



2021/2022 ANNUAL REPORT

Shaw Centre

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Executive Leadership Team

Nina Kressler
President & Chief Executive Officer

Dan Young
Vice-President & Chief Operations Officer

Loretta Briard
General Manager

OCC Board of Directors

Jo-Anne Poirier – Chair
March 31, 2018 – March 21, 2022 - Provincial Appointment

Jim Armour
June 6, 2019 – March 21, 2025 - Provincial Appointment¹

Debra Armstrong
February 27, 2019 - November 14, 2022 - City of Ottawa Appointment

Cynthia Bland
October 7, 2021 - October 6, 2024 – Provincial Appointment

Michael Crockatt
February 27, 2019 - November 14, 2022 – City of Ottawa Appointment

Councillor George Darouze
December 12, 2018 – November 14, 2022 - City of Ottawa Appointment

Jean Lalande
September 8, 2014 – August 23, 2021 – Provincial Appointment

David Muir
September 16, 2021 - September 15, 2024 – Provincial Appointment

Jagdeep Perhar
May 7, 2020 - May 7, 2023 – Provincial Appointment

Fred Sherman
July 9, 2020 - July 9, 2023– Provincial Appointment

Kay Stanley
March 11, 2021 - March 11, 2024 – Provincial Appointment

Sean Webster
December 12, 2018 - December 12, 2021 - Provincial Appointment

Jinsheng Xue
July 23, 2020 - December 2, 2021 - Provincial Appointment

Vacant – Provincial Appointment

¹ Appointed as Chair of the Board of Directors as of March 21st 2022.

MESSAGE FROM THE CHAIR AND PRESIDENT & CEO

2021/2022 has been a start-stop year, with the pandemic remaining a primary concern for our government, employees and clientele at all levels.

As forecasted, the local market was the first to rebound, albeit slightly, with total revenues actualizing \$1,091,776 to a budget of \$2,488,500. The OCC hosted a total of 60 events, including one convention, one trade show, 25 meetings and a variety of film shoots and hybrid events. During the year's first half, our sales team worked diligently with our convention clients to move events into the future, resulting in a positive outlook for 2022/2023. While this ensures future event load stabilization, it meant low occupancy during 2021/2022. We welcomed the return of convocations and proms during the first quarter and hosted holiday parties in the third. The fourth quarter brought the Omicron wave with further closures and remote work mandates. Just as the restrictions were set to lift, Ottawa was overwhelmed by the Freedom Convoy with brought the capital to a griding halt.

While the building was unoccupied during the height of public health restrictions, we took the opportunity to upgrade and deep clean our facilities, including updating the staff cafeteria and carpet replacement throughout the Centre. We continue to appreciate and thank our Ministry for its commitment to maintaining the OCC as a world-class convention centre.

Cautiously putting the pandemic in the rearview mirror during the second quarter, we increased our management workforce and began rebuilding our sales pipeline to secure a brighter future. We rolled out numerous sales and marketing efforts to bring our teams face-to-face with our clients at key events in Ottawa and Toronto.

We also welcomed returning colleagues to deliver on local events resulting in impressive 4.7/5 customer service scores. Additionally, the OCC won the Best Convention Centre in the World by AIPC in 2021. This honour was bestowed to us through our convention clientele's feedback before the pandemic closed our doors and was much-needed positive feedback to our staff during the pandemic.

Key performance indicators (KPIs) guide our decisions and measure our success. Due to mandated closures, many of our KPIs ranked lower than in previous years. Our 2021/22 occupancy is listed in the table below:

| | Q1 | Q2 | Q3 | Q4 | TOTAL |
|----------------|-------------|-------------|--------------|-------------|-------------|
| Ballroom | 0.0% | 9.8% | 22.8% | 3.3% | 9.0% |
| Tradeshow Hall | 2.2% | 1.1% | 10.2% | 3.3% | 4.2% |
| Meeting Room | 6.9% | 3.6% | 5.4% | 0.1% | 4.0% |
| Total | 4.4% | 3.4% | 10.3% | 2.1% | 4.9% |

Giving back to the community where we work, play and live, the OCC continued supporting the Ottawa Mission and local fundraising initiatives by purchasing virtual tables. Although most were remote events, these initiatives brought our clients together

during times of isolation. Our 2021 highlight was hosting the annual Ottawa Christmas Cheer Breakfast in person at a sold-out Trillium Ballroom in December.

