

B.C. PAVILION CORPORATION

2019/20 **Annual Service Plan Report**



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Board Chair's Accountability Statement



The *B.C. Pavilion Corporation 2019/20 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019/20 – 2021/22 Service Plan* created in February 2019. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read "I. Aikenhead". The signature is fluid and cursive.

Ian Aikenhead, Q.C.
Board Chair
June 9, 2020

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Letter from the Board Chair & CEO

We are pleased to present B.C. Pavilion Corporation's (PavCo) Annual Service Plan Report for the 2019/20 fiscal year. As a Crown corporation, PavCo's primary mandate is to create significant economic and community benefit for the people of British Columbia. We accomplish this by attracting events that bring attendees and guests from around the world, benefiting the people, communities and businesses of B.C. Our commitment to work closely with government, industry stakeholders, clients, suppliers and members of the community makes this possible.

Despite the unprecedented challenges experienced due to the global pandemic, fiscal 2019/20 was a strong year for PavCo and our awarding-winning venues, the Vancouver Convention Centre and BC Place Stadium. Prior to the COVID-19 outbreak and subsequent impacts in the last quarter, PavCo's iconic facilities welcomed a dynamic range of events this past year, from international and regional conventions, trade and consumer shows, and global meetings, to international sporting competitions, world class entertainment, community events, cultural festivals and more. These events brought over 1.9 million guests from around the world to our venues in British Columbia.

Over the past year, the Vancouver Convention Centre also reached a milestone, the 10th anniversary of the opening of the West building. With the addition of the West building that tripled the facility's capacity, the Convention Centre has welcomed over 9 million guests from around the world for 5,561 events and generated over \$2.4 billion direct spending for British Columbia over the past decade.

Ian Aikenhead, Q.C.



Board Chair,
B.C. Pavilion Corporation
June 9, 2020

Ken Cretney



President and CEO,
B.C. Pavilion Corporation
June 9, 2020

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown corporation’s Board is required to report on the actual results of the Crown’s performance related to the forecasted targets documented in the previous year’s Service Plan.

Purpose of the Organization

B.C. Pavilion Corporation (PavCo) was formed under the [British Columbia Business Corporations Act](#), and acts as an agent of the Government under the [British Columbia Enterprise Corporation Act](#). B.C. Pavilion Corporation registered ‘PavCo’ as a business name under the [Partnership Act](#) (British Columbia). PavCo’s sole shareholder is the Government of British Columbia (the Government).

PavCo is a Provincial Crown corporation with a mandate to generate economic and community benefit for the people of British Columbia through the prudent management of its public facilities. These facilities are located in downtown Vancouver and comprise BC Place Stadium (BC Place or the Stadium) and the Vancouver Convention Centre (the Convention Centre). PavCo owns and operates both BC Place and the Convention Centre. It operates the East building of the Convention Centre under a lease with Canada Place Corporation, which is owned and operated by the Vancouver Fraser Port Authority.

The Convention Centre is the provincial flagship for conventions and meetings. BC Place is the largest indoor gathering place in British Columbia. As well as being a major sports and entertainment centre, it provides support to industry as a venue for exhibitions and consumer shows. Both facilities are also home to a diverse range of community events. PavCo contributes significantly to tourism industry growth, as many out-of-town clients travel throughout British Columbia before and after attending events at its facilities.

Strategic Direction

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister Responsible in 2019 shaped the 2019/20 B.C. Pavilion Corporation [Service Plan](#) and results reported in this annual report.

