

2019-20 **Accountability** **& Performance** **Analysis**

for Halifax Convention Centre
& Ticket Atlantic

2019-20

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Andrea Wilkie

Vice President, Finance & Corporate Services, Events East

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Senior Director, Event Operations, Halifax Convention Centre

Greg Smith

Senior Director, Food & Beverage, Halifax Convention Centre

Dawn Baldwin

Director, Sales, Halifax Convention Centre

Peggy Dooley

Director, Event Operations, Scotiabank Centre

Erin Esiyok-Prime

Director, Marketing & Communications, Events East

Colin Kiley

Director, Building Services, Events East

Events East Group is a special purpose government agency that manages and operates the Halifax Convention Centre, Scotiabank Centre, and Ticket Atlantic. We are known for attracting and hosting the best events in the region through our commitment to event excellence. Our facilities allow us to attract new visitors and opportunities to Nova Scotia, connecting us to the world.

We were created in 2014 through the Halifax Convention Centre Act as part of a partnership between the Province of Nova Scotia and the Halifax Regional Municipality (HRM), and we work in collaboration with them to manage our businesses in a responsible and transparent manner.

This analysis is presented for the management and operations of the Halifax Convention Centre, providing management's perspective on performance in key financial and operational outcome areas as outlined in the annual business plan. It is intended to provide a greater understanding of the organization's business strategy and serves as the annual public accountability statement. Effective March 1, 2019 Ticket Atlantic operations were transferred to Events East, however they were not included in the 2019-20 budgeting process. Ticket Atlantic's financial performance is also included in this report.

PLANNING & OPERATING CONTEXT

Offering 120,000 square feet of modern event space in the heart of Halifax, the Halifax Convention Centre, jointly owned by the Province of Nova Scotia and HRM, opened in December 2017. We pride ourselves on being an economic and community driver for Halifax and Nova Scotia through attracting and hosting meetings, conferences and conventions, with an emphasis on national and international event activity. Blending the most experienced team with the largest, most flexible event space in Atlantic Canada, we help to create unique events that showcase Nova Scotia to the world.

With a customer-centric culture, our focus is on ensuring that our team delivers great event experiences that respond to evolving industry trends and delegate expectations. At the same time, we look to create opportunities for partnerships and community engagement to ensure we leverage the Halifax Convention Centre and our events to showcase Nova Scotia to visiting planners and delegates. We work closely with key industry and community partners, including those in tourism and economic development, to ensure the impact of the Halifax Convention Centre instills community confidence and pride.

Our event attraction strategy concentrates on our long-term targets, with a focus on key national and international markets and events that create opportunities to showcase Nova Scotia as a centre of excellence in sectors of strength. Continuing to identify and activate new markets is a critical component of our growth strategy.

IMPACT OF COVID-19

At year-end, the global crisis resulting from COVID-19 began to significantly impact the meetings and conventions sector. Due to the public health measures put in place to limit the risk of the virus, the Halifax Convention Centre temporarily closed in mid-March to the public and event hosting. This impacted events booked for March and into the next fiscal year.

With the timing of eased restrictions on large gatherings and travel unknown at year-end, the following analysis does not assess the longer term impacts of COVID-19 on our business or the meetings and conventions industry overall. Our focus remains on event retention and rebooking impacted events while we also prepare for the safe re-opening of our facility under new health and safety measures.



PERFORMANCE ANALYSIS

FINANCIAL PERFORMANCE

Our 2019-20 audited income from operations was \$466K compared to a break-even operational budget. Total annual deficit prior to shareholder funding and after depreciation was \$5.47M, consistent with a budget of \$5.39M. The positive contribution yielded by convention centre operations was offset by increases in building costs and property taxes.

Income from operations reflects the revenues and expenses of delivering events as well as the corporate and administrative services required to support the organization. Our operations reflect the Halifax Convention Centre and Ticket Atlantic. The capital lease for the Halifax Convention Centre is the responsibility of our shareholders, the Province of Nova Scotia and HRM. It does not reflected in Events East's financials.

Operating revenues were \$12.5M compared to a budget of \$11.4M. We exceeded our budgeted revenue target by \$1.1M, primarily due to the addition of Ticket Atlantic's revenue of \$1.6M offset by a decrease in convention centre revenue of approximately \$500K. The decrease in convention centre revenues is attributed to the impact of event cancellations and postponements in March 2020 due to COVID-19.

Operating expenses were \$12.0M compared to a budget of \$11.4M. Of this, event expenses relating to the convention centre of \$5.9M were less than budget by \$460K, consistent with the decrease in the planned volume of events and attendance due to COVID-19. Event expenses represent the direct expenses required to deliver events including: salaries, wages, food and beverage costs, event cleaning and security, and related technology. Total actual expenses for Ticket Atlantic operations were \$1.0M; these were not originally included in the 2019-20 budget.

We measure utilization of variable labour as a per cent of event revenue; the actual ratio of 23.2 per cent of revenue as compared to a budget of 24.2 per cent signifies better than planned utilization with respect to service delivery and efficiencies.

General operational and administrative expenses of \$5.0M were consistent with budget and include salaries, sales and marketing, communications, administration, insurance, and office rent.

Building operating costs of \$3.6M as compared to a budget of \$3.2M reflect the expenses related to building operations for the Halifax Convention Centre, including lease operating costs, shared Nova Centre operating costs, equipment maintenance and repairs, cleaning, security, utilities, property insurance, and related property services salaries. Given the size, complexity and integration of the facility with the overall Nova Centre complex, building operating costs remain a continued area of focus.