While we started to resume operations in 2021/2022, it continued to be a challenging year for the OCC and its treasured partners, Aramark Entertainment Services Canada Inc., Encore Global Events (Canada), GES and our food and beverage suppliers. All have shared the year's complex challenges and continue working with us to recover and rebuild our future.

We thank the Honourable Lisa MacLeod, Minister of Heritage, Sport, Tourism and Culture Industries, for her ongoing support and advocacy for our Centre. As our business and booking calendar fills, we look forward to resuming delivery of the strong economic impact to our city and region. We would also like to thank the Ministry staff for their financial and capital upgrade support, which will continue to position the OCC as one of Canada's preeminent convention centres.

Our Board of Directors has provided direction and, more importantly, the ongoing encouragement and guidance needed to see us through difficult times. The future looks brighter, and collectively we look forward to welcoming the world to Ottawa and the OCC.



Jim Armour
Chair, Board of Directors



Nina Kressler
President & CEO

CORPORATE GOALS

OCC's corporate goals are established annually by the Board of Directors and Executive Leadership Team. In 2021/2022, 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 maintain sufficient cash flows to provide for lifecycle requirements. With the \$5.29M support from the Provincial Government, the OCC was able to remain a going concern through the year.

Financial Results

| Goal | 2021/22 Objective | 2021/22 Result |
|----------------------|-------------------|----------------|
| Gross Revenue | \$3.3M | \$1.92M |
| Net Operating Profit | (\$4.5M) | (\$4.3M) |
| Booking Pace | \$12.4M | \$17.3M |

Improving Client Satisfaction

OCC recognizes the importance of client satisfaction and reflects this through systems and procedures that ensure superior customer service from initial contact through to final invoicing. In 2021/2022, our client satisfaction survey scores reached an average of 4.7 out of 5, well above our goal of 4.5. We continue to look forward to maintaining this score in 2022/2023.

We remain confident 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 areas of the organization, as well as maintaining positive and mutually supportive partner relations.

Our colleagues have identified rewards and recognition as important to them. The OCC focuses on a culture of appreciation for our colleagues and clients; ours is a culture where great work and results are noticed and acknowledged. To that end, as our staff returned in 2021/2022, we are again celebrating their outstanding work through programs like *Encore! Encore!* to recognize colleagues who live our company values daily. When our colleagues meet a milestone career anniversary, we honour their dedication with special recognition and rewards. Our goal is to ensure they know they are valued members of the OCC team and responsible for our exceptional customer service scores.

The OCC's primary service partners, Aramark Entertainment Services (Canada) Inc. and Encore are vital ingredients in our operational product offerings and third-party initiatives. OCC works closely with our service partners to ensure customer service remains high and product quality exceeds industry standards and client demands.

Corporate Social Responsibility

The OCC recognizes the role it plays in the life and economy of our host community and the role that same community plays in supporting and enhancing the event experience of our clients. To sustain and nurture this symbiotic relationship, we undertake various initiatives to demonstrate ongoing corporate responsibility and maintain a positive community interface.

Environmental initiatives are another key element of our corporate social responsibility plan. On that front, at the OCC, we continuously strive to find strategies that will maximize the efficiency of our waste management system with a diversion goal of at least 55%. As events began to return in 2021/2022, the OCC successfully diverted 56% of waste from landfills. As our focus on waste management increases, we expect this number to continue to improve in the coming years. OCC participates in a rigorous food waste program utilizing Organic Refuse Conversion Alternatives (ORCA machines) that turns organic waste and compost waste into environmentally safe grey water. OCC continues to be part of Carbon 613, a network of Ottawa businesses committed to working collectively towards a reduction of greenhouse gases. With these initiatives, the OCC has a robust focus on energy savings.

