
Statement of revenue and expenses
The City of Saint John
Saint John Trade and Convention
Centre

December 31, 2018

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Independent Auditor's Report

To the Mayor and Common Council of
The City of Saint John:

Opinion

We have audited the accompanying statement of revenue and expenses of The City of Saint John Saint John Trade and Convention Centre (the "Centre"), for the year ended December 31, 2018 and other explanatory information (the "financial statement"). This financial statement was prepared by management in accordance with the provisions of the management agreement between The City of Saint John (the "City") and Hilton Canada Co. dated June 1, 1984 with an amendment dated September 4, 2014.

In our opinion, the financial statement presents fairly, in all material respects, the statement of revenue and expenses of the City of Saint John Trade and Convention Centre for the year ended December 31, 2018, in accordance with the provisions of the management agreement between the City and Hilton Canada Co. dated June 1, 1984 with an amendment dated September 4, 2014.

Basis for Opinion

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

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

Management is responsible for the preparation of the financial statements in accordance with the provisions of the management agreement between the City and Hilton Canada Co. dated June 1, 1984 with an amendment dated September 4, 2014, 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 Organization'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 GAAS 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 GAAS, 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.

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.

Chartered Professional Accountants
[Date]

The City of Saint John
Saint John Trade and Convention Centre
Statement of revenue and expenses
Year ended December 31, 2018

	Note	2018 Budget \$ (Unaudited)	2018 Actual \$	2017 Actual \$
Revenue	1			
Commissions on food and beverage sales and sundry revenue		262,444	205,156	201,361
Room rental		163,000	150,820	175,499
		425,444	355,976	376,860
Direct expenses				
Wages and benefits		202,922	215,194	203,984
Laundry		17,018	24,064	20,148
Supplies		28,000	20,751	25,927
Operating equipment and uniforms		2,000	1,171	1,013
		249,940	261,180	251,072
		175,504	94,796	125,788
Overhead expenses				
Salaries and benefits		521,206	504,822	502,217
Outside services		44,616	38,958	37,911
Advertising and promotion		26,763	16,693	23,125
Cleaning and maintenance		15,815	15,131	16,418
Miscellaneous expense		1,496	12,129	4,296
Telecommunication		11,062	11,756	12,107
Garbage removal		10,350	9,488	10,350
Legal and audit		8,251	8,509	8,840
Equipment rental		5,358	6,739	4,935
Travel and training		6,000	5,590	6,550
Postage, printing and stationery		5,320	5,078	4,175
Entertainment		1,500	4,111	1,311
Water heating charges		5,400	3,719	5,636
Gas		4,606	3,157	3,662
Licenses		2,180	1,471	1,530
Dues and subscriptions		208	677	323
		670,131	648,028	643,386
Operating deficit for the year		(494,627)	(553,232)	(517,598)
Operating expenses not paid directly by the Centre				
Management fee		192,000	191,891	187,492
HVAC utility/maintenance		119,900	103,916	116,362
Real estate tax		85,100	82,594	82,954
Electricity		42,300	32,001	41,073
		439,300	410,402	427,881
Total expenses		1,359,371	1,319,610	1,322,339
Total deficit for the year		(933,927)	(963,634)	(945,479)

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

1. Revenue

Under the terms of the management agreement dated June 1, 1984, with amendment dated September 4, 2014, Hilton Canada Co. pays to the Saint John Trade and Convention Centre ("Centre") a percentage of gross revenue for food and beverage with cost of sales, including product and labour costs, being the responsibility of Hilton Canada Co.

The Centre is responsible for all other operating costs.

2. Management agreement – Saint John Trade and Convention Centre

This financial statement has been prepared in accordance with the provisions of the management agreement between the City of Saint John (the "City") and Hilton Canada Co.

The Centre is owned by the City and managed by Hilton Canada Co. under an amended management agreement dated September 4, 2014. The original agreement dated June 1, 1984 had a 20 year term with options to renew for three consecutive 10 year periods. One 10 year renewal period remains. According to the terms of this agreement, the City is responsible for the operating loss of the Centre. In addition to the operating loss under this agreement, the City incurs common area costs and management fees which are reflected in the general operating fund of the City's consolidated financial statements.

With the establishment of the Greater Saint John Regional Facilities Commission in 1998, operating deficits, management fees and property taxes included in common area costs are shared with the municipalities making up the Greater Saint John Regional Facilities Commission. These costs are allocated in proportion to the tax bases of the municipalities.

3. Recording of assets and liabilities

The City's investment in the structure and related equipment, furnishings and fixtures is reported on the Capital and Loan Fund balance sheet of the City.

4. Greater Saint John Regional Facilities Commission Act

Under the regional Greater Saint John Regional Facilities Commission Act, pursuant to 87(2)(a) of the Municipalities Act, councils of the participating communities of Grand Bay Westfield, Quispamsis, Rothesay and Saint John are required to pay contributions towards the operation of regional facilities, which include the Centre. The amount of contribution is calculated on the net operating cost for each facility covered under the Municipalities Act, in proportion to the tax base of the contributing municipality.

5. Budget figures

The 2018 budget figures that are presented on the Statement of revenue and expenses for comparison with the actual figures were provided by the Centre's management and have not been audited.