Property taxes of \$2M exceeded budget by \$189K, reflecting an increase in supplementary property taxes.

The shareholder investment is shared equally between the Province and HRM. The Province funds capital purchases upfront and HRM funds capital purchases over the useful life of the asset via the funding of the depreciation expense. As each shareholder has different approaches for funding capital expenditures, the value of the annual investment required from each is not equal. Although the funding in any given year is not equal, over time each funding approach will result in the shareholder investment being shared 50/50. The total, joint funding requirement from our shareholders for 2019-20, was \$5.3M.

ECONOMIC IMPACT & EVENT MIX

We are mandated to attract and host events that create economic and community benefits for Nova Scotia. As such, our business and success is reflected not only in the mix of events and number of attendees, but through the economic impact generated.

Economic impact measures the benefit of new money being spent in the Nova Scotia economy as a result of events hosted in the facilities we operate. When visitors from outside of Halifax spend time in Nova Scotia, they spend money on accommodations, transportation, restaurants, shopping, and local attractions, and often extend their stay to visit other regions of the province. We measure economic impact on an annual basis, compiling attendee, exhibitor and event planner spending by event category and facility.

	2019-20 Target	2019-20 Actual	2018-19 Actual*
Total Events	140	151	163
Total Attendance	95,000	89,740	102,203
Total Direct Expenditures	\$55M	\$50.4M	\$65.6M

Note 1: The Halifax Convention Centre began hosting events in January 2018. 2018-19 event and attendance figures are inclusive of the January 2018 to March 31, 2019 timeframe to reflect our first full year of operations of the facility.

Note 2: Developed in collaboration with Nova Scotia Department of Finance and Treasury Board.

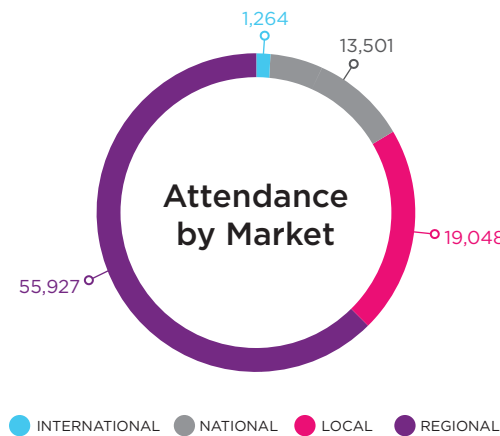
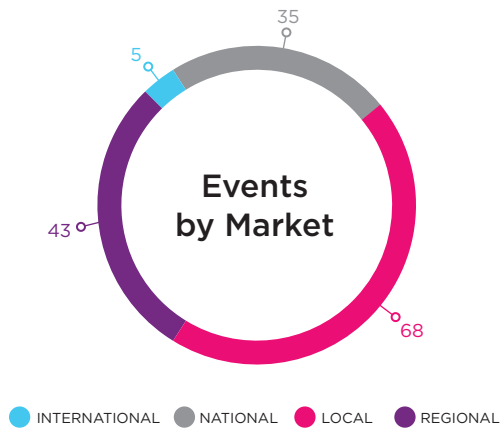
In 2019-20, we hosted a total of 151 events and 89,740 total attendees. Total direct expenditures resulting from these events was \$50.4M against a target of \$55M. Prior to the impact of COVID-19 in March 2020, we were on track to meet our attendance target 55for the year. The difference from target to actual direct expenditures can be attributed to the following:

- Lower than projected attendance for some events across all markets.

- The unanticipated closure of the Halifax Convention Centre due to restrictions on public gatherings as a result of COVID-19 in mid-March. This impacted eight events representing approximately 3,300 delegates and \$2M in direct expenditures.

Direct expenditures resulted in 685 person years of employment, \$3.1M in provincial government tax revenue, and \$23.6M in additions to household income. These impacts do not include direct spending by Halifax Convention Centre.

Convention centre sales activity is focused on attracting national and international events that drive economic impact. By attracting visitors from outside the province, events from these markets contribute more to our Centre's economic impact than those originating from the regional and local markets. In 2019-20, we hosted 40 national and international events, which made up 66 per cent of the total economic impact for the convention centre and contributed \$33.4M of total direct expenditures. This exceeded our target of 35 events for the second year of operations and is almost three times the number of national and international events hosted in the former convention centre.



The convention centre uses the following definitions to classify event markets:

- Local:** Majority of attendees originate from within the boundaries of HRM.
- Regional/Provincial:** Majority of attendees originate from within Nova Scotia excluding the HRM as well as attendees originating from New Brunswick, Prince Edward Island, and Newfoundland & Labrador.
- National:** Majority of attendees originate from Canadian provinces other than Atlantic Canada
- International:** Majority of attendees originate from any country outside of Canada.

International events hosted during 2019-20 include GODAE OceanView: Ocean Predict '19 (250 attendees); The 7th International Symposium on Applied Microbiology and Molecular Biology in Oil Systems - ISMOS-7 (150 attendees); International Bridge Tunnel and Turnpike Association (547 attendees); 16th ISTDP Immersion (85 attendees); and NA Regional Workshop - UN Decade of Ocean Science for Sustainable Development(137 attendees).