While many companies now practice some form of corporate social responsibility (CSR) programs, the OCC has decided to make it a core tenet of our operations. Undertaking social responsibility initiatives allows us to appeal to socially conscious consumers (and colleagues) and makes a tangible difference in the world. In addition to our in-house programs, we 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. These include our Leave a Legacy Program, FoodRescue.ca and Mealshare. This past year the Ottawa Mission and Food for Thought benefited from these programs.

OCC colleagues also recognize the importance of giving back to the community individually and have set a goal to participate in activities throughout the year. In 2021/2022, OCC staff participated in the Ottawa Mission's Coldest Night of the Year walk. Together with thousands of Canadians across the country, we walked and fundraised to support and serve people and families experiencing homelessness, hurt, and hunger in our community.

Through our Leave a Legacy program, leftover meeting and convention materials are repurposed or recycled wherever possible. We will continue to look for partnership opportunities to ensure all salvageable materials left behind are delivered to charities most in need.

OPERATING STATISTICS 2021-22

Number of events: **60**

Number of conventions: **1**

Number of trade & consumer shows: **1**

Number of meetings: **25**

Other Events: **33**

Revenue: **\$1.92M**

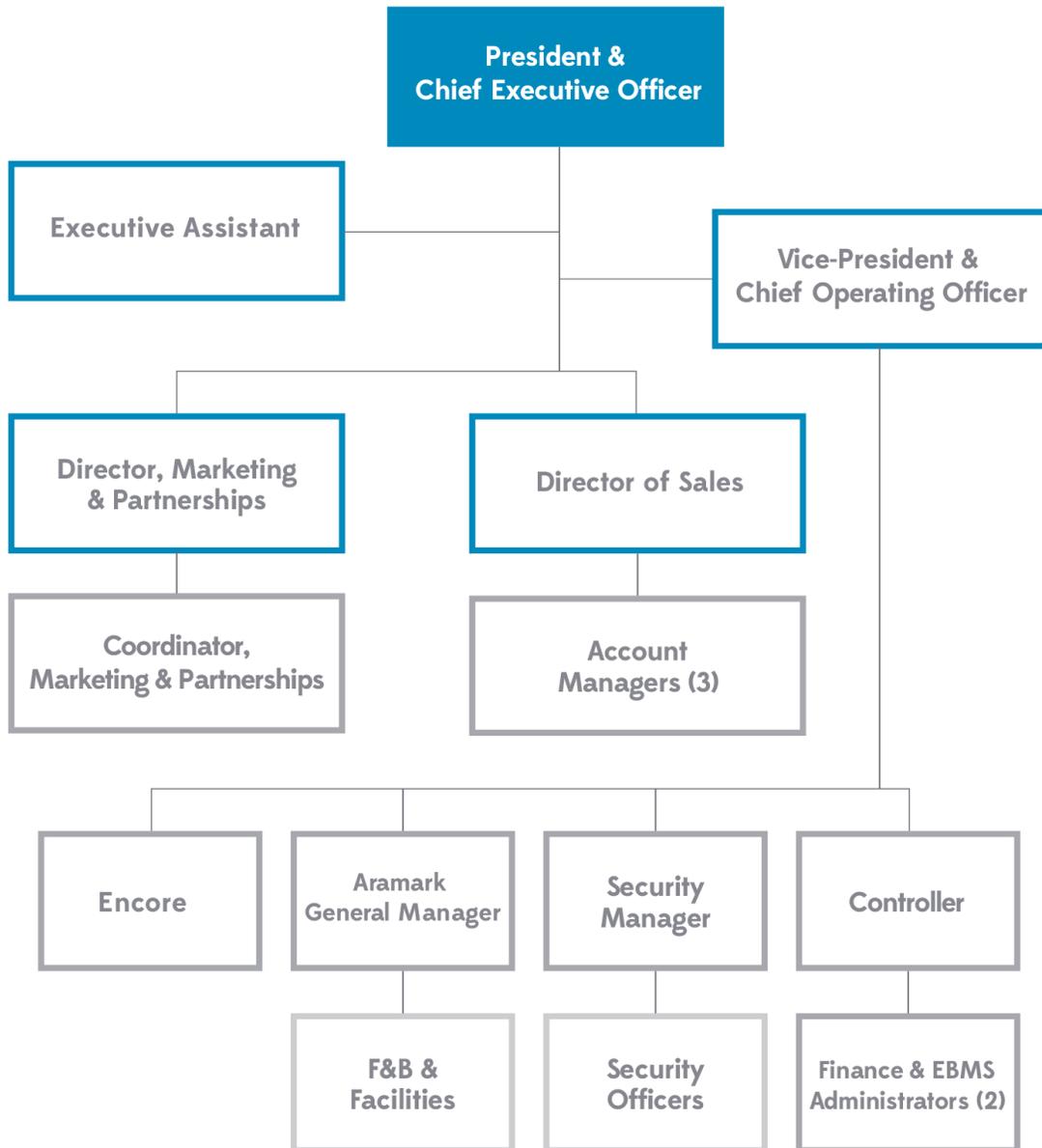
Operating Surplus (Deficit): **(\$4.3M)**