The B.C. Pavilion Corporation is aligned with the Government’s key priorities:

Government Priorities	B.C. Pavilion Corporation aligns with these priorities by:
Making life more affordable	<ul style="list-style-type: none"> Managing PavCo’s facilities and assets prudently. (Goal 1) Identifying opportunities to optimize operating costs and become more efficient. (Objective 1.1)
Delivering the services people count on	<ul style="list-style-type: none"> Providing exceptional customer service. (Goal 2) Ensuring event planning and operations provide superior value to clients. (Objective 2.1)

	<ul style="list-style-type: none"> • Providing an exceptional service culture that ensures PavCo and its suppliers' staff provide seamless superior service delivery. (Objective 2.1)
A strong, sustainable economy	<ul style="list-style-type: none"> • Creating economic and community benefit by generating in excess of \$450 million per year of economic benefit while minimizing its reliance on Government funding. (Goal 1) • Executing sales and marketing initiatives through greater collaboration with partners and leveraging relationships with decision makers to attract events that will optimize economic benefit for B.C. (Objective 1.1)

Operating Environment

In 2019/20, PavCo continued to focus on sales and marketing efforts to increase attendance by out-of-province guests, while improving its financial health and sustainability through the prudent management of its facilities.

Over the past year, the Convention Centre continued to actively pursue convention and event business from across British Columbia and around the world, attracting non-resident delegates and maximizing economic impact for the Province. Supply constraints in the Vancouver hotel market, primarily driven by the increase in leisure demand, have started to impact the ability to book business. In the highly competitive global marketplace, increasing hotel occupancy and accompanying rates required the Convention Centre to target high-yield business during periods with available occupancy. PavCo strived to ensure the optimum mix of business was booked to maximize revenue while maintaining its mandate.

Globally, competition to secure convention business remained intense. This in turn has applied pressure to the bidding process and as a result, many destination cities continued to offer rich incentives to attract convention business.

Event attendance at BC Place directly impacts PavCo's financial results – primarily through the sales of food and beverage. BC Place worked closely with the Vancouver Whitecaps FC, BC Lions Football Club and other major event clients, to support initiatives that drive attendance, food and beverage sales and total revenue.

On dates that are not booked for major sporting events, BC Place continued to maximize opportunities within the event schedule for concerts, consumer shows, special events and community activities. The live entertainment market across North America remains very cyclical in nature. In 2019/20, BC Place successfully hosted three major concert events. Short-term business, including film and television shoots, added to the stadium's year-round calendar of activities.

In 2019/20, average attendance at events organized by the resident sports teams (i.e. Vancouver Whitecaps FC and the BC Lions Football Club) declined, resulting in a lower total attendance at BC Place events than targeted. Furthermore, a number of major events scheduled to take place at BC Place during March 2020 were not able to proceed due to the onset of the global pandemic, and the associated orders from public health officials which required all event organizers to limit public gatherings larger than 50 people. As a result, BC Place was unable to achieve its

attendance target for 2019/20. Notwithstanding this important revenue driver, BC Place exceeded its economic impact estimate for all spending, and for spending by visitors from outside British Columbia.

Beginning in February 2020, the onset of the COVID-19 pandemic presented a number of significant challenges for PavCo's business, including restrictions on mass gatherings and measures to limit international travel. BC Place and the Convention Centre have not hosted any major events since mid-March 2020, when B.C.'s Provincial Health Officer introduced the Order prohibiting gatherings of more than 50 people.

As part of the [British Columbia Pandemic Provincial Coordination Plan](#) (updated February 2020), BC Place and the Vancouver Convention Centre were identified as provincial assets for potential redeployment as relief centres. In March 2020, the Convention Centre began supporting Vancouver Coastal Health to set up the West building exhibition halls as an alternate care site designed to increase health-care capacity across the province, augment existing hospital infrastructure and provide additional bed capacity, which will benefit people across British Columbia.

Report on Performance: Goals, Objectives, Measures and Targets

PavCo measures its progress every year through financial reporting and benchmarking within the conventions/meeting industry as well as within the live sports/entertainment industry. PavCo continually strives to generate economic benefit for the Province of B.C. while minimizing operating costs.