Highlights of national events hosted in 2019-20 include Society of Rural Physicians Canada (905 attendees); Operating Room Nurses Association of Canada (515 attendees); Canadian Association of Emergency Physicians CAEP 2019 National Conference (1,088 attendees); Canadian Association for Health Services and Policy Research (770 attendees); Canadian Association of University Business Officers (780 attendees); The Society of Obstetricians and Gynecologists Annual Clinical and Scientific Conference (500 attendees); TAC-ITS Canada Joint Conference & Exhibition (1,500 attendees); Canadian Chemical Engineering Conference (643 attendees); ArcticNet Annual Scientific Meeting 2019 (1,050 attendees); and the 2019 Loblaw Inc. National Kick Off Event (1,600 attendees).



GUEST EXPERIENCE

HALIFAX CONVENTION CENTRE OPERATIONS & DELIVERY STANDARDS

2019-20 saw a strong, diverse mix of events from all markets, with an increase in simultaneous through hosting of multiple events at once. Applying the learnings from our first year of operations, we continued to focus on the successful delivery of those events, with a focus on national and international conventions, guided by a commitment to our guest experience vision and customer-centric culture.

We also worked closely with the property owner, Page Property Management, to develop a common vision for property management of shared spaces and services focused on supporting sustained and efficient operations. With an emphasis on the continued implementation of guest experience solutions, we worked with our critical suppliers to refine event delivery standards.

AIPC CERTIFICATION

This year, a significant focus was placed on finalizing operational standards in preparation for AIPC (International Association of Convention Centres) certification. This leading industry program recognizes convention centre management and measures performance in key areas of the client and delegate event experience. Achievement of this certification is a core measure of our long-term strategy, aligns with our commitment to service excellence, and will position us among the top convention centres in the country.

An internal cross-functional working group was formed to develop our submission, which is targeted for Summer 2020.

CUSTOMER FEEDBACK PROGRAM

Throughout the year, we continued to implement the AIPC customer satisfaction survey. This program allows us to effectively monitor and assess customer feedback and benchmark our performance against other convention centres around the world.

Based on the assessment from our pilot of the program in the prior year, we developed enhanced communication tools to increase client participation in the survey and formed an internal working group to review feedback and results.

We also developed additional tools to gather real-time client and delegate feedback and will continue to refine this approach in the upcoming year.



COMMUNITY CONNECTION

We continue to work closely with our partners to deliver an authentic Nova Scotian experience for our visiting delegates both inside and outside our facility, which is a key differentiator for us.

LOCAL PROGRAM

Having launched many components of our Local Program in our first year of operations, this year we focused on the continuation of our core initiatives to promote local flavours and culture. This included our Pop-Up Program, a partnership with Taste of Nova Scotia, to profile and sample local products from across the province at select national and international conventions. This program continues to receive positive feedback from both event planners and delegates and will continue in the upcoming year.

Tourism Nova Scotia continued to offer its on-site Visitor Information Centre, providing travel and tourism advice to more than 900 delegates throughout the year, helping to expand the impact of the events we host.

The Delegate Welcome Program, created through a partnership between the Halifax Convention Centre, Discover Halifax, Downtown Halifax Business Commission, Develop Nova Scotia, and the Halifax International Airport Authority, continued this year with a focus on enhanced promotions for major events including Memorial Cup and the Loblaw National Kick-Off. The purpose of the program is to promote upcoming events to the community, give visitors a warm welcome, and ensure we are delivering a consistent Nova Scotian experience inside and outside our facility.

COMMUNITY EVENTS

Off-peak convention periods provide an opportunity to showcase our facility and team to our community, highlighting the benefit of our business. This year, we hosted a Summer Series on Fridays in July and August, creating vibrancy in our space and providing a platform for our community to engage with our partners and team.

Additionally, we held our annual Welcome Weekend in February, inviting the community to explore our space and engage with partners, including Taste of Nova Scotia and local artists from the East Coast Music Awards Association. The event attracted more than 700 people to our facility and was successful in continuing to build our community profile.



BUSINESS GROWTH

SALES & MARKETING ACTIVITY

Sales and marketing activities throughout the year were focused on securing national and international events with an emphasis on long-term targets.

In 2019-20, the Halifax Convention Centre successfully delivered 40 national and international events, exceeding our target for the year and consistent with the prior year. Work continued on our international event attraction strategy to align with Nova Scotia's sectors of comparative advantage with a focus on the life sciences and ocean sectors.

This year, our sales and marketing strategy evolved to focus on a holistic value proposition for Halifax and our convention centre as a unique, thriving and accessible destination to host national and international meetings and conventions. Effectively positioning our business community and partners, coupled with our Maritime hospitality and state-of-the-art new convention centre, created unique opportunities to connect with prospective clients and continue to tell the story of the Halifax Convention Centre to our target association and corporate clients. In particular, we continued to place an enhanced focus on growing corporate event business, including in-market resources to support prospecting, relationship building, and promotions in this critical market.

Recognizing that the international event sector is a growth opportunity, our efforts this year focused on collaboration and alignment with local industry partners who share in our goal to attract events and investment to Nova Scotia. We worked with these partners to finalize a strategy that will help us build our reputation as a best-in-class host for international events. As well as align our resources, develop a common narrative, cultivate local champions, and jointly bid on more international sector events.