DISCLOSURE OF REMUNERATION

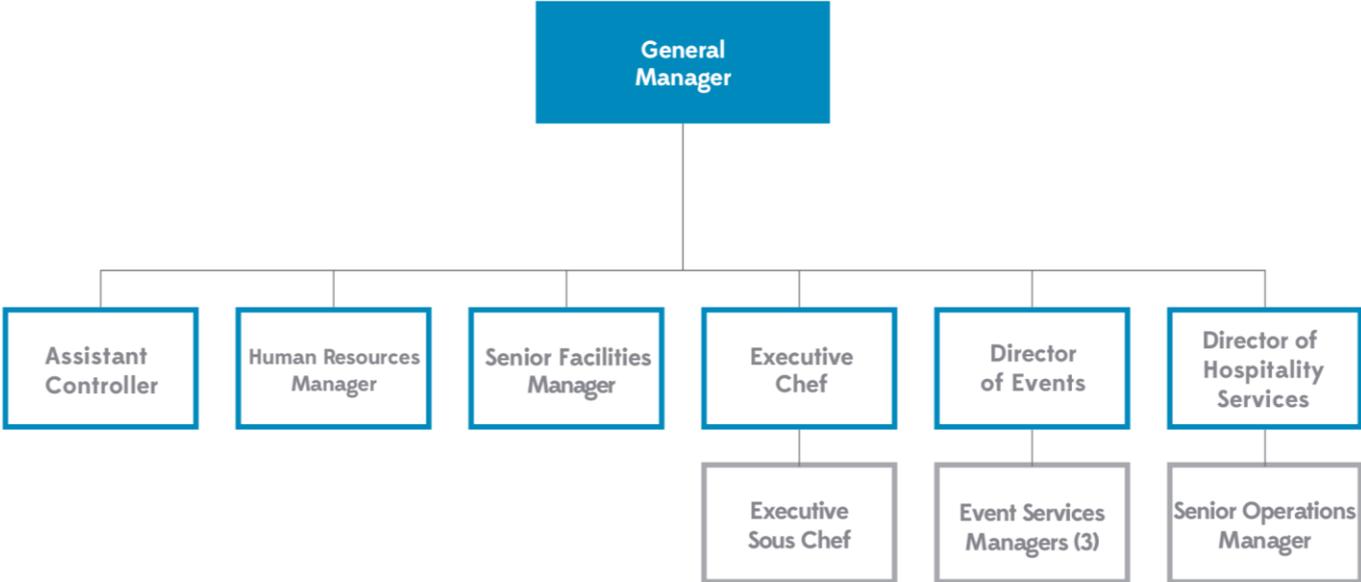
Members of the OCC Board of Directors are entitled to remuneration for attendance at the board, committee and other meetings as required. Outlined below is the total remuneration paid to each director for the fiscal year 2021-2022.

