

Financial Statements of

MOHAWK 4 ICE CENTRE

Year ended December 31, 2021

MOHAWK 4 ICE CENTRE

Index to Financial Statements

December 31, 2021

	Page
Independent Auditors’ Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Debt	3
Statement of Cash Flows	4
Notes to Financial Statements	5



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the City of Hamilton:

Opinion

We have audited the financial statements of Mohawk 4 Ice Centre (the “Centre”), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Centre as at end of December 31, 2021, and its results of operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Page 2

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

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

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

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

Auditors' 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 auditors' 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 2, 2022

MOHAWK 4 ICE CENTRE

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	\$ 429,620	\$ 87,944
Accounts receivable	167,919	37,972
Due from the City of Hamilton	—	299,194
	<u>597,539</u>	<u>425,110</u>
Liabilities		
Accounts payable and accrued liabilities	292,877	291,877
Deferred revenue (note 5)	356,507	178,328
Due to the City of Hamilton	6,484	—
	<u>655,868</u>	<u>470,205</u>
Net debt	(58,329)	(45,095)
Non-financial assets		
Prepaid expenses	58,329	45,095
COVID-19 (note 7)		
Accumulated surplus	\$ —	\$ —

See accompanying notes to financial statements.

MOHAWK 4 ICE CENTRE

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 6)	2021	2020
Revenues:			
Ice rentals (note 3 (b))	\$ 1,853,570	\$ 1,591,606	\$ 1,500,517
Government assistance (note 3 (f))	249,790	567,234	629,511
League	496,000	186,211	172,607
Leases	141,078	40,190	45,557
Advertising	84,000	39,944	56,976
Vending	13,200	2,658	12,973
Other (note 7)	7,700	25,283	125,998
Tournament	6,000	—	—
Total revenues	2,851,338	2,453,126	2,544,139
Expenses:			
Debt repayment to City of Hamilton (note 3 (g))	969,924	969,924	969,924
Salaries and benefits	564,000	557,638	558,470
Utilities	544,000	391,058	442,137
Management fees (note 3 (c))	218,900	205,903	211,239
Repairs and maintenance	204,000	105,971	130,695
League	178,000	65,953	69,156
Insurance	54,000	54,005	55,293
Bank charges and interest	11,994	8,456	8,073
Office	6,300	7,546	8,605
Professional fees	3,600	4,980	3,430
Telephone	4,560	3,895	4,245
Training	480	1,399	1,590
Marketing and sales	6,630	1,150	5,489
Travel	1,200	248	793
Tournament	2,750	—	—
Booking software	6,000	—	—
Total expenses	2,776,338	2,378,126	2,469,139
Annual Surplus before the undernoted	75,000	75,000	75,000
Transfer to City of Hamilton's Reserve for Capital Projects (note 3 (d))	(75,000)	(75,000)	(75,000)
	—	—	—
Profit share expense (notes 3 (f) and 4)	—	—	—
Annual surplus	—	—	—
Accumulated surplus, beginning of year	—	—	—
Accumulated surplus, end of year	\$ —	\$ —	\$ —

See accompanying notes to financial statements.

MOHAWK 4 ICE CENTRE

Statement of Changes in Net Debt

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ –	\$ –
(Increase) decrease in prepaid expenses	(13,234)	7,401
Change in net debt	(13,234)	7,401
Net debt, beginning of year	(45,095)	(52,496)
Net debt, end of year	\$ (58,329)	\$ (45,095)

See accompanying notes to financial statements.

MOHAWK 4 ICE CENTRE

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ —	\$ —
Change in non-cash assets and liabilities:		
Accounts receivable	(129,947)	178,088
Prepaid expenses	(13,234)	7,401
Accounts payable and accrued liabilities	1,000	121,057
Deferred revenue	178,179	(239,204)
Due from City of Hamilton	305,678	(59,057)
Net change in cash	341,676	8,285
Cash, beginning of year	87,944	79,659
Cash, end of year	\$ 429,620	\$ 87,944

See accompanying notes to financial statements.

Year ended December 31, 2021

1. Nature of operations:

The Mohawk 4 Ice Centre (the “Centre”) is a four pad arena complex owned by The Corporation of the City of Hamilton (“City of Hamilton”). The City of Hamilton entered into a 10-year partnership agreement (the “Agreement”) with Hamilton Arena Partners Inc. (“HAP”), owned and operated by Nustadia Recreation Inc., to maintain and operate the Centre. The agreement was renewed in 2014 for an extension period of 5 years. The agreement expired on March 5, 2019, and a new agreement has been signed in 2020 for an extended term of 5 years commencing March 6, 2019 to March 5, 2024.

2. Significant account policies:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”) as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Centre are as follows:

(a) Basis of accounting:

The Centre follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Revenues:

Revenues are recognized in the fiscal year in which the related services are performed.

(c) Deferred revenue:

Deferred revenue represents funds collected for which related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year in which the related services are performed.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(e) Operating and capital reserves and reserve funds

Operating and capital reserves and reserve funds held by the City of Hamilton for use by the Centre are not reported in these financial statements.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Year ended December 31, 2021

3. Transactions with the City of Hamilton:**(a) Bank account:**

HAP has established a bank account in its own name pursuant to the operating agreement between the City of Hamilton and HAP. This bank account is a trust account for the benefit of the City of Hamilton. The City of Hamilton may at any time require that all monies held in the trust bank account be transferred to another separate account maintained by the City of Hamilton.

(b) Ice rentals:

The City of Hamilton shall have available 3,620 hours of prime-time ice at the Centre. The City of Hamilton is responsible for scheduling, invoicing and collecting the revenue for this ice time. During the year, ice rental revenue in the amount of \$580,820 (2020 - \$563,897) with respect to City of Hamilton ice time was included in revenue for the year.

