Shaw Centre
Canada's Meeting Place

2018 / 2019
ANNUAL REPORT

Shaw Centre
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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 – March 2021

Debra Armstrong
February 27, 2019 to November 30, 2020

Michael Crockett
February 27, 2019 to November 30, 2020

Annie Dugas
May 31, 2017 – 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

Councillor Jenna Sudds
December 12, 2018 to December 2022

Sean Webster
December 12, 2018 to December 12, 2021

MESSAGE FROM THE CHAIR AND PRESIDENT & CEO

Following the success of Canada's Sesquicentennial celebrations in 2017, the Ottawa Convention Centre, along with many of our industry stakeholders, felt a significant "post-party letdown" may occur in subsequent years. While 2017/2018 was our most profitable year, 2018/2019 did not disappoint. A budgeted surplus of $175,000 was reflective of a soft year ahead given the amount of confirmed business on the books. We experienced significant short-term business increases in all market segments. We are very pleased to share with you that between tight expense control coupled with strong revenue generation in corporate partnerships, advertising and sales, the OCC realized a $1.3M surplus.

The Centre hosted 486 events in 2018-19. Of those events, 47 were conventions that drew participants from outside of the Ottawa-Gatineau area. This equaled over 59,000 out-of-town visitors who enjoyed the City of Ottawa and boosted the region's economy by $141M. This direct spending contributed approximately $117M to Ottawa's GDP and supported approximately 1625 jobs, resulting in $73M in direct and indirect labour income. This includes $45M in labour income that stems from 1213 jobs that are supported directly by events held at the Ottawa Convention Centre.

The Ottawa Convention Centre was host to several repeat convention clients as well as new conventions. The **AFOA Canada National Conference** has become the centre for excellence and innovation in Indigenous management, finance and governance and in 2018 their 19th National Conference was hosted at the Ottawa Convention Centre. The theme of the 1000-delegate conference was 'Human Capital – Balancing Indigenous Culture and Creativity with Modern Workplaces'.

In December 2018, stakeholders who contribute to Canada's vaccination system, gathered at the **Canadian Immunization Conference** to demonstrate their commitment to immunization as an important public health measure.

This convention included the collaboration from the Canadian Public Health Association, the Canadian Association for Immunization Research, Evaluation and Education, the Canadian Paediatric Society and the Public Health Agency of Canada.

We were pleased to welcome delegates to **Cannexus 2019,** Canada's largest conference for career counsellors, career development professionals and the career services sector. Cannexus features more than 1,200 participants from across Canada and internationally is hosted by Canadian Education and Research Institute for Counselling (CERIC).

The Joint Annual Meeting of the International Society of Exposure Science and the International Society for Environmental Epidemiology, known as **ISES-ISEE 2018**, brought together scientific experts and practitioners from academia, government, industry and non-governmental organizations dedicated to the protection of health and environment. This international convention in August 2018 featured over 1,900 abstracts focused on this topic and theme, including 83 symposia sessions with over 400 presentations, 92 general oral sessions with over 500 presentations and more than 1,000 posters.

Another key event was the **Canadian Society of Association Executives (CSAE) – National Conference & Showcase.** CSAE is Canada's foremost provider of association leadership resources, advocacy and education and in October 2018 Ottawa hosted their premier event which gathered the 650 of the nation's leaders from the local, provincial and national associations. The convention theme was to 'future proof' our nation's associations and the Ottawa Convention Centre hosted their main trade show, networking and black-tie gala dinner.

The implementation of the MAT (Municipal Accommodations Tax), plus a strong year in hotel occupancy in 2018, led to robust sales and marketing revenues for Ottawa Tourism. The OCC conducted several highly successful innovative events in tandem with Ottawa Tourism and the Ottawa Gatineau Hotel Association such as the sales mission to Gleneagles, Scotland, which we attended along with other regional partners.

We joined highly qualified meeting planners and media who were gathered for two days of education on Canada and networking. We also attended a sales mission in the UK with appointments in Bristol, Manchester, London, Glasgow and Edinburgh.

