

**Fredericton Convention Centre Inc.**  
Financial Statements

December 31, 2015

## Independent auditors' report

To the Board of Directors of the  
**Fredericton Convention Centre Inc.**

We have audited the accompanying financial statements of the **Fredericton Convention Centre Inc.**, which comprise the statement of financial position as at December 31, 2015, and the statements of profit or loss and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Fredericton Convention Centre Inc.** as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young LLP*

Saint John, Canada  
March 31, 2016

Chartered Professional Accountants



# Fredericton Convention Centre Inc.

Financial Statements  
Year ended December 31, 2015

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Independent Auditors' Report

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# Fredericton Convention Centre Inc.

Statement of Financial Position  
As at December 31, 2015

	2015	2014
<b>Assets</b>		
Current assets		
Cash	\$ 107,619	\$ 256,687
Internally restricted cash [note 6]	1,652,000	1,460,000
Accounts receivable	149,436	59,011
Due from City of Fredericton	1	1
Prepaid expenses	6,517	10,173
	<u>1,915,573</u>	<u>1,785,872</u>
Property, equipment and intangible assets [schedule 1]	169,495	121,783
	<u>\$ 2,085,068</u>	<u>\$ 1,907,655</u>
<b>Liabilities and shareholder's equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 130,912	\$ 114,444
Unearned revenue	51,708	55,842
	<u>182,620</u>	<u>170,286</u>
Shareholder's equity:		
Capital replacement reserve [note 6]	1,652,000	1,460,000
Share capital		
Authorized unlimited number of common shares		
Issued 1 common share	1	1
Retained earnings	250,447	277,368
Total shareholder's equity	<u>1,902,448</u>	<u>1,737,369</u>
	<u>\$ 2,085,068</u>	<u>\$ 1,907,655</u>

See accompanying notes

On behalf of the Board:

\_\_\_\_\_  
Director

# Fredericton Convention Centre Inc.

Statement of Profit or Loss and Retained Earnings  
Year ended December 31, 2015

	2015	2014
Event revenue	\$ 1,990,093	\$ 1,691,856
Direct expenses	<b>(1,472,730)</b>	<b>(1,155,461)</b>
Gross profit	<b>517,363</b>	536,395
City of Fredericton grant [note 5]	<b>950,000</b>	950,000
Salaries and payroll	<b>(482,729)</b>	(464,777)
Building maintenance	<b>(519,291)</b>	(478,609)
General and administrative	<b>(187,133)</b>	(153,370)
Advertising, marketing and promotion	<b>(91,293)</b>	(87,371)
Depreciation	<b>(45,251)</b>	(32,639)
Operating profit	<b>141,666</b>	269,629
Finance income	<b>23,413</b>	23,417
Profit for the year	<b>165,079</b>	293,046
Retained earnings, beginning of year	<b>277,368</b>	236,322
Transfer to capital replacement reserve [note 6]	<b>(192,000)</b>	(252,000)
Retained earnings, end of year	<b>\$ 250,447</b>	\$ 277,368

See accompanying notes

# Fredericton Convention Centre Inc.

Statement of Cash Flows  
Year ended December 31, 2015

	2015	2014
Cash provided by (used in):		
Operating activities		
Profit for the year	\$ 165,079	\$ 293,046
Depreciation	45,251	32,639
Changes in non-cash operating working capital:		
Accounts receivable	(90,425)	68,389
Prepaid expenses	3,656	(9,135)
Accounts payable and accrued liabilities	16,468	(28,833)
Unearned revenue	(4,134)	2,653
	<b>135,895</b>	<b>358,759</b>
Investing activities		
Purchase of property, equipment and intangible assets	(92,963)	(39,137)
Increase in cash and internally restricted cash	42,932	319,622
Cash and internally restricted cash, beginning of year	1,716,687	1,397,065
Cash and internally restricted cash, end of year	<b>\$ 1,759,619</b>	<b>\$ 1,716,687</b>

See accompanying notes

# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 1. Nature of operations

The Fredericton Convention Centre Inc. [the "Company"], a municipal corporation owned by the City of Fredericton, is incorporated under the *New Brunswick Business Corporations Act*. 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 for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ["IFRS"] and interpretations adopted by the International Accounting Standards Board ["IASB"].

### (b) Basis of presentation

The financial statements for the Company for the year ended December 31, 2015 were authorized for issue by the Board of Directors on March 31, 2015.