| Name | Title | Amount |
|------------------|----------|---------|
| Jo-Anne Poirier | Chair | \$3,400 |
| Jim Armour | Director | \$1,000 |
| Kay Stanley | Director | \$1000 |
| Debra Armstrong | Director | \$1,375 |
| Michael Crockatt | Director | \$1,000 |
| George Darouze | Director | \$0 |
| Jean Lalande | Director | \$500 |
| Jagdeep Perhar | Director | \$1,000 |
| Fred Sherman | Director | \$1,125 |
| Sean Webster | Director | \$0 |
| Jinsheng Xue | Director | \$250 |
| Cynthia Bland | Director | \$250 |
| David Muir | Director | \$625 |

OTTAWA CONVENTION CENTRE ORGANIZATIONAL STRUCTURE



OTTAWA CONVENTION CENTRE FOOD SERVICE PROVIDER



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

Financial Statements
March 31, 2022

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

Opinion

We have audited the financial statements of Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa (the "Centre"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the audited financial information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

MNP LLP

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ottawa, Ontario

June 29, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

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

Statement of Financial Position

As at March 31, 2022

| | 2022 \$ | 2021 \$ |
|--|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash | 5,503,023 | 3,578,209 |
| Accounts receivable (note 4) | 804,450 | 1,396,539 |
| Prepaid expenses | 126,413 | 99,365 |
| | <u>6,433,886</u> | <u>5,074,113</u> |
| Property, plant and equipment (note 5) | <u>129,523,631</u> | <u>132,539,749</u> |
| | <u>135,957,517</u> | <u>137,613,862</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 14) | 1,637,053 | 1,258,174 |
| Current portion of deferred revenue and deposits | 3,140,122 | 1,285,763 |
| Current portion of long-term debt (note 7) | 195,003 | 186,121 |
| | <u>4,972,178</u> | <u>2,730,058</u> |
| Non-current liabilities | | |
| Deferred revenue and deposits | 746,331 | 1,166,141 |
| Long-term debt (note 7) | 28,225,900 | 28,420,903 |
| Deferred contributions related to property, plant and equipment (note 8) | 91,645,909 | 93,343,445 |
| | <u>125,590,318</u> | <u>125,660,547</u> |
| Net assets | <u>10,367,199</u> | <u>11,953,315</u> |
| | <u>135,957,517</u> | <u>137,613,862</u> |

Commitments (note 12)

Contingency and measurement uncertainty (note 14)

Approved by the Board of Directors



Director



Director

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

Ottawa Convention Centre Corporation/ Société du Centre des Congrès d'Ottawa
Statement of Operations
For the year ended March 31, 2022

| | 2022 | 2021 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Revenue | | |
| Food and beverage | 783,025 | 13,252 |
| Space rental | 356,582 | 762,149 |
| Commissions | 287,809 | 200,524 |
| Advertising | 477,799 | 464,080 |
| Interest earned | 17,455 | 20,917 |
| | <u>1,922,670</u> | <u>1,460,922</u> |
| Expenses (note 9) | | |
| Direct | 587,283 | 9,939 |
| Facilities | 3,301,755 | 3,092,202 |
| Selling, general and administrative | <u>2,327,214</u> | <u>2,014,538</u> |
| | <u>6,216,252</u> | <u>5,116,679</u> |
| Excess of expenses over revenue before undernoted items | (4,293,582) | (3,655,757) |
| Interest on long-term debt | (1,043,879) | (1,052,357) |
| Amortization of deferred contributions related to property, plant and equipment | 3,344,254 | 3,380,532 |
| Amortization of property, plant and equipment | <u>(4,882,469)</u> | <u>(5,550,134)</u> |
| Excess of expenses over revenue before government assistance | (6,875,676) | (6,877,716) |
| Government assistance (note 2), (note 4), (note 15) | <u>5,289,560</u> | <u>4,544,762</u> |
| Excess of expenses over revenue for the year | <u>(1,586,116)</u> | <u>(2,332,954)</u> |