TALENT & CULTURE

EMPLOYEE ENGAGEMENT SURVEY

Employee engagement is a key measure within our long-term strategy. An organization-wide employee engagement survey was completed in the Spring of 2019. The study focused on how we can continue to maintain and develop an effective workplace and engaged culture, consistent with our long-term strategy. The survey is completed every three years to gauge overall employee satisfaction in areas such as job satisfaction, commitment to the organization and vision, internal communication, and collaboration.

In the 2019 survey, we achieved an average overall employee engagement score of 76 per cent across all employee groups, compared to a target of 80 per cent. This marginal decrease can be mainly attributed to a lower score among hourly, event-based employees. This employee group has grown and changed significantly with many new team members, roles and responsibilities.

An internal working group has been formed to further assess survey results and determine areas for development with a focus on this core employee group.

INTERNAL ENGAGEMENT & RECOGNITION

As our workforce continues to evolve and diversify, our focus on employees and our internal culture remained a critical focus over the year. Consistent with our employee engagement strategy, we continued to assess and refine our internal communications tools to ensure we can effectively communicate with our growing base of part-time hourly staff.

This year also saw the development of an updated recognition program framework to support employee engagement across the organization. Full implementation of this program was deferred to align with re-opening of our facility.

TRAINING & RECRUITMENT

This year, we focused on a standardized approach to onboarding and training for part-time hourly employees. All new employees completed a three-part Respect in the Workplace program and as required, Workplace Hazardous Materials Information System (WHMIS) training.

Additional training delivered throughout the year included: safe food handling, respect, diversity and inclusion in the workplace, emergency, and mental health first aid, and other enhanced occupational health and safety training courses.

Further, we developed a series of tools and communication programs to support managers in fostering a high performance culture throughout the organization. This included a standardized approach to recruitment, conflict resolution, performance management, and goal setting.

Recruitment continued to play a critical role in successful operations and maintaining an engaged workforce. Our recruitment program focused on the high volume of event-based roles needed to meet business levels, hiring 98 new employees throughout the year.



ACCOUNTABILITY & SUSTAINED PERFORMANCE

ACCESSIBILITY

The Halifax Convention Centre is accountable to the Nova Scotia Accessibility Act and as such has begun work to define our commitment to creating accessible, barrier-free experiences for all Nova Scotians.

An internal working group was formed to establish an Accessibility Advisory Committee, which will develop the framework for our corporate accessibility plan. As per the Act, all public sector bodies must have a plan in place by April 2022.

SECURITY

The internal Emergency Preparedness Committee met throughout the year to set priorities for training to ensure continued alignment with best practices for large venues operating in today's evolving security environment.

Core to the ongoing development of our security program was the implementation of an active threat system for the Halifax Convention Centre. This included testing and implementation of a mass notification system, leveraging our digital screen technology, as well as the public address system. Additionally, we identified a series of safe rooms throughout the facility to ensure the safety of our staff and guests in the unlikely event of an active threat situation.

To support effective implementation and management of the active threat program, a robust training program was delivered to all event-based staff and operational leaders. Topics included incident command protocol, fire safety procedures, bomb threat awareness, and active threat procedures.

GOVERNANCE

In collaboration with our two shareholders, the Province of Nova Scotia and HRM, we continue to foster a culture of accountability and transparency that maintains public and stakeholder confidence.

Following approval of our five-year strategic plan by both shareholders in early 2019-20, work throughout the year focused on the development and implementation of core strategies to support the overall plan. As well as baseline metrics to assess performance and evaluate the impact of our business. Baseline measurements in key areas such as economic impact, employee engagement, and customer experience have been established. A full reporting framework is in development.

OUTCOMES & PERFORMANCE MEASURES

Key performance and operational outcome areas against our 2019/20 business plan include:

Strategic Goal	Measure	2019/20 Target	2019/20 Actual	Notes
Business Growth	Total direct spending and economic benefit.	Generate annual direct spending of approximately \$55M.	Halifax Convention Centre generated \$50.4M in direct expenditures.	Facility closure and cancelled/postponed events in March 2020 due to COVID-19 impacted total direct expenditures for the year, as well as with lower than anticipated attendance for some events.
Business Growth	National and international events and attendees secured for Halifax Convention Centre.	Cumulative total of 140 national and international events with over 76,000 delegates for first three years of operations (2018-2020).	Sales and marketing activities to attract national and international events continued throughout the year, however, due to COVID-19, event attraction for 2020-21 has been impacted.	Impact of COVID-19 under assessment. Continued sales and marketing efforts against long-term targets with an emphasis on national and international event attraction.
Guest Experience	Planner and delegate feedback.	Operationalize enhanced feedback program to measure performance against key experience drivers for our guests, including establishing baseline measures.	Customer Feedback Program underway. Baseline measures established through AIPC customer feedback survey.	Program ongoing.
Guest Experience	Guest feedback.	AIPC certification.	Submission of required documentation to achieve AIPC certification.	Application for AIPC certification in development; submission deferred to Summer 2020.
Talent & Culture	Employee feedback.	Complete employee engagement survey and achieve an average employee engagement score of 80 per cent for core employees.	Employee engagement survey completed with average employee engagement score of 76 per cent.	Internal working group established to address opportunities highlighted through survey.
Accountability & Sustained Performance	Financial performance.	Meet approved budget targets. (Revenue target \$11.4M)	Generated \$12.5M in revenues.	COVID-19 did not have a significant impact on revenue. Revenues in 2019-20 include Ticket Atlantic box office activities.