We covered a lot of ground and hosted a breakfast seminar for 20 meeting planners with opportunities to bring conferences to Canada. The OCC and Ottawa Tourism also attended IMEX (the worldwide exhibitions for incentive travel, meetings and events) in Las Vegas and Frankfurt for three days of tradeshow appointments with potential meeting planners. Year over year, we are beginning to see a positive return on investment from our marketing efforts, with an increase in international conventions booking well into the future and in need periods such as July and August.

Partnerships with our closest stakeholders, such as Invest Ottawa and Ottawa Tourism, saw us launch a very successful ThinkOttawa campaign in April of 2019. ThinkOttawa is a grassroots program dedicated to assisting local champions in the bid process to bring city-wide international conventions to the city of Ottawa.

2018/2019 saw growth in our corporate partnership and advertising categories. Creating exclusive partnerships in the craft beer and wine arenas has given our attendees an opportunity to experience some local flavor as well keeping up-to- date on international trends. Our recently introduced preferred supplier initiative resulted in new partnership categories being fulfilled in floral, décor, printing and promotional products. Partnering with CF Rideau Centre retailers such as Marc Cain has increased the retailers' visibility by utilizing advertising opportunities within our building.

Key performance indicators are critical in the measurement of success. Our customer service scores were 4.6/5 for overall total satisfaction, exceeding our goal of 4.5.

Another key performance indicator is the number of conventions we host annually. Our number of conventions was 44 exceeding our goal of 40.

Our occupancy during the 2018/2019 fiscal year is reflected in the table below. Our strongest occupancy was in third quarter (October – December) with a healthy roster of conventions and catering events.

	Q1	Q2	Q3	Q4	Total
Ballroom	64.8%	53.6%	73.9%	42.2%	55.9%
Tradeshow Hall	46.8%	43.5%	58.2%	43.8%	47.3%
Meeting Room	43.5%	41.0%	49.9%	42.6%	43.6%
Total	48.3%	44.1%	57.4%	43.1%	47.2%

It has truly been a great year with the Centre fulfilling on so many of our strategic plan initiatives. As always, success is not achieved on our own. We wish to thank and acknowledge our closest partners, Aramark Entertainment Services Canada Inc. and Freeman 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!

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 2018/19, 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 2018/19

In the 2018-19 fiscal year, OCC hosted events that drew participants from outside the Ottawa-Gatineau area. This equaled over 59,000 out-of-town visitors who boosted Ottawa's economy by $141M in direct spending, including:

- $110M in attendee spending
- $20M in exhibitor spending
- $11.4M in production spending

This direct spending contributed approximately $117M to Ottawa's GDP and supported approximately 1625 jobs, resulting in $73M in direct and indirect labour income. This includes $45M in labour income that stems from 1213 jobs that are supported directly by events held at the Ottawa Convention Centre. In total, $52M in taxes for all three levels of government was generated in 2018/2019.

Financial Results

Goal	2018/19 Objective	2018/19 Result
Gross Revenue	$16.1 M	$17.9M
Net Operating Profit	$ 175K	$1.34M
Booking Pace	$ 14M	$17.1M

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 2018/19, our client satisfaction scores reached 4.6 out of 5. We continue to look forward to maintaining and enhancing this year's score in 2019/20.

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 long-term diversion goal of at least 70%. In 2018/19, OCC successfully diverted 59% of waste from landfills. We expect this number to continue to grow in the coming years as our focus on energy savings and waste management increases. OCC participates in a rigorous food waste management program that consists of monthly food quality audits whereby the entire kitchen area is scored based on pre-determined values and then reviewed by senior executives.

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, Tablée des Chefs and Mealshare. This past year, many local charities benefited from our clients' generosity including St. Joe's Women's shelter, Ottawa Mission, Parkdale Food Centre, Ottawa Food Bank and St. Isabel Catholic Elementary School.

