

2010 Games Operating Trust

Financial statements
December 31, 2018



Independent auditor's report

To the Members of
2010 Games Operating Trust

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **2010 Games Operating Trust** [the "Trust"], which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

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

Report on other legal and regulatory requirements

As required by the British Columbia *Societies Act*, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
June 18, 2019

Ernst + Young LLP

Chartered Professional Accountants



2010 Games Operating Trust

Statement of financial position

As at December 31

	2018	2017
	\$	\$
Assets		
Cash and cash equivalents	276,229	100,128
Prepaid expenses and other assets	27,004	—
Investments <i>[note 3]</i>	144,677,374	154,947,243
Total assets	144,980,607	155,047,371
Liabilities and fund balances		
Liabilities		
Due to 2010 Games Operating Trust Society <i>[note 4]</i>	77,424	5,607
Distributions payable <i>[note 7]</i>	7,475,596	7,513,369
Total liabilities	7,553,020	7,518,976
Fund balances <i>[note 8]</i>		
Speed Skating Oval Fund	52,995,572	56,894,248
Whistler Sliding Centre and Nordic Centre Fund	52,802,771	56,685,822
Contingency Fund	31,629,244	33,948,325
Total fund balances	137,427,587	147,528,395
Total liabilities and fund balances	144,980,607	155,047,371

See accompanying notes

On behalf of the Board of Directors of the Trustee:

Director

Director

2010 Games Operating Trust

Statement of operations and changes in fund balances

Year ended December 31

	2018	2017
	\$	\$
Revenue		
Investment income		
Interest and dividends	9,602,727	6,543,129
Realized gains on sale of investments	2,268,008	3,991,713
Unrealized gains (losses) on fair value of held-for-trading investments	(14,042,708)	3,581,754
Other income	27,004	25,895
Total revenue (losses)	(2,144,969)	14,142,491
Expenses [note 4]		
Legal	7,032	2,809
Investment advisory	31,234	28,791
Investment management	369,251	329,445
Administration	21,176	17,792
Audit	18,286	18,286
Custodial services	19,014	17,392
Directors' and officers' insurance	14,250	14,250
Total expenses	480,243	428,765
Excess (deficiency) of revenue over expenses for the year	(2,625,212)	13,713,726
Fund balances, beginning of year	147,528,395	141,328,038
Distributions [note 7]	(7,475,596)	(7,513,369)
Fund balances, end of year	137,427,587	147,528,395

See accompanying notes

2010 Games Operating Trust

Statement of cash flows

Year ended December 31

	2018	2017
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(2,625,212)	13,713,726
Add (deduct) items not affecting cash		
Realized gains on sale of investments	(2,268,008)	(3,991,713)
Unrealized losses (gains) on fair value of held-for-trading investments	14,042,708	(3,581,754)
	<u>9,149,488</u>	<u>6,140,259</u>
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(27,004)	—
Due to 2010 Games Operating Trust Society	71,817	(77,447)
Cash provided by operating activities	<u>9,194,301</u>	<u>6,062,812</u>
Investing activities		
Acquisition of investments at cost	(26,403,118)	(16,359,825)
Proceeds on disposition of investments	24,898,287	17,378,337
Cash provided by (used in) investing activities	<u>(1,504,831)</u>	<u>1,018,512</u>
Financing activities		
Distributions paid during the year	(7,513,369)	(7,262,801)
Cash used in financing activities	<u>(7,513,369)</u>	<u>(7,262,801)</u>
Net increase (decrease) in cash during the year	176,101	(181,477)
Cash and cash equivalents, beginning of year	<u>100,128</u>	<u>281,605</u>
Cash and cash equivalents, end of year	<u>276,229</u>	<u>100,128</u>

See accompanying notes

2010 Games Operating Trust

Notes to financial statements

December 31, 2018

1. Purpose of organization

The 2010 Games Operating Trust [the "Trust"] was established to promote high performance amateur sport in Canada.

The Trust was the recipient of \$110,000,000 which represented the obligations of both British Columbia and Canada [\$55,000,000 each] under a multi-party agreement ["MPA"] for hosting the 2010 Olympic and Paralympic Winter Games [the "Games"].