COMBINED CORE ACCOUNTABILITY & STRATEGIC MEASURES

Scotiabank Centre and Halifax Convention Centre are managed and operated by Events East. Our strategic priorities guide our activities and we monitor and measure our performance in the following core areas: economic impact, event attraction, and attendance. Below is the combined impact of our facilities on the Nova Scotia economy.

	Halifax Convention Centre	Scotiabank Centre	Total
Total Events	151	122	273
Total Attendees	89,740	540,386	630,126
Total Direct Expenditures	\$50.4M	\$39.9M	\$90.3M
Total Incremental Expenditures	\$50.4M*	\$13.4M	\$63.8M
Estimated Person Years Employment	685	707	1,392
Estimated Household Income	\$23.6M	\$20.2M	\$43.8M
Estimated Government Tax Revenue	\$3.1M	\$2.6M	\$5.7M

Note 1: 27 per cent of Scotiabank Centre direct expenditures are incremental. Incremental expenditures are those that would not have taken place in the absence of Events East facilities and activities.

Note 2: Developed in collaboration with Nova Scotia Department of Finance and Treasury Board.



2019-20
Events East Group
Financial Statements

MANAGEMENT'S REPORT

The financial statements of Events East Group have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors [the "Board"] is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements frequently and external audited financial statements annually.

The external auditors, Ernst & Young LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to management of Events East Group and meet when required.

On behalf of Events East Group:



Andrea Wilkie
Vice President, Finance & Corporate Services



Carrie Cussons
President & CEO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Events East Group

Opinion

We have audited the financial statements of Events East Group [the "Company"], which comprise the statement of financial position as at March 31, 2020, and the statement of operations and accumulated surplus, statement of changes in net debt 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 Company as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis of 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 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Ernst + Young LLP


Halifax, Canada
June 29, 2020
Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at March 31	2020 \$	2019 \$
FINANCIAL ASSETS		
Cash	2,735,987	4,059,272
Restricted cash	4,325,295	3,907,724
Accounts receivable	968,363	704,703
Due from Scotiabank Centre <i>[note 8]</i>	3,242,883	859,662
Due from Halifax Regional Municipality <i>[note 7]</i>	4,469,298	1,732,814
Inventory held for resale	105,400	143,080
	<u>15,847,226</u>	<u>11,407,255</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,262,617	1,680,429
Advance ticket sales	4,245,887	3,952,712
Due to Province of Nova Scotia, net <i>[notes 7 and 8]</i>	8,542,195	5,432,832
Event deposits	1,003,719	780,409
Deferred revenue	88,033	54,536
Retirement health benefits obligation <i>[note 6]</i>	1,393,400	100,408
	<u>16,535,851</u>	<u>12,001,326</u>
Net debt	<u>(688,625)</u>	<u>(594,071)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets, net <i>[note 3]</i>	754,284	1,041,864
Prepaid expenses	325,146	86,802
	<u>1,079,430</u>	<u>1,128,666</u>
Accumulated surplus	<u>390,805</u>	<u>534,595</u>

See accompanying notes

On behalf of the Board:

 Director

 President

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

	Year ended March 31, 2020 \$	Year ended March 31, 2020 \$	13 months ended March 31, 2019 \$
	<i>[budget]</i>		
REVENUE			
Convention Centre	11,345,000	10,806,943	13,011,823
Ticket Atlantic	—	1,570,549	145,751
Investment and other income	40,000	105,270	74,591
	11,385,000	12,482,762	13,232,165
EXPENSES			
Event expenses	6,391,000	6,974,809	7,388,302
Salaries and benefits <i>[note 6]</i>	3,587,100	3,659,602	3,321,328
Rent and insurance	151,000	215,023	210,782
Administration	651,300	596,597	952,474
Advertising and marketing	604,600	570,317	608,247
	11,385,000	12,016,348	12,481,133
Surplus before building costs and property taxes	—	466,414	751,032
Building costs	3,183,800	3,561,706	3,609,179
Property taxes	1,826,200	2,015,060	1,953,517
Total building costs and property taxes	5,010,000	5,576,766	5,562,696
Approved pre-opening expenditures <i>[note 10]</i>	—	—	1,065,817
Deficit before depreciation	(5,010,000)	(5,110,352)	(5,877,481)
Depreciation of tangible capital assets <i>[note 3]</i>	380,000	362,616	389,161
Annual deficit	(5,390,000)	(5,472,968)	(6,266,642)
Accumulated surplus, beginning of period	534,595	534,595	—
Shareholder funding <i>[note 7]</i>	5,275,000	5,329,178	6,801,237
Accumulated surplus, end of period	419,595	390,805	534,595

See accompanying notes

STATEMENT OF CHANGES IN NET DEBT

	Year ended March 31, 2020 \$	13 months ended March 31, 2019 \$
Annual deficit	(5,472,968)	(6,266,642)
Acquisition of tangible capital assets <i>[note 3]</i>	(75,036)	(362,353)
Depreciation of tangible capital assets <i>[note 3]</i>	362,616	389,161
Increase in prepaid expenses	(238,344)	(86,802)
Shareholder funding <i>[note 7]</i>	5,329,178	6,801,237
Transfer of tangible capital asset from Trade Centre Limited <i>[note 9]</i>	—	(1,068,672)
Increase in net debt	(94,554)	(594,071)
Net debt, beginning of period	(594,071)	—
Net debt, end of period	(688,625)	(594,071)