Goal 1: Create economic and community benefit while optimizing corporate profit

PavCo generates in excess of \$475 million per year of economic benefit and provides significant community benefit for the people of British Columbia through the prudent management of its public facilities. The events held at PavCo's facilities support British Columbia's tourism and hospitality industries, as well as trade development. PavCo's clients and guests utilize hotel rooms, local hospitality services and goods and services produced by B.C.-based businesses.

Objective 1: Improved attendance and economic benefits to Province

PavCo strives to maximize the positive economic impact it brings to the Province each year and to minimize its reliance on Government funding. This is achieved by balancing competitiveness within the marketplace while managing the ongoing costs of operating two world-class facilities.

Key Highlights

- Executed sales and marketing initiatives, such as increased collaboration with partners and leveraging relationships with decision makers, to attract events that optimized economic benefit for B.C.
- Pursued business development in international markets for long-term revenue growth and to generate economic benefit.
- Diversified markets to stabilize long-term business.
- Determined ways to reduce operating costs and become more efficient.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target ⁶	2021/22 Target ⁶
1.1a Economic impact at Vancouver Convention Centre from all spending from outside Metro Vancouver ^{1,5}	\$346m	\$333m	\$360m	\$316m	\$300m
1.1b Economic impact at BC Place from all spending ¹	\$148m	\$100m	\$117m	\$100m	\$100m
1.1c Economic impact at Vancouver Convention Centre from spending from outside British Columbia ^{1,5}	\$272m	\$285m	\$325m	\$271m	\$250m
1.1d Economic impact at BC Place from spending by visitors from outside British Columbia ¹	\$29m	\$22m	\$23m	\$22m	\$22m
1.1e Delegate days to Vancouver Convention Centre by visitors from outside British Columbia ^{2,5}	421,000	436,000	501,000	418,000	425,000
1.1f Delegate days for all visitors outside Metro Vancouver to Vancouver Convention Centre ^{2,5}	620,000	564,000	591,000	535,000	532,000
1.1g Total attendance at BC Place events ³	1,019,000	1,000,000	841,789	1,000,000	1,000,000
1.1h Operating deficit (surplus) target, before Government sustaining contributions ^{4,5}	\$8.817m	\$16.588m	\$16.255m	\$18.179m	\$2.568m

Data Sources:

¹ Economic impact is calculated using the BC Stats model and is based on estimated expenditures by organizers and visitors at events in the facilities, subsequent spending in the Province following the event, and the multiplier effect through the economy of such spending. Projections for 2020/21 and future years are based on calculated estimates by PavCo management.

² Delegate days for attendees at Vancouver Convention Centre for fiscal 2018/19 were actual days recorded in PavCo's event management system. Target delegate days for fiscal 2018/19 are based on confirmed and tentative bookings in the event management system.

³ Attendance at BC Place is the total of announced attendance by clients for attendance at their events.

⁴ The corporate operating deficit / (surplus) before Government contributions is the sum of: sales revenues, other revenues and deferred contributions, less total expenses. Operating (losses) / gains before land disposition, interest, amortization, redevelopment expense, Government transfers, grants to third parties and contributions are: 2018/19 \$2.860m, 2019/20 (\$4.960m), 2020/21 (\$3.877m Target) and 2021/22 (\$4.502m Target).

⁵ For the noted performance measures, targets for 2020/21 and 2021/22 have been revised since publication of the 2019/20-2021/22 Service Plan and are adjusted periodically based on new information. The associated figures for these fiscal years reflect the previous targets. See the [2020/21-2022/23 Service Plan](#) for the revised figures.

⁶ The targets represent our Service Plan numbers which were determined prior to the pandemic. Given current circumstances, the targets may be no longer appropriate given the significant impact the pandemic has had to our business.

Discussion of Results

PavCo's facilities combined generated an estimated \$475 million in economic impact in 2019/20. Economic impact is calculated using the B.C. Input-Output (I-O) Model and is based on estimated expenditures by organizers and visitors at events in the facilities, subsequent spending in the Province following the event and the multiplier effect through the economy of such spending.