The Trust was settled on March 31, 2004 in connection with the receipt of British Columbia's \$55,000,000 contribution. Canada's contribution of \$55,000,000 was received on April 22, 2005. The Trust is a Registered Canadian Amateur Athletic Association and is exempt from income taxes under the *Income Tax Act* (Canada).

The Trustee is the 2010 Games Operating Trust Society [the "Society" or "Trustee"]. The Society is governed by a Board of Directors consisting of eight members, six of whom are appointed from each of Canada, British Columbia, the Canadian Olympic Committee, the Canadian Paralympic Committee, the City of Richmond and the Resort Municipality of Whistler, and two additional members appointed by the Board of Directors of the Society.

The settlement of the Trust established the Legacy Endowment Fund to provide funding for operating expenses and related capital maintenance costs of certain Games venues prior to the initial opening of an Olympic facility. The Games venues include the speed skating oval venue [the "Richmond Olympic Oval"], which is owned by the City of Richmond, and the sliding centre venue [the "Whistler Sliding Centre"] and the nordic centre venue [the "Whistler Olympic Park"], which are owned by the Whistler 2010 Sport Legacies Society [previously operated by the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ["VANOC"]. The Trust Agreement provides that the funds held within the Legacy Endowment Fund were to be invested until the initial opening of an Olympic facility after which the Legacy Endowment Fund was to be divided and the capital and any accumulated but undistributed income be divided into each of the following funds: Speed Skating Oval Fund, Whistler Sliding Centre and Nordic Centre Fund and Contingency Fund. The fund division date of the Legacy Endowment Fund was established effective December 31, 2007 and the funds were divided as follows: Speed Skating Oval Fund [40%], Whistler Sliding Centre and Nordic Centre Fund [40%] and Contingency Fund [20%].

The Speed Skating Oval Fund and the Whistler Sliding Centre and Nordic Centre Fund provide for calculations to be performed to determine an annual distributable amount to be paid to the owners of the Games venues [note 7]. The Trustee must consult with and give consideration to any operating agreement signed by the owner of each venue and thereafter will pay or apply so much of the annual distributable amount for each fund for the following priorities: administrative costs, the operating expenses and capital maintenance expenses of the respective venues, athlete and coach sport development programs at the respective facilities, and athlete and coach sport development programs throughout Canada. To the extent the annual distributable amount is different than the income of the respective fund, any excess or deficiency is to be added to or withdrawn from the capital of that fund accordingly.

With respect to the Contingency Fund, the Trustee has the ability to allocate any part of the income and capital of the fund to either the Speed Skating Oval Fund and/or the Whistler Sliding Centre and Nordic Centre Fund as it believes appropriate.

2010 Games Operating Trust

Notes to financial statements

December 31, 2018

2. Summary of significant accounting policies

These financial statements are reported in Canadian dollars and have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada.

The following is a summary of significant accounting policies used in the preparation of these financial statements:

Fund accounting

The Trust follows the restricted fund method of accounting for contributions. Investment income earned on assets held in the respective funds is recorded as revenue as earned. All expenditures are expensed as incurred on a proportionate basis within each of the respective funds.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the Trustee's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Trustee's management believes that the estimates utilized in preparing its financial statements are reasonable; however, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of all highly liquid investments with an original maturity of 90 days or less unless they are held for investment purposes in which case they are classified as investments.

Financial instruments

It is the Trustee's opinion that the Trust is subject to interest rate, market and foreign currency risks with respect to its investments. To manage these risks, the investment policy for the Trust has established a target mix of investments which is designed to achieve optimal returns with reasonable risk tolerances.

Investments and investment income

Investments are measured at fair value with changes in fair value recorded as unrealized gains or losses. The estimated fair value for bond and equity investments is based on the latest closing prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Investments denominated in foreign currencies are translated into Canadian dollars at the rate of exchange at the year-end.