See accompanying notes

STATEMENT OF CASH FLOWS

	Year ended March 31, 2020 \$	13 months ended March 31, 2019 \$
OPERATING ACTIVITIES		
Annual deficit	(5,472,968)	(6,266,642)
Add item not affecting cash		
Depreciation of tangible capital assets	362,616	389,161
Net changes in working capital		
Accounts receivable	(263,660)	(502,776)
Due from Trade Centre Limited	—	(49,735)
Inventory held for resale	37,680	9,111
Due from Scotiabank Centre	(2,383,221)	(859,662)
Due from Halifax Regional Municipality	—	1,400,506
Accounts payable and accrued liabilities	(417,812)	1,474,213
Event deposits	223,310	29,449
Deferred revenue	33,497	(12,526)
Due to Province of Nova Scotia	5,702,057	8,496,460
Advance ticket sales	293,175	(159,418)
Prepaid expenses	(238,344)	192,826
Retirement health benefit obligation	1,292,992	100,408
Cash (used in) provided by operating activities	(830,678)	4,241,375
INVESTING ACTIVITIES		
Cash transferred from Trade Centre Limited	—	4,087,974
Cash provided by investing activities	—	4,087,974
CAPITAL ACTIVITIES		
Cash paid on acquisition of tangible capital assets	(75,036)	(362,353)
Cash used in capital activities	(75,036)	(362,353)
Net (decrease) increase in cash during the period	(905,714)	7,966,996
Cash, beginning of period	7,966,996	—
Cash, end of period	7,061,282	7,966,996
Cash is comprised of:		
Cash	2,735,987	4,059,272
Restricted cash	4,325,295	3,907,724
	7,061,282	7,966,996

See accompanying notes

Notes to financial statements

2019-20

1. Nature of operations

The Halifax Convention Centre Corporation, doing business as Events East Group [the “Company” or “Events East”] is incorporated under the laws of the Province of Nova Scotia [the “Province” or “PNS”]. The Company operates the Halifax Convention Centre pursuant to the Halifax Convention Centre Act [the “Act”] dated May 2014, proclaimed by the Province on April 4, 2016, and amended October 11, 2018. The Act establishes Events East Group, enacts the corporation’s by-laws and defines the objective of the entity. Proclamation resulted in the formal creation of Events East and full Board, and allowed for the Trade Centre Limited [“TCL”] employees to be designated to the new entity. Substantial completion of the Halifax Convention Centre building triggered the financial commencement of the Company and the convention centre operations. As such, effective March 1, 2018, TCL transferred its net assets to the Company and wound-up its activities. The Company is an equal partnership of the Province of Nova Scotia and the Halifax Regional Municipality [“HRM”].

The Company’s mandate, pursuant to the Act, is to operate, maintain and manage the activities of the Halifax Convention Centre in a manner that will promote and develop economic development, tourism and industry in the province of Nova Scotia and in particular the Halifax Regional Municipality. The Company’s principal business operations comprise of a convention centre, and the provision of marketing, event and promotion services. Effective March 1, 2019, the operations and assets and liabilities of Ticket Atlantic, previously recorded in TCL, were transferred to the Company. The Company also manages and operates Scotiabank Centre on behalf of HRM.

As an agency of the Province and HRM, the Company is not subject to income taxes pursuant to the Income Tax Act 149(1)(d). However, since the Company is a corporation, it is still required to file a corporate T2 income tax return annually.

2. Summary of significant accounting policies

These financial statements have been prepared by the Company’s management in accordance with the Chartered Professional Accountants of Canada [“CPA Canada”] Public Sector Accounting Standards [“PSAS”] for other government organizations as defined by the Canadian Public Sector Accounting Board, which sets out generally accepted accounting principles for government organizations.

Basis of presentation

The Company’s financial statements as at and for the year ended March 31, 2020 [as at and for the 13 months ended March 31, 2019] reflect the operations of the Halifax Convention Centre and Ticket Atlantic. The Company also manages the operations of Scotiabank Centre on behalf of HRM; Scotiabank Centre’s financials are separately reported and are not consolidated into the Company’s results.

Cash

Cash is comprised of cash on hand and balances held at financial institutions.

Restricted cash

Restricted cash represents cash received for advance ticket sales.

Inventory held for resale

Inventory held for resale consists of food and beverage supplies and is recorded at the lower of cost or net realizable value.

Advance ticket sales

Advance ticket sales are recorded as a liability on the statement of financial position until the event is held and amounts are settled with third parties. Amounts received are segregated as restricted cash and are not available to fund the Company’s operations.

Tangible capital assets

Tangible capital assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives using the following terms:

Computers	3 - 5 years
Furniture and equipment	3 - 5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company’s ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus. Transfers of tangible capital assets from related parties are recorded at carrying value.

Prepaid expenses

Prepaid expenses include costs incurred prior to the period expected to benefit from them, including software maintenance agreements and insurance.

Event deposits

Event deposits are recorded as a liability until the event occurs and the revenue recognition criteria are met.

Retirement health benefits

Retirement health benefits are post-employment benefits for purposes of Section PS 3250 of the CPA Canada Public Sector Accounting Handbook. They represent the Company’s participation in the Public Service Retiree Health Benefits Plan [the “Plan”], an obligation made to employees under the Halifax Convention Centre Act, section 36 (10).

