of the fair value hierarchy are as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 - inputs for the assets or liabilities that are not based on observable market data.

All of the Company's assets held at fair value are measured using level 1 inputs at December 31, 2020 and 2019.

Fredericton Convention Centre Inc.

Notes to Financial Statements
Year ended December 31, 2020

8. Related party transactions

The Company has a payable outstanding at year-end of \$173 [2019 - nil] owed to the City of Fredericton for rendering of goods and services. The Company has no receivable outstanding at year end [2019 - \$5,397] from the City of Fredericton. Related party transactions are recorded at their exchange amount.

The City of Fredericton provided a grant in the amount of \$950,000 to the Company during the year [2019 - \$950,000].

Fredericton Convention Centre Inc.

Schedule 1

For the year ended December 31, 2020

| | Computer software | Computer hardware | Décor | Vehicle | Furniture and equipment | Total | 2019 Total |
|---------------------------------|-------------------|-------------------|---------------|---------------|-------------------------|------------------|-------------------|
| COST | | | | | | | |
| Balance, beginning of year | \$ 77,333 | \$ 67,079 | \$ 7,444 | \$ 9,490 | \$ 320,584 | \$ 481,930 | \$ 467,671 |
| Add: | | | | | | | |
| Net additions during the year | - | - | - | - | 1,343 | 1,343 | 14,259 |
| BALANCE, END OF YEAR | 77,333 | 67,079 | 7,444 | 9,490 | 321,927 | 483,273 | 481,930 |
| ACCUMULATED AMORTIZATION | | | | | | | |
| Balance, beginning of year | 75,440 | 55,979 | 6,937 | 9,025 | 211,936 | 359,317 | 322,554 |
| Add: | | | | | | | |
| Amortization during the year | 947 | 4,998 | 152 | 140 | 21,863 | 28,100 | 36,763 |
| BALANCE, END OF YEAR | 76,387 | 60,977 | 7,089 | 9,165 | 233,799 | 387,417 | 359,317 |
| NET BOOK VALUE | \$ 946 | \$ 6,102 | \$ 355 | \$ 325 | \$ 88,128 | \$ 95,856 | \$ 122,613 |

During the year no impairment was recognized (2019 - Nil) related to property, equipment and intangible assets.