Investment transactions are recorded on a trade date basis and transaction costs are expensed as incurred. Income on interest-bearing securities is accrued daily. Dividends on equity investments are recognized as revenue on their payment dates. Capital gains and losses on bonds, equities, and other investments are included in revenue in the year realized.

2010 Games Operating Trust

Notes to financial statements

December 31, 2018

3. Investments

The Trust's investments are as follows:

	2018	2017
	\$	\$
Cash held by investment managers	<u>58,205</u>	<u>60,412</u>
Fixed income		
Government and corporate bonds	58,339,371	57,444,203
Mortgages	—	3,005,632
Total fixed income	<u>58,339,371</u>	<u>60,449,835</u>
Equities		
Canadian	35,045,774	39,935,705
United States and other international	50,435,985	54,501,291
Infrastructure	798,039	—
Total equities	<u>86,279,798</u>	<u>94,436,996</u>
Total investments	<u>144,677,374</u>	<u>154,947,243</u>

4. Related party transactions

Pursuant to the Trust Agreement, the Society is entitled to be reimbursed for its reasonable expenses in relation to its administration of the affairs of the Trust. During the year ended December 31, 2018, the Trust was charged \$480,243 [2017 – \$428,765] by the Trustee, for the recovery of expenses incurred on the Trust's behalf. As at December 31, 2018, the amount payable to the Trustee was \$77,424 [2017 – \$5,607].

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Capital disclosures

The Trust manages its cash flows in order to meet its organizational objectives for operating, investing and financing activities.

The Trust's capital management objectives are to have sufficient capital resources to finance its administrative expenses and to distribute annual distributable amounts as determined by the Trustee each year to the owners of the Games venues for use towards their respective administrative, operating and capital maintenance expenses. In order to fulfill these objectives, the Trust invests its available capital in investments that are held for trading [note 3].

On a quarterly basis, the Trust monitors its investment performance and its actual operating results compared to the budget. As at December 31, 2018, the Trust has met its capital management objectives.

2010 Games Operating Trust

Notes to financial statements

December 31, 2018

6. Financial instruments and risk

The Trust is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Trust's exposure to these risks:

Interest rate risk

Interest rate risk is the risk that fixed income securities will decline in value because of changes in market interest rates. Rising interest rates cause a decrease in the value of fixed income securities. The Trust is not exposed to significant interest rate risk on its investments in equity funds.

Foreign currency risk

Foreign currency risk is the risk that the value of non-Canadian investments, measured in Canadian dollars, will decrease because of unfavourable changes in currency exchange rates. The Trust's investments in US and international equities are generally unhedged in terms of currency exposure. Generally, where there is a 1% strengthening (weakening) of the Canadian dollar versus the corresponding currency, there is a 1% decrease (increase) in the value of the investment relating to that currency, to the extent all other variables remain constant.

Other price risk

Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The underlying equity investments within the Trust's investments are subject to other price risk.

Financial risk

Financial risk is the risk to the Trust's results of operations that arises from fluctuations in equity valuations and market prices and foreign exchange rates and the degree of volatility of these rates. In managing these risks, the Trust has established a target mix of investment types designed to achieve optimal return within reasonable risk tolerances.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by investing a significant portion of the Trust's assets in investments that are traded in active markets or redeemable and can readily be disposed of when required to meet the Trust's payment obligations.