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 2018/19 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 2018-2019

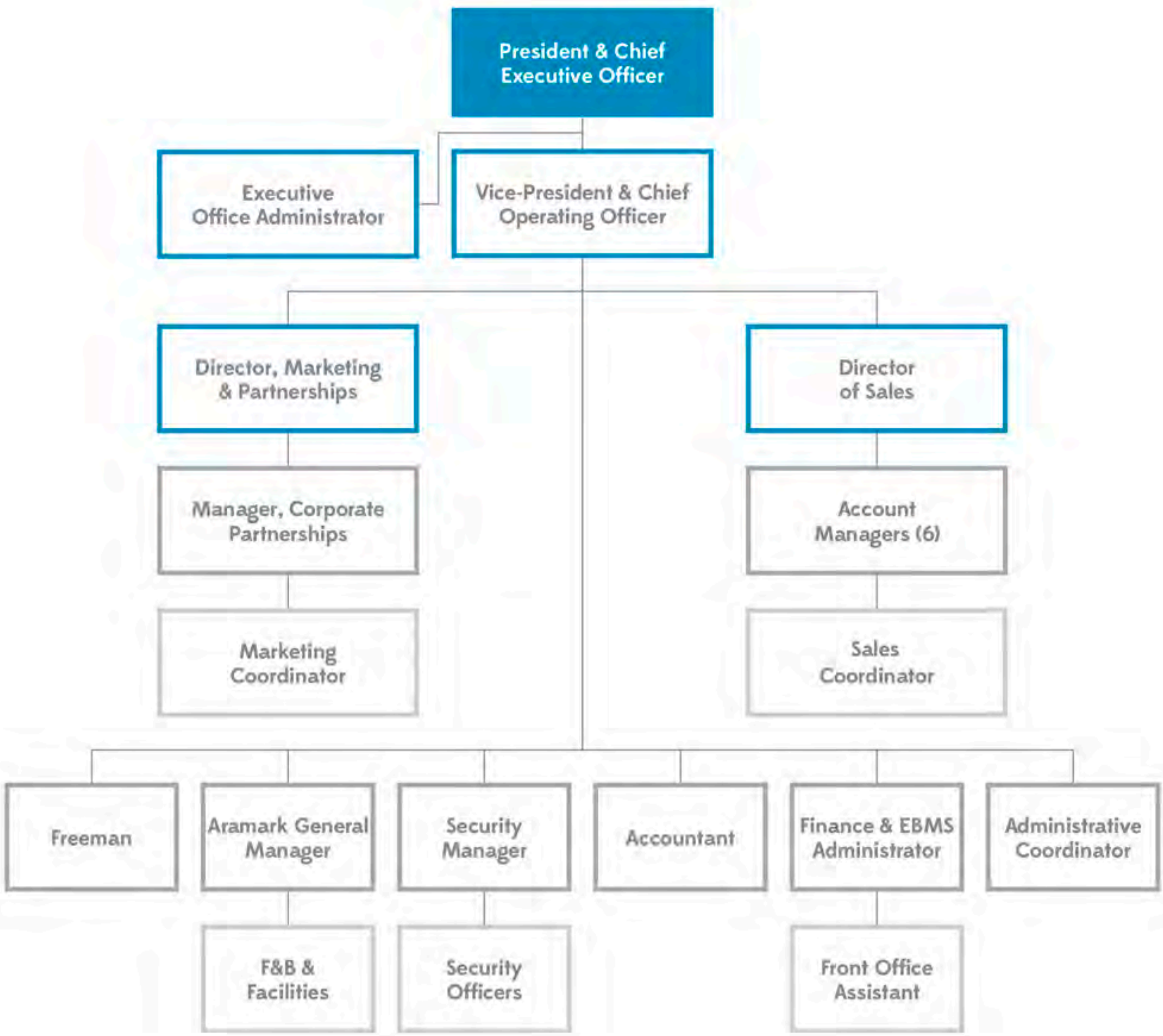
Number of events: **486**
Number of conventions: **44**
Number of trade & consumer shows: **8**
Number of meetings: **324**
Other Events: **110**
Revenue **$17.9M**
Operating Surplus **$1.34M**