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

Ottawa Convention Centre Corporation/ Société du Centre des Congrès d'Ottawa
Statement of Operations
For the year ended March 31, 2022

| | 2022 \$ | 2021 \$ |
|---|--------------------|--------------------|
| Net assets – Beginning of year | 11,953,315 | 14,286,269 |
| Excess of expenses over revenues for the year | <u>(1,586,116)</u> | <u>(2,332,954)</u> |
| Net assets – End of year | <u>10,367,199</u> | <u>11,953,315</u> |

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

Ottawa Convention Centre Corporation/ Société du Centre des Congrès d'Ottawa
Statement of Operations
For the year ended March 31, 2022

| | 2022 | 2021 |
|--|------------------|--------------------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of expenses over revenues for the year | (1,586,116) | (2,332,954) |
| Items not affecting cash | | |
| Amortization of property, plant and equipment | 4,882,469 | 5,550,134 |
| Amortization of deferred contributions related to property, plant and equipment | (3,344,254) | (3,380,532) |
| | <u>(47,901)</u> | <u>(163,352)</u> |
| Net change in non-cash working capital balances related to operations (note 10) | <u>2,378,469</u> | <u>(1,666,929)</u> |
| | 2,330,568 | (1,830,281) |
| Capital activities | | |
| Purchase of property, plant and equipment | (1,866,351) | (574,745) |
| Capital contributions received | 1,646,718 | 719,075 |
| Financing activities | | |
| Repayment of long-term debt | <u>(186,121)</u> | <u>(177,643)</u> |
| Increase (decrease) in cash during the year | 1,924,814 | (1,863,594) |
| Cash – Beginning of year | <u>3,578,209</u> | <u>5,441,803</u> |
| Cash – End of year | <u>5,503,023</u> | <u>3,578,209</u> |
| Supplementary information | | |
| Interest paid | 1,043,879 | 1,052,357 |
| Supplementary non-cash capital activities | | |
| Capital contributions receivable | 581,250 | 512,030 |

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

Ottawa Convention Centre Corporation/ Société du Centre des Congrès d'Ottawa
Statement of Operations
For the year ended March 31, 2022

1 Nature of organization

The Ottawa Convention Centre Corporation / 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 Impact on operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

Since March 2020, COVID-19 has had a profound impact on the Centre's operations due to significant limitations on public gatherings for extended periods of time, cancellation of events and domestic and international travel. These factors have been adversely affecting demand for and the ability of the Centre to provide its services, forcing the Centre to temporarily halt substantially all of its operations during the year ended March 31, 2021 and into the first half and last quarter of the fiscal year ended March 31, 2022.

The impact of COVID-19 has been partially offset by Government assistance of \$5,289,560 (2021 - 4,544,762) obtained from the Ministry of Heritage, Sport, Tourism and Culture Industries (the "Ministry") pursuant to an Ontario Transfer Payment Agreement (note 15).

At this time, the Centre is seeing a return to in-person events but not as large as pre-COVID years. As a result of the impacts of COVID-19, the Centre became economically dependent on the Ministry during the year ended March 31, 2021 and 2022, and is expected to continue that reliance over the next 12 months as operations resume. On March 25, 2022, the Centre entered into an agreement with the Ministry for fiscal year 2022-23 to receive up to \$5,186,249 in fiscal year 2022-23 in Emergency Stabilization Funding.

(1)

3 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 certain 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.

3 Summary of significant accounting policies (continued)

Property, plant, and equipment

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

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

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

Deferred revenue and deposits

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

Deferred contributions related to property, plant and equipment

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

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

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

Employee future benefits

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

Ottawa Convention Centre Corporation/ Société du Centre des Congrès d'Ottawa
Statement of Operations
For the year ended March 31, 2022

3 Summary of significant accounting policies (continued)

During the year, the Centre recorded an expense of \$81,631 (2021 – \$85,653) 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 |

Government assistance

The Centre will recognize government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Centre recognizes Ontario Transfer Payment grants as non-recurring revenue.