Revenue

Revenue is recognized when the item has an appropriate basis of measurement, a reasonable estimate can be made of the amount involved, and for an item that involves obtaining or giving up future economic benefits, it is expected that such benefits will be obtained or given up.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed, and services received during the period is expensed.

Shareholder funding

Shareholder funding is recognized in the period the funding is approved and authorized.

Use of estimates

The preparation of the Company’s financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates include the useful life of tangible capital assets.

Estimates are based on the best information available at the time of the preparation of the financial statements and are reviewed periodically to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

3. Tangible capital assets

Tangible capital assets consist of the following:

	2020		Total \$
	Computers \$	Furniture and equipment \$	
Cost, beginning of year	824,579	606,446	1,431,025
Additions	—	75,036	75,036
Cost, end of year	824,579	681,482	1,506,061
Accumulated depreciation, beginning of year	251,508	137,653	389,161
Depreciation expense	214,549	148,067	362,616
Accumulated depreciation, end of year	466,057	285,720	751,777
Net book value, end of year	358,522	395,762	754,284

4. Contractual obligations

The contractual obligations of the Company include the contract related to the delivery of a ticketing system and corporate head office lease obligations. In addition, common area and lease operating costs relating to the lease of the Halifax Convention Centre are included in the contractual obligations. These costs are the Company's best estimate and are subject to change based on any required true-up as indicated in the lease and are paid by the Company on behalf of the Province and HRM. These contractual obligations will become a liability in the future, when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	\$
2020-2021	1,493,000
2021-2022	1,448,000
2022-2023	1,442,000
2023-2024	1,470,000
2024-2025	1,500,000

5. Financial instruments and risk management

Measurement of financial instruments

The Company's financial instruments are recorded at cost or amortized cost. Financial assets consist of assets that could be used to settle existing liabilities or fund future activities, and include cash, restricted cash, accounts receivable, due from Scotiabank Centre and due from Halifax Regional Municipality. Financial liabilities consist of the Company's accounts payable and accrued liabilities, due to the Province, retirement health benefits obligation, event deposits, and advance ticket sales. The carrying value of the Company's financial instruments approximates their fair value. Transaction costs are expensed as incurred.

Risks and uncertainties

The Company's management recognizes the importance of managing significant risks including policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Company include liquidity risk, credit risk, and capital risk.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its contractual obligations and financial liabilities. The Company manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

Credit risk

The Company's assets are primarily exposed to credit risk, which is the risk that a debtor may be unable or unwilling to pay amounts owing, thus resulting in a loss. To mitigate this risk, the Company requires deposits for events where collectability is uncertain.

Capital risk

The Company receives contributions from its shareholders, the Province and HRM. The day-to-day operations are funded by the revenue generated, amounts due to the Province, and by advances on projected deficit.

6. Employee future benefits

Pension costs

Employees of the Company participate in the Public Service Superannuation Plan [the “PSSP”], a contributory defined benefit pension plan administrated by the Public Service Superannuation Plan Trustee Inc., which provides pension benefits based on length of service and earnings. Contributions to the PSSP are required by both the employees and the employer. Total employer contributions for the year ended March 31, 2020 amounted to \$402,109 [13 months ended March 31, 2019 - \$392,373] and are recorded in salaries and benefits expense during the period. Total employee contributions for the year ended March 31, 2020 amounted to \$402,159 [13 months ended March 31, 2019 - \$392,373]. The Company is not responsible for any underfunded liability, nor does the Company have any access to any surplus that may arise in the PSSP.

Retirement health benefits obligation

Upon retirement, employees who are in receipt of pension from the PSSP are eligible to participate in the Retired Employee Health Plan [the “Plan”] provided through the Public Service Commission. The Plan provides coverage to participants for health benefits which include prescription drugs to age 65, vision, hospital and extended health care. The Company is liable for 65% of the premiums for employees retiring on or after April 1, 2018. As at April 1, 2019, a liability of \$1,117,200 was transferred from TCL to the Company relating to all active employees of Events East. This obligation was fully funded by the Province in the year. The most recent full valuation of the Plan, contracted by the Province on behalf of participants, was performed as at December 31, 2017 and extrapolated to March 31, 2020 using a discount rate of 3.24% [2019 - 3.29%]. The following outlines the accrued benefit obligation:

	\$
Accrued benefit obligation, March 31, 2019	95,808
Add: Current service cost	99,292
Add: Interest on accrued benefit obligation	79,400
Add: Experience loss due to change in discount rate	16,600
Add: Transfer of liability from TCL	1,117,200
Less: Premiums paid	(2,600)
Accrued benefit obligation, March 31, 2020	1,405,700
Net unamortized actuarial gains, March 31, 2019	4,600
Current year losses	(16,600)
Amortization	(300)
Net unamortized actuarial losses, March 31, 2020	(12,300)
Retirement health benefits obligation, March 31, 2020	1,393,400

7. Shareholder funding

Shareholder funding consists of the following:

	2020 \$	2019 \$
Funding from Halifax Regional Municipality ^[1]	2,736,484	3,133,320
Funding from the Province of Nova Scotia ^[2]	2,592,694	3,119,916
Transfers from Trade Centre Limited ^[3]	-	548,001
	5,329,178	6,801,237

[1] Pursuant to the Memorandum of Understanding between HRM and PNS amended March 28, 2013, HRM funds one-half of the operating deficit of the Company.