DISCLOSURE OF REMUNERATION

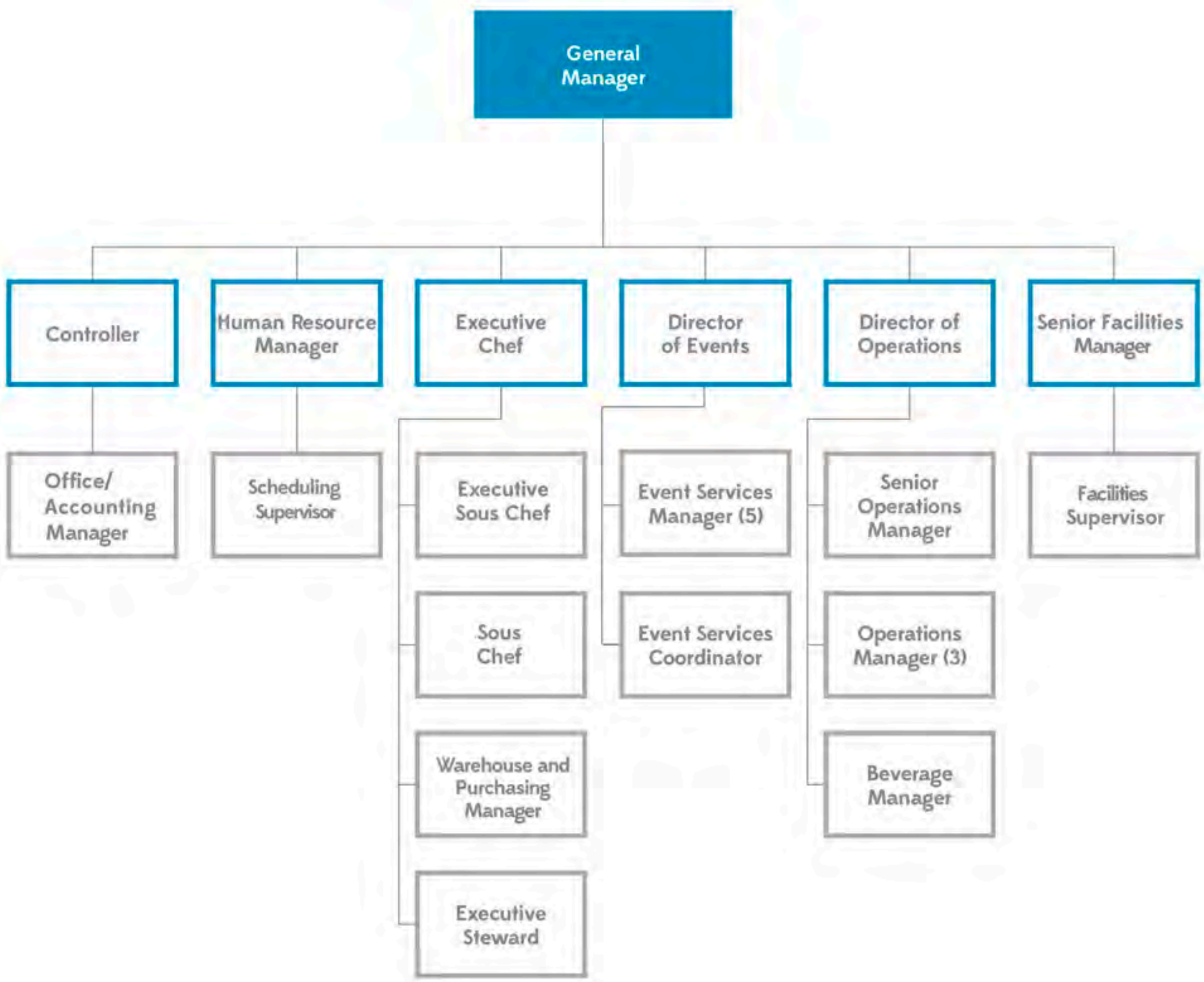
Except for the City of Ottawa representative, each member of Ottawa Convention Centre's Board of Directors is paid for his or her attendance at board, committee and other meetings as required. Outlined below is the total remuneration paid to each director for fiscal 2018/19.