Notes to financial statements

December 31, 2018

7. Distributions

	Richmond Olympic Oval			Whistler Olympic Park and Whistler Sliding Centre			Total		
	Declared [cumulative] \$	Paid [cumulative] \$	Distributions payable \$	Declared [cumulative] \$	Paid [cumulative] \$	Distributions payable \$	Declared [cumulative] \$	Paid [cumulative] \$	Distributions payable \$
As at January 1, 2016	27,059,845	(24,259,845)	2,800,000	30,635,941	(26,875,941)	3,760,000	57,695,786	(51,135,786)	6,560,000
Distribution paid July 6, 2016	—	(2,800,000)	—	—	(3,760,000)	—	—	(6,560,000)	—
Distribution declared December 12, 2016	2,804,671	—	—	4,458,130	—	—	7,262,801	—	—
As at December 31, 2016	29,864,516	(27,059,845)	2,804,671	35,094,071	(30,635,941)	4,458,130	64,958,587	(57,695,786)	7,262,801
Distribution paid July 5, 2017	—	(2,804,671)	—	—	(4,458,130)	—	—	(7,262,801)	—
Distribution declared November 30, 2017	2,899,454	—	—	4,613,915	—	—	7,513,369	—	—
As at December 31, 2017	32,763,970	(29,864,516)	2,899,454	39,707,986	(35,094,071)	4,613,915	72,471,956	(64,958,587)	7,513,369
Distribution paid July 12, 2018	—	(2,899,454)	—	—	(4,613,915)	—	—	(7,513,369)	—
Distribution declared December 10, 2018	2,882,719	—	—	4,592,877	—	—	7,475,596	—	—
As at December 31, 2018	35,646,689	(32,763,970)	2,882,719	44,300,863	(39,707,986)	4,592,877	79,947,552	(72,471,956)	7,475,596

Distributions are made annually from the Trust to the owner/operator of the Richmond Olympic Oval and to the owner/operator of the Whistler Olympic Park and the Whistler Sliding Centre pursuant to the Trust Agreement. The annual distributable amounts made from the Speed Skating Oval Fund to the City of Richmond on behalf of the Richmond Olympic Oval and from the Whistler Sliding Centre and Nordic Centre Fund to the Whistler 2010 Sport Legacies Society on behalf of the Whistler Olympic Park and the Whistler Sliding Centre are determined based upon the fair values of the respective funds on a rolling three-year average calculated by a percentage determined annually by the Trustee.

2010 Games Operating Trust

Notes to financial statements

December 31, 2018

8. Schedule of fund balances

Year ended December 31, 2018

	Speed Skating Oval Fund		Whistler Sliding Centre and Nordic Centre Fund		Contingency Fund		Total
	Income	Capital	Income	Capital	Income	Capital	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Investment income							
Interest and dividends	3,716,255	—	3,697,050	—	2,189,422	—	9,602,727
Realized gains on sale of investments	—	877,719	—	873,183	—	517,106	2,268,008
Unrealized gains (losses) on fair value of held-for-trading investments	—	(5,434,528)	—	(5,406,443)	—	(3,201,737)	(14,042,708)
Other income	10,451	—	10,396	—	6,157	—	27,004
Total revenue	3,726,706	(4,556,809)	3,707,446	(4,533,260)	2,195,579	(2,684,631)	(2,144,969)
Expenses							
Legal	2,721	—	2,707	—	1,604	—	7,032
Investment advisory	12,088	—	12,025	—	7,121	—	31,234
Investment management	142,900	—	142,162	—	84,189	—	369,251
Administration	8,195	—	8,153	—	4,828	—	21,176
Audit	7,077	—	7,040	—	4,169	—	18,286
Custodial services	7,358	—	7,321	—	4,335	—	19,014
Directors' and officers' insurance	5,515	—	5,486	—	3,249	—	14,250
Total expenses	185,854	—	184,894	—	109,485	—	480,243
Excess (deficiency) of revenue over expenses for the year	3,540,852	(4,556,809)	3,522,552	(4,533,260)	2,086,084	(2,684,631)	(2,625,212)
Fund balance, beginning of year	—	56,894,248	—	56,685,822	—	33,948,325	147,528,395
Transfers from capital	(658,133)	658,133	(650,209)	650,209	(365,550)	365,550	—
Transfers from contingency	—	—	1,720,534	—	(1,720,534)	—	—
Distributions	(2,882,719)	—	(4,592,877)	—	—	—	(7,475,596)
Fund balance, end of year	—	52,995,572	(4,592,877)	52,802,771	—	31,629,244	137,427,587

Percentages of weighted average fund balances during the year ended December 31, 2018 [including distributions payable]

	38.70%	38.50%	22.80%	100.00%
Percentages of fund balances as at December 31, 2018 [including distributions payable]	38.70%	38.50%	22.80%	100.00%