The performance measures in the above table report on targets and actuals, which are non-linear over time. This is due to factors in PavCo's operating environment, which vary from year to year and thereby impact measurement targets and actual performance.

Vancouver Convention Centre

The Vancouver Convention Centre creates its greatest economic impact by attracting delegates and exhibitors from outside of British Columbia (non-resident delegates) to events which would not have been hosted in the Province if the Convention Centre did not exist. A non-resident delegate day is a day when a non-British Columbian attended an event at the Convention Centre, and likely stayed at a local hotel and visited restaurants, retailers or other hospitality businesses. The majority of delegates have multiple delegate days per visit.

Non-resident delegates and exhibitors generate the highest economic returns for British Columbia. As verified through delegate surveying, the average non-resident delegate spends \$1,434¹ (per visit) as a result of attending an event at the Convention Centre, the majority of which is spent on accommodations, meals, retail and transportation.

In 2019/20, the economic impact generated by the Vancouver Convention Centre from all spending from delegates outside Metro Vancouver was \$360 million, ahead of the target of \$333 million by \$27 million. For visitors from outside of British Columbia (non-resident delegate days), the Convention Centre improved upon its overall target of 436,000 by 65,000 visits. For visitors from outside of Metro Vancouver, the Convention Centre exceeded its target by 27,000 visits with 591,000 total visits. The improved visitation over target from both market segments were the primary contributor to the overall improved economic impact than initially targeted.

Over the past year, the Convention Centre welcomed over one million people to the facility for 478 events, of which 58 were conventions and 58 were trade and consumer shows. For the sixth consecutive year, the Convention Centre also achieved an operating profit as a result of increased event revenue, continued cost savings initiatives and comprehensive sales and marketing efforts, while continuing to deliver world class guest service performance, exceptional culinary experiences and meeting targets for service quality.

It was another busy year for high-profile citywide conventions, including Women Deliver 2019, the 33rd Conference on Neural Information Processing Systems, TED2019, World Sleep 2019 and the American Association of Gynecologic Laparoscopists' 2019 Global Congress on Minimally Invasive Gynecologic Surgery. The Convention Centre also continued to generate community benefit, hosting numerous community and cultural events, including the facility's

¹ This delegate spend estimate is based on survey results from 2012.

Canada Day Open House that welcomed over 25,000 members of the public, the Vancouver Metropolitan Orchestra's outdoor symphony performance and the Coastal Lunar Lanterns public exhibit on Jack Poole Plaza. The Convention Centre also launched a public concert series on Jack Poole Plaza featuring local artists in August 2019.

As a result of the COVID-19 pandemic, a total of nine events at the Convention Centre were cancelled during March 2020, resulting in a loss of 23,500 non-resident delegate days and over \$13 million in economic benefit.

BC Place Stadium

In 2019/20, BC Place exceeded its performance measure for estimated economic impact in British Columbia by \$17 million (\$117 million actual; \$100 million targeted). The estimated economic impact of spending by visitors from outside British Columbia was \$1 million higher than target (\$23 million actual; \$22 million targeted).

Attendance for BC Place in 2019/20 was generated mainly from events hosted by the two resident sports teams (i.e. Vancouver Whitecaps FC and the BC Lions Football Club), major consumer shows, including the Vancouver International Boat Show and the BC Home & Garden Show, as well as three major concert events, and the annual HSBC Canada Sevens – part of the World Rugby Sevens Series.

In 2019/20, average attendance at events organized by the resident sports teams declined. As well, a number of events scheduled to take place at BC Place during March 2020 were not able to proceed due to the onset of the global pandemic, and the associated orders from public health officials which required all event organizers to limit public gatherings larger than 50 people. As a result, BC Place was unable to achieve its attendance target for 2019/20 (841,789 actual; 1 million attendees targeted).