(c) Management fees:

Pursuant to the agreement between the City of Hamilton and HAP, the City of Hamilton has agreed to pay HAP an annual management fee of \$150,000, adjusted annually for increases in the consumer price index for Hamilton, for managing the facility on behalf of the City of Hamilton. In addition, HAP is entitled to an annual commission equal to 10% of the gross revenues from sponsorship, advertising, vending, leasing and pouring and naming rights. During the year, the City of Hamilton paid HAP \$205,903 (2020 - \$211,239) with respect to these management fees and commissions.

(d) Reserves:

The City of Hamilton holds a capital fund reserve in relation to the Centre in the amount of \$467,046 (2020 - \$397,140) to be used primarily to finance major capital repairs to the facility. The capital fund has not been included in the Centre's statement of financial position nor has its operations been included in the statements of operations and changes in net debt.

	2021	2020
Balance, beginning of year	\$ 397,140	\$ 665,603
Expenditures made on capital projects	(14,147)	(356,905)
Contribution to fund future capital projects	75,000	75,000
Interest income earned on the reserve	9,053	13,442
Balance, end of year	\$ 467,046	\$ 397,140

Year ended December 31, 2021

3. Transactions with the City of Hamilton (continued):**(e) Operating stabilization account:**

The City of Hamilton will establish and control a stabilization account to help offset the City of Hamilton's cash requirements in dealing with future operating deficits of the Centre. The account is to be funded from the operating surplus to a maximum of \$30,000 per year. Deposits to the account will continue until the account balance is \$250,000.

As at December 31, 2011, the account was fully funded. Thus, no amounts were contributed to the operating stabilization account in 2021 or 2020. Annual contributions of the operating surplus to a maximum of \$30,000 per year will begin again in 2022 and will continue until the account balance is \$250,000. During 2021, the Centre received \$390,000 (2020 - \$245,000) emergency operation funding from the City of Hamilton due to COVID-19 closure.

(f) Operating deficits and surplus:

Subsequent to the first year of operations, the City of Hamilton and HAP have agreed to each fund 50% of any operating deficit. HAP's obligation to fund an operating deficit in any year is limited to the annual commission income for the year plus \$30,000. For the purposes of calculating the amount of operating deficit for which HAP is annually responsible, the operating deficit will be adjusted to the financial influences of events beyond the control of HAP, including but not limited to decisions of Hamilton City Council which materially reduce facility revenues or increase operating expenses from the amounts in the approved current fiscal year budget, utility rate increases and force majeure, provided that such events: (a) were unforeseen by HAP acting reasonably, and (b) were beyond HAP's control acting reasonably. The operating stabilization account. The remaining surplus is to be distributed to the City of Hamilton (70%) and HAP (30%).

Starting in 2020, HAP was subjected to the impacts of the COVID-19 pandemic; more specifically, HAP was mandated to limit and, in some cases, suspend operations, in several phases of the Provincial Emergency Order. The actions taken by HAP to align with the directives of the Province, as well as the City, resulted in a significant operating loss during both 2020 and 2021. Consistent with the Operating Agreement with the City of Hamilton, the COVID-19 pandemic qualifies as a force majeure and thus the operating deficit that is normally borne equally by both parties was agreed by the City of Hamilton to be adjusted and borne entirely by the City of Hamilton for 2020 and 2021.

(g) Debt repayment:

The construction of the Centre was financed through development charges of \$5 million and internal debt of \$12 million. The internal debt charges bear interest at 5.245% and are repayable in blended monthly installments of \$80,827. The debt is held by the City of Hamilton and the Centre receives an internal debt charge allocation for its repayment. Total repayments made by the Centre in 2021 was \$969,924 (2020 - \$969,924).

Year ended December 31, 2021

4. Related party transactions:

These 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.

Accounts receivables include receivables, in the normal course of business, from related parties in the following amounts:

	2021	2020
Nustadia Recreation Inc.	\$ 21,976	\$ 6,201

Accounts payable and accrued liabilities includes trade payables, in the normal course of business, to related companies, in the following amounts:

	2021	2020
Hamilton Arena Partners Inc.	\$ 102,272	\$ 107,046
Nustadia Recreation Inc.	3,609	8,014

The Centre had the following related party transactions with Nustadia Recreation Inc. during the year:

	2021	2020
Advertising, leasing, and vending revenue recognized by the Centre from contracts administered by Nustadia	\$ 4,700	\$ 13,300
Wage recovery of Nustadia from the Centre	37,659	39,372
Wage recovery of the Centre from Nustadia	45,206	20,529

5. Deferred revenue:

Included in deferred revenue are amounts for ice and facility rentals which will take place in the next fiscal year as well as amounts received for advertising contracts.

	2021	2020
Balance, beginning of year	\$ 178,328	\$ 417,532
Receipts	356,507	178,328
Transfer to revenue	(178,328)	(417,532)
Balance, end of year	\$ 356,507	\$ 178,328

Year ended December 31, 2021

6. Budget:

The budget data is based on the 2021 budget approved by the Facility Management Review Team on September 25, 2020.

7. COVID-19:

During the year ended December 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. Several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses, and organizations globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable.

The various restrictions imposed by the Province of Ontario resulted in a significant reduction in rentals at the Mohawk 4 Ice Centre. While HAP was able to take measures to reduce costs during the period, the Centre still incurred some unavoidable costs. HAP has determined that they were eligible to claim the Canada Emergency Wage subsidy (“CEWS”) and that subsidy was allocated to the Centre. For the year 2021, the subsidy allocation of \$21,697 (2020 - \$109,805) is included in other revenue on the Statement of Operations.