4 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. During the year ended March 31, 2022 the Centre received \$5,289,560 (2021 - \$4,544,762) from the Ministry to assist with the payment of operating costs and replenishment of client deposit accounts (note 15) and \$1,646,718 (2021 - \$1,231,105) of contributions from the Ministry to be used towards the purchase of property, plant and equipment (note 8). Of these amounts, an aggregate of \$581,250 is included in accounts receivable at March 31, 2022 (2021 - \$1,220,792).

(4)

Ottawa Convention Centre Corporation/ Société du Centre des Congrès d'Ottawa
Statement of Operations
For the year ended March 31, 2022

5 Property, plant and equipment

| | 2022 | | |
|-----------------------------------|--------------------|---------------------|---------------------|
| | Cost | Accumulated | Net carrying |
| | \$ | amortization | amount |
| | | \$ | \$ |
| Building | 170,840,512 | 46,908,143 | 123,932,369 |
| Software | 210,834 | 210,834 | - |
| Furniture, equipment and fixtures | 12,782,027 | 8,604,538 | 4,177,489 |
| Technology network | 2,476,912 | 1,816,402 | 660,510 |
| Land | 753,263 | - | 753,263 |
| | 187,063,548 | 57,539,917 | 129,523,631 |

| | 2021 | | |
|-----------------------------------|--------------------|---------------------|---------------------|
| | Cost | Accumulated | Net carrying |
| | \$ | amortization | amount |
| | | \$ | \$ |
| Building | 170,840,512 | 42,637,130 | 128,203,382 |
| Software | 210,834 | 210,834 | - |
| Furniture, equipment and fixtures | 10,960,008 | 8,202,541 | 2,757,467 |
| Technology network | 2,476,912 | 1,651,275 | 825,637 |
| Land | 753,263 | - | 753,263 |
| | 185,241,529 | 52,701,780 | 132,539,749 |

6 Credit facility

At March 31, 2022, the Company has an available credit facility of \$3,000,000 (2021 - \$3,000,000) which bears interest at prime rate and is repayable on demand. It is secured by a general security agreement on all personal property. At March 31, 2022, no amounts (2021 - \$Nil) were drawn with respect to this credit facility. As directed by the Ministry, the Centre must obtain an approved Order in Council from the Ministry prior to drawing on the facility. On March 2, 2021, management of the Centre obtained an approved Order in Council.

7 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. 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.

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7 Long-term debt (continued)

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, 2022 | March 31, 2021 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Present value of non-interest bearing obligation to pay \$1,000,000 per year to the OFA in perpetuity, discounted at a rate of 3.63% per annum | 27,583,238 | 27,583,238 |
| Debt related to acquisition of technology services network, bearing interest at 4.73% per annum and requiring blended monthly payments of \$19,167 (2021 - \$19,167) from April 2011 through March 2026 | 837,665 | 1,023,786 |
| | <u>28,420,903</u> | <u>28,607,024</u> |
| Less: Current portion | 195,003 | 186,121 |
| | <u>28,225,900</u> | <u>28,420,903</u> |

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

| | \$ |
|----------------------|-----------|
| Year Ending March 31 | |
| 2023 | 195,003 |
| 2024 | 204,313 |
| 2025 | 214,066 |
| 2026 | 224,283 |

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8 Deferred contributions

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Balance – Beginning of year | 93,343,445 | 95,492,872 |
| Contributions from the Ministry of Heritage, Sport, Tourism and Culture | 1,646,718 | 1,231,105 |
| Amortization | (3,344,254) | (3,380,532) |
| Balance – End of year | <u>91,645,909</u> | <u>93,343,445</u> |

9 Expenses

Expenses presented by function are represented as follows:

| | 2022 | 2021 |
|-------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Direct | 587,283 | 9,939 |
| Facilities | 8,184,224 | 8,642,336 |
| Selling, general and administrative | 2,327,214 | 2,014,538 |
| Financial | 1,043,879 | 1,052,357 |
| | <u>12,142,600</u> | <u>11,719,170</u> |

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.