Event attendance at BC Place directly impacts PavCo's financial operating results. Incremental revenues at BC Place are driven primarily by event attendance, food and beverage sales, advertising properties and sponsorship activities. Accordingly, BC Place develops and implements attendance building initiatives with its resident teams and major clients.

During 2019/20, BC Place attracted a number of additional events including international sporting events, film shoots as well as community and cultural events, which contributed significantly toward the Stadium's strong performance on event revenue, improvement to forecasted deficit and total economic impact. These additional events also included three major live entertainment events in 2019/20, including Paul McCartney's ON THE RUN Tour, Mumford & Sons with their Delta Tour, and the CONTACT Winter Music Festival featuring Major Lazer and Tiësto.

The HSBC Canada Sevens – part of the World Rugby Sevens Series – continues to grow in popularity. The Canada Sevens is the largest annual rugby event in Canada. The March 2020 tournament featured 208 athletes from 16 national teams competing in 45 matches over two days at BC Place. The sensational tournament attracted the largest single-day rugby crowd in Canadian history on day one with 39,533 fans in attendance. In total, 74,456 fans from across the globe visited BC Place over the two-day event. B.C. is scheduled to host the annual event for

three more years as one of 10 international host venues of the HSBC World Rugby Sevens Series through to 2023.

As a result of the COVID-19 pandemic, a total of 3 events at BC Place were cancelled during March 2020, resulting in a loss of 62,500 attendees and over \$6.6 million in economic benefit.

Goal 2: Provide exceptional customer service

PavCo continues to build its reputation as an organization capable of hosting world-class events. Exceptional client and guest satisfaction elevate PavCo’s reputation among industry stakeholders, driving up future attendance levels and attracting new clients. This ensures PavCo achieves its goal of maximizing economic benefit and corporate profit.

Objective 2.1: Deliver exceptional customer service to support growth

Key Highlights

- Ensured event planning and operations provided superior value to clients.
- Provided an exceptional service culture that ensured PavCo and its suppliers’ staff provided seamless, superior service delivery.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.1a Service Quality – Loyalty Index, Convention Centre ¹	9.3/10	Maintain or Improve	9.3/10	Maintain or Improve	Maintain or Improve
2.1b Client Satisfaction, BC Place ²	4.3/5	Maintain or Improve	4.6/5	Maintain or Improve	Maintain or Improve
2.1c Guest Satisfaction, BC Place ³	4.2/5	Maintain or Improve	4.3/5	Maintain or Improve	Maintain or Improve

Data Sources:

¹Client survey sent to all clients, conducted by Sentis Market Research. Client Loyalty Index is used to measure service quality for the Vancouver Convention Centre. This combines overall satisfaction with the client’s likelihood to rebook and recommend the facility. The survey also includes questions on: true value for price, event planning process and event execution. Results are combined to determine an overall Loyalty Index that is measured as a score out of 10.

²Comprehensive on-line client satisfaction survey. Developed in 2013, this survey is sent to all clients who hold events at BC Place. Data from the survey measures client experience from the time of booking, up to the preparation of the final billing for the event. Year-over-year variability is anticipated due to the limited sample sizes available for the survey. Scores are from a total out of 5.

³Guest satisfaction survey, originally initiated at BC Place in 2012/13. Guest satisfaction results are collected via touch-screen stations distributed throughout the Stadium. Results are collected during BC Lions games, Whitecaps FC matches and other public events. Data from the survey measures guest satisfaction in guest service, food and beverage and overall experience at the facility. Scores are from a total out of 5.

Discussion of Results

During 2019/20, PavCo exceeded the targets for Service Quality – Loyalty Index at the Convention Centre as well as both Client Satisfaction and Guest Satisfaction at BC Place.

Surveys are conducted to measure customer service at both the Vancouver Convention Centre and BC Place Stadium where clients and guests share their satisfaction levels and expectations. Attendee satisfaction is critical in the competitive events business.

At the Convention Centre, all employees, including official and exclusive supplier partners, conduct daily ‘line-up’ meetings that focus on the facility’s service philosophy, as well as attend a training session focused on service excellence.