Name	Title	Amount
Dick Brown	Director	$1,062.50
David Coletto	Director	$625.00
Annie Dugas	Director	$ 1,125.00
Mathieu Fleury	Director	$0.00
Annie Hillis	Director	$875.00
Frank Colletti	Director	$625.00
Jean Lalande	Director	$1,312.50
Richard Patten	Director	$ 875.00
Maria Ricci	Director	$1,000.00
Carolina Rivera Alvarez	Director	$250.00
David W. Scott	Director	$ 500.00
Jo-Anne Poirier	Chair	$2,600.00
Debra Armstrong	Director	$125.00
Sean Webster	Director	$125.00
Michael Crockatt	Director	$0.00
Jenna Sudds	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, 2019

Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ottawa Convention Centre/Société du Centre des Congrès d'Ottawa (the Centre) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Centre's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net assets (liabilities) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 13, 2019

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

Statement of Financial Position

As at March 31, 2019

	2019 $	2018 $
Assets		
Current assets		
Cash	7,513,483	5,618,232
Accounts receivable	791,957	923,631
Prepaid expenses	99,691	88,844
	8,405,131	6,630,707
Property, plant and equipment (note 4)	140,415,817	145,687,622
	148,820,948	152,318,329
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	2,673,598	1,875,153
Current portion of deferred revenue and deposits	2,658,351	2,136,415
Current portion of long-term debt (note 5)	169,548	51,790,381
	5,501,497	55,801,949
Non-current liabilities		
Deferred revenue and deposits	969,850	686,179
Long-term debt (note 5)	28,784,667	1,370,977
Deferred contributions related to property, plant and equipment (note 6)	97,441,539	100,610,048
	132,697,553	158,469,153
Net assets (liabilities)	16,123,395	(6,150,824)
	148,820,948	152,318,329

Commitments and contingencies (note 10)

Approved by the Board of Directors

_______________ Director _______________ Director

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

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED

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

Statement of Operations

For the year ended March 31, 2019

	2019 $	2018 $
Revenue		
Food and beverage	10,954,257	12,253,808
Space rental	4,662,783	5,213,422
Commissions	1,620,610	1,633,024
Advertising	531,650	504,743
Other	58,928	74,043
Interest earned	90,150	36,903
	17,918,378	19,715,943
Expenses (note 7)		
Direct	7,921,789	8,652,664
Facilities	5,622,488	5,506,004
Selling, general and administrative	3,023,088	2,775,747
	16,567,365	16,934,415
Excess of revenue over expenses before undernoted items	1,351,013	2,781,528
Interest on long-term debt	(1,068,176)	(2,379,711)
Amortization of deferred contributions related to property, plant and equipment	3,217,867	3,212,931
Amortization of property, plant and equipment	(5,271,804)	(5,266,869)
Excess of expenses over revenues before non-recurring items	(1,771,100)	(1,652,121)
Gain on debt extinguishment (note 5)	24,045,319	-
Excess of revenues over expenses (expenses over revenues) for the year	22,274,219	(1,652,121)

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, 2019

	2019 $	2018 $
Net liabilities – Beginning of year	(6,150,824)	(4,498,703)
Excess of revenues over expenses (expenses over revenues) for the year	22,274,219	(1,652,121)
Net assets (liabilities) – End of year	16,123,395	(6,150,824)

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, 2019

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	22,274,219	(1,652,121)
Items not affecting cash		
Amortization of property, plant and equipment	5,271,804	5,266,869
Amortization of deferred contributions related to property, plant and equipment	(3,217,867)	(3,212,931)
Capitalization of interest to long-term debt	-	2,304,162
Gain on debt extinguishment (note 5)	(24,045,319)	
	282,837	2,705,979
Net change in non-cash working capital balances (note 8)	1,724,879	(1,485,114)
	2,007,716	1,220,865
Capital activities		
Purchase of property, plant and equipment	-	(49,358)
Additional capital contributions received	49,358	-
Financing activities		
Repayment of long-term debt	(161,823)	(154,451)
Increase in cash during the year	1,895,251	1,017,056
Cash – Beginning of year	5,618,232	4,601,176
Cash – End of year	7,513,483	5,618,232
Supplementary information		
Interest paid	1,068,176	75,549

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

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.

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 is 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 $87,229 (2018 – $78,866) for contributions made to the defined contribution pension plan, which is included in selling, general and administrative expenses.