[2] Pursuant to the Memorandum of Understanding between HRM and PNS amended March 28, 2013, PNS funds one-half of the operating deficit before depreciation of the Company and one-half of capital purchases.

[3] TCL transferred net assets of \$1,112,500 to the Company on March 1, 2018 relating to the substantial completion of the Halifax Convention Centre. Subsequently, amendments to the shareholder funding arrangement were made and \$564,499 was transferred back to TCL. The net amount of \$548,001 is considered to be funding by the Province relating to the transfer of net assets from TCL to the Company. Refer to note 9 for further information.

8. Related party transactions

In addition to the shareholder funding noted in note 7, the Company had the following transactions with the government and other government controlled organizations:

	2020 \$	2019 \$
Payroll processing by the Province of Nova Scotia ^[1]	(11,663,713)	(12,733,655)
PSA payment recoveries from the Province of Nova Scotia ^[2]	-	20,505
Payroll recoveries received from Scotiabank Centre ^[3]	3,984,021	3,912,341
Commissions paid to Scotiabank Centre ^[4]	(95,924)	(10,474)
Transactions with Scotiabank Centre ^[5]	312,083	354,172

[1] PNS processes payroll on behalf of the Company and invoices the Company for these costs. In the prior period, amounts relating to Public Service Awards were included in this amount.

[2] Public Service Award payout made by the Company, and recoverable from PNS who is liable for the program.

[3] Scotiabank Centre's sole shareholder is HRM. Payroll and related costs are paid by Events East on behalf of Scotiabank Centre.

[4] Commissions paid to Scotiabank Centre for ticket sales purchased through Ticket Atlantic, a division of Events East effective March 1, 2019.

[5] The Company has a variety of transactions related to general expenses paid by the Company on half of Scotiabank Centre.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties. Amounts due to/from related parties are without payment terms and are non-interest bearing.

9. Transfers from Trade Centre Limited

Transfer of net assets

Substantial completion of the Halifax Convention Centre building triggered the financial commencement of the Company and the convention centre operations, and as such, effective March 1, 2018, TCL transferred net assets of \$1,112,500 to the Company. Below is a summary of the accounts and balances that were initially transferred to the Company from TCL on March 1, 2018:

	\$
Cash	16,498
Accounts receivable	1,645
Inventory for held resale	152,191
Intercompany transactions	514,765
Tangible capital assets	1,068,672
Prepaid expenses	248,830
Deferred revenue	(48,580)
Accounts payable and accrued liabilities	(90,561)
Event deposits	(750,960)
Transfer to Events East Group	1,112,500

Transfer of Ticket Atlantic

As discussed in note 1, effective March 1, 2019, TCL transferred Ticket Atlantic net assets to the Company. No consideration was exchanged and amounts paid or payable by TCL on behalf of the Company were settled as intercompany transactions. Below is a summary of the accounts and balances that were transferred to the Company from TCL, in the prior period:

	2019 \$
Cash	7,331
Restricted cash	4,062,500
Accounts receivable	201,927
Prepaid expenses	30,803
Accounts payable and accrued liabilities	(115,655)
Deferred revenue	(18,472)
Intercompany balances	(56,288)
Advance ticket sales	(4,112,146)
	-

10. Approved pre-opening expenditures

In the years leading to opening the Halifax Convention Centre, TCL received grants in support of opening activities and expenses. The unspent balance of these grants was transferred to the Company upon opening, to support final opening costs in March 2018 of \$461,298. One grant, known as “Smallwares”, was originally approved in 2016-17 for \$3.0 million. Its purpose was to provide funding for event-related equipment and technology required to operate the new convention centre. Spending under this grant commenced in 2017-18 with the balance of \$621,000 approved to be deferred to 2018-19, in recognition of the need to continue equipping the Halifax Convention Centre based on the evolving understanding of event requirements in the new building.

11. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. The fiscal year 2018-2019 statement of operations and accumulated surplus, statement of changes in net debt and statement of cash flows represents a 13-month period.

13. Compensation disclosure

The Public Sector Compensation Disclosure Act requires the publication of the names of every person who receives the amount of compensation of \$100,000 or more in the fiscal year and the amount paid to each. The Company has issued a separate statement disclosing these values.

14. COVID-19 impact

The global crisis resulting from the spread of the coronavirus disease [“COVID-19”] will have a substantial impact on the Company’s operations, with the timing of recovery uncertain. The spread of COVID-19 has and continues to have on local, national and international impact. Measures taken to contain the spread of the virus, including restrictions on public gatherings, travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to the Company’s operations.

The Company cannot currently estimate the duration or future negative financial impact of the COVID-19 pandemic, however, it is expected that the COVID-19 pandemic will significantly impact operating results for the coming fiscal year due to restrictions on public gatherings and cancellation of events that were scheduled to be hosted at the facility. Discussions are ongoing with event organizers with respect to rebooking events once restrictions have been lifted and health and safety policies and protocols have been established.

The Company has used the best information available as at March 31, 2020, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities. Actual results could differ from those estimates. The Company considers the estimates that could be most significantly impacted by COVID-19 to include the estimated credit losses on accounts receivable and the estimated volume of ticket refunds. Any resulting deficits in future periods due to the impact of the COVID-19 pandemic on operations will be fully funded by the Company’s shareholders, the Province and HRM.