### (c) Functional and presentation currency

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

### (d) Property, equipment and intangible assets

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

Assets	Rate
Computer software	50%
Computer hardware	45%
Decor	30%
Vehicle	30%
Furniture and equipment	20%

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

# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 2. Significant accounting policies (continued)

### (e) Revenue recognition

Revenue is 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.

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

### (f) 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, accounts receivable, and due from City of Fredericton. The Company's financial liabilities include accounts payable and accrued liabilities.

#### *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 profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing 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, Financial instruments: recognition and measurement, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognized in other expenses (income) or interest expense in the statement of profit.



# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 2. Significant accounting policies (continued)

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

### 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 in depreciation and impairment expense.

Securities in this category include cash, accounts receivable, and due from City of Fredericton.

### 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 comprehensive income under net unrealized gains/(losses) on available for sale securities until the financial asset is derecognized.

There are no securities in this category.

#### *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 assets 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.

# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 2. Significant accounting policies (continued)

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

### 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 profit 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 consolidated statement of profit.

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

### iii. Derivatives designated as hedging instruments in an effective hedge

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

There are no liabilities in this category.

# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 2. Significant accounting policies (continued)

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Interest rate swaps when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or highly probable forecast transactions are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is recognized in the statement of profit in other expenses (income).

Amounts taken to other comprehensive income are transferred to the statement of profit when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs.

If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the statement of profit. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company does not have any derivatives designated as hedging instruments in an effective hedge.

### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or 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 profit.

### *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.

# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 2. Significant accounting policies (continued)

### *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.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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

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## 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.

# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 3. Significant accounting estimates and assumptions (continued)

### *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 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.

### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit ["CGU"] exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. 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. The key assumptions used to determine the recoverable amount for the different CGU, including a sensitivity analysis, are further explained in Schedule 1.

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## 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.

# Fredericton Convention Centre Inc.

Notes to Financial Statements  
Year ended December 31, 2015

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## 4. Financial risk management (continued)

### *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. The maximum risk the Company would be exposed to is \$149,436 and the average outstanding balance for any one customer is approximately \$1,889. There is one accounts receivable balances outstanding greater than 90 days for \$18,437. There is no provision established for bad debt.

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## 5. Economic interest

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 in order 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 [2014 - \$950,000].

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## 6. Building, equipment, furniture and fixtures capital replacement reserve

Monies are set aside in an internally restricted fund to fund future building equipment, furniture and fixture capital replacement needs. The capital reserve allotment in 2015 amounts to \$192,000 [2014 - \$252,000].

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## 7. Related party transactions

The Company has a payable outstanding at year-end of \$8,177 [2014 - \$1,120] owed to the City of Fredericton for rendering of goods and services. The Company has a receivable outstanding at year-end for \$237 [2014 - \$3,544] from the City of Fredericton for rendering of goods and services. Related party transactions are recorded at their exchange amount.

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**Fredericton Convention Centre Inc.  
Schedule of Property, Equipment and Intangible Assets**

Schedule 1

For the year ended December 31, 2015

	Computer software	Computer hardware	Décor	Vehicle	Furniture and equipment	Total	2014 Total
<b>COST</b>							
Balance, beginning of year	\$ 38,103	\$ 27,672	\$ 7,444	\$ 9,490	\$ 183,186	\$ 265,895	\$ 226,758
Add:							
Net additions during the year	39,230	-	-	-	53,733	92,963	39,137
<b>BALANCE, END OF YEAR</b>	<b>77,333</b>	<b>27,672</b>	<b>7,444</b>	<b>9,490</b>	<b>236,919</b>	<b>358,858</b>	<b>265,895</b>
<b>ACCUMULATED AMORTIZATION</b>							
Balance, beginning of year	36,317	9,254	4,429	6,724	87,388	144,112	111,473
Add:							
Amortization during the year	10,701	8,288	900	828	24,534	45,251	32,639
<b>BALANCE, END OF YEAR</b>	<b>47,018</b>	<b>17,542</b>	<b>5,329</b>	<b>7,552</b>	<b>111,922</b>	<b>189,363</b>	<b>144,112</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>							
	\$ 30,315	\$ 10,130	\$ 2,115	\$ 1,938	\$ 124,997	\$ 169,495	\$ 121,783

During the year, the Company carried out a review of the recoverable amount of property, equipment and intangible assets, there was no impairment identified (2014 - \$0).