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

Changes in accounting policies

The Centre adopted the following new accounting policy:

- PS 3430 Restructuring Transactions

On April 1, 2018, the Centre adopted the PSA Handbook Section PS 3430 "Restructuring Transactions". The new standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities and is effective for years beginning on or after April 1, 2018. This accounting change had no impact on the Centre's financial statements.

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.

Please refer to note 5, long-term debt, for further details regarding the long-term debt transaction.

4 Property, plant and equipment

			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

			2018
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,840,512	29,824,092	141,016,420
Software	274,577	274,577	-
Furniture, equipment and fixtures	8,443,827	5,846,908	2,596,919
Technology network	2,476,912	1,155,892	1,321,020
Land	753,263	-	753,263
	182,789,091	37,101,469	145,687,622

5 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 Tourism, Culture and Sport (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.

	March 31, 2019 $	March 31, 2018 $
Loan payable to the OAF, extinguished during the year ending March 31, 2019	-	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	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 (2018 - $19,167) from April 2011 through March 2026	1,370,977	1,532,801
	28,954,215	53,161,358
Less: Current portion	169,548	51,790,381
	28,784,667	1,370,977

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

Year Ending March 31	$
2020	169,548
2021	177,641
2022	186,120
2023	195,005
2024	204,313

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	(27,583,238)
Gain on debt extinguishment recognized during the year ended March 31, 2019	24,045,319

(5)

6 Deferred contributions

	2019 $	2018 $
Balance – Beginning of year	100,610,048	103,822,979
Additions	49,358	-
Amortization	(3,217,867)	(3,212,931)
Balance – End of year	97,441,539	100,610,048

7 Expenses

Expenses presented by function are represented as follows:

	2019 $	2018 $
Direct	7,921,789	8,652,664
Facilities	10,894,292	10,772,873
Selling, general and administrative	3,023,088	2,775,747
Financial	1,068,176	2,379,711
	22,907,345	24,580,995

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.

8 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:

	2019 $	2018 $
Accounts receivable	131,674	(238,157)
Prepaid expenses	(10,847)	(1,895)
Accounts payable and accrued liabilities	798,445	(289,249)
Deferred revenue and deposits – Current	521,936	(855,598)
Deferred revenue and deposits – Long-term	283,671	(100,215)
	1,724,879	(1,485,114)

9 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, 2019, 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 Tourism, Culture and Sport in relation to its perpetual obligation to the OFA detailed in note 5. 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.

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 new obligation to the OFA. Following the release of its obligation to repay the OFA the loan payable to the OFA, the fair value of the obligation to the Centre amounts to $27,583,238 under the new obligation. The OFA requires that a payment of $1,000,000 be made by March 31 of each year. As part of the new agreement with the OFA, the Centre obtained a guarantee from the Ministry of Tourism, Culture and Sport 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 that the loan is in perpetuity, the annual payment is deemed as fully interest and the full loan principal is presented as long-term (more than 5 years in the table below).

The table below is a maturity analysis of the Centre's financial liabilities (excluding interest) as at March 31, 2019:

	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	2,552,604	67,226	26,884	26,884	2,673,598
Long-term debt	83,786	85,762	977,145	27,807,522	28,954,215
	2,636,390	152,988	1,004,029	27,834,406	31,627,813

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 $1,370,977 in debt bearing interest annually in relation to the acquisition of technology services network (note 5). Management does not consider the Centre to be exposed to significant interest rate risk.

As at March 31, 2019, the Centre's total exposure to interest rate risk is $1,370,977. The Centre's estimate of the effect on net assets, as at March 31, 2019, 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 $13,710. 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.

10 Commitments and contingencies

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 $270,000 (2018 – $260,000) with annual escalations of $10,000 thereafter. Under the technology services agreement, the Centre will make annual payments adjusted for inflation of $308,389 (2018 – $300,868) 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 $23,846 (2018 – $30,877). All figures exclude applicable taxes.

The Centre is involved in various claims and litigation that arise in the normal course of business. During the year ended March 31, 2016, a statement of claim in the amount of $9,600,000 was issued against the Centre related to an alleged breach of contract by the plaintiff. This claim has been resolved in the current year ended March 31, 2019 in favour of the Centre, with no payout to be made.

11 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.