10 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:

| | 2022 | 2021 |
|---|------------------|--------------------|
| | \$ | \$ |
| Accounts receivable | 592,089 | 419,732 |
| Prepaid expenses | (27,048) | (5,544) |
| Accounts payable and accrued liabilities | 378,879 | (1,245,199) |
| Deferred revenue and deposits – Current | 1,854,359 | (1,390,974) |
| Deferred revenue and deposits – Long-term | (419,810) | 555,056 |
| | <u>2,378,469</u> | <u>(1,666,929)</u> |

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11 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, 2022, 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 in relation to its perpetual obligation to the OFA detailed in note 7. The ability of the Centre to draw on this guarantee is subject to the ongoing creditworthiness of the Ministry; however, the Centre does not currently perceive any significant credit risk related to the Ministry.

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11 Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, long-term debt and the obligation to pay \$1,000,000 annually to the OFA (note 7). As part of the agreement with the OFA, the Centre obtained a guarantee from the Ministry of Heritage, Sport, Tourism and Culture that it will pay on behalf of the Centre all or a portion of the annual payments due to the OFA to the extent the Centre is unable to make such payments. Given the \$1,000,000 annual payment is required in perpetuity, the annual payment is deemed to be interest expense each year and the present value of the future required annual payments is presented as a long-term liability on the balance sheet and included in the “more than 5 years” category in the table below.

The table below is a maturity analysis of the Centre’s financial liabilities (excluding interest) as at March 31, 2022:

| | 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 | 1,521,378 | 26,295 | 44,690 | 44,690 | 1,637,053 |
| Long-term debt | 96,362 | 98,641 | 642,654 | 27,583,246 | 28,420,903 |
| | <u>1,617,740</u> | <u>124,936</u> | <u>687,344</u> | <u>27,627,936</u> | <u>30,057,956</u> |

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 \$837,665 (2021 - \$1,023,786) in debt bearing a 4.73% fixed interest rate annually in relation to the acquisition of technology services network (note 7). Management does not consider the Centre to be exposed to significant interest rate risk.

As at March 31, 2022, the Centre’s total exposure to interest rate risk is \$837,665. The Centre’s estimate of the effect on net assets, as at March 31, 2022, 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 \$27,014 (2021 - \$31,495). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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11 Financial instruments and risk management (continued)

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.

12 Commitments

The Centre has entered into facility services and technology services agreements related to the operation of the Centre, both expiring in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of \$300,000 (2021 – \$290,000) with annual escalations of \$10,000 thereafter. Under the technology services agreement, the Centre will make annual payments adjusted for inflation of \$332,101 (2021 – \$324,001) attributable to the ongoing service agreement.

The Centre has also entered into a telecommunications equipment lease agreement with RCAP with an initial and first renewal term March 1, 2015 to April 1, 2021. The agreement was renewed in June 2020 and expires April 1, 2025. Under the agreement, the Centre will pay an annual fee of \$23,589 (2021– \$23,589). All figures exclude applicable taxes.

13 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.

14 Contingency and measurement uncertainty

As at March 31, 2022, the Centre has accrued an amount of \$135,393 (2021 – 306,922) representing management's best estimate of future payments which may become due as a result of the impacts of the pandemic on the Centre's operations. The actual amount of any ultimate liability is currently uncertain and may be higher or lower than management's estimate. Any difference between the amount accrued and the actual amount that will ultimately become payable, if any, will be recognized as a charge or credit to the statement of operations in the period in which the amounts are ultimately paid or become payable.

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15 Government assistance

In response to the detrimental effect COVID-19 had on the meeting and events industry, the Ministry has provided the Centre with government grants. On June 22, 2021, the Centre entered into an Ontario Transfer Payment Agreement which consists of grant payments to the Centre to assist with payment of operating costs and replenishment of client deposit accounts.

For the year ended March 31, 2022, the Centre has recognized \$5,289,560 (2021 - \$4,544,762) of Ontario Transfer Payments of which \$nil (2021 - \$708,862) was receivable (note 4).