At BC Place, management and frontline event staff work collaboratively with clients and partners to implement a Guest Experience Strategy plan designed to position the stadium as a leader in Best in Class Service within the Sport, Entertainment and Live Events industry.

In 2019/20, BC Place achieved its highest-ever result for Guest Satisfaction with a score of 4.3 out of 5. BC Place’s Client Satisfaction score remained consistently high, achieving 4.6 out of 5.

Goal 3: Building a highly engaged workforce

PavCo’s continued success depends on talented leaders and engaged employees who share its commitment to achieve the mandate of the organization. The PavCo management team has developed a people strategy for the organization that is designed to support a high level of employee engagement. Accomplishments within the fiscal year are outlined below.

Objective 3.1: Attract and retain a highly engaged workforce

Key Highlights

- Maintained industry-leading policies, practices and technology infrastructure to continue to improve service delivery.
- Designed and implemented succession planning, talent management, leadership development and performance management systems.
- Ensured the labour relations climate at BC Place remains respectful, fair and is always being refined.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.1a Employee Engagement - Score on Annual Employee Surveys, PavCo-wide ¹	64%	Maintain or improve	69%	Maintain or improve	Maintain or improve
3.1b Employee Engagement - Score on Annual Employee Surveys, BC Place ²	3.7/5 57%	Maintain or improve	59%	Maintain or improve	Maintain or improve
3.1c Employee Engagement - Score on Annual Employee Surveys, Convention Centre ³	4.1/5 73%	Maintain or improve	76%	Maintain or improve	Maintain or improve

Data Sources: Annual employee engagement survey (including full-time and part-time employees) conducted by Great Place to Work®. The survey measures employee ratings on the following areas: communication and direction, management effectiveness, commitment to results, job satisfaction, professional workplace and work-life balance, organizational satisfaction and commitment, retention and development and familiarity with the Vancouver Convention Centre’s service standards.

¹ Includes all full-time and part-time PavCo employees at BC Place, the Vancouver Convention Centre and PavCo Head Office.

² Includes all full-time and part-time PavCo employees at BC Place, including event staff.

³ Includes all full-time and part-time PavCo employees at the Vancouver Convention Centre.

Discussion of Results

PavCo’s employees are its greatest resource. Indeed, engaged employees are a crucial factor in achieving PavCo’s strategic goals. By soliciting feedback and ensuring two-way communication, PavCo develops talent within the organization and builds its levels of customer service. This goal links to Government’s priority to support a strong, stable economy.

Beginning in 2018/19, all full-time and part-time PavCo employees (at BC Place, the Vancouver Convention Centre and PavCo Head Office) were invited to participate in an annual employee engagement survey, conducted by Great Place to Work®. A single engagement measure across PavCo allows management to compare the results internally and externally. It also gives leadership the ability to update the overall People Strategy based on employee feedback and prioritize actions and investments that will have the greatest positive impact on employees. The use of the Great Place to Work® annual survey also allows PavCo to benchmark engagement scores to those of other organizations.

In 2019/20, PavCo saw an increase in employee engagement of 5 percentage points (from 64 percent to 69 percent favourable) compared to the 2018/19 survey. Year over year BC Place experienced an increase of 2 percentage points while the Vancouver Convention Centre experienced an increase of 3 percentage points in survey results. PavCo is no longer calculating the score out of five.

Financial Report

Financial Summary

The following tables provide an overview of PavCo's financial performance relative to its 2019/20 – 2021/22 Service Plan as published in February 2019.

(\$ millions)	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Variance
Revenue				
Sales	83.147	72.230	77.154	4.924
Other Revenues	3.199	3.060	3.119	0.059
Revenue from Operations	86.346	75.290	80.273	4.983
Sustaining Contributions	9.286	9.455	9.255	-0.200
Deferred Contributions	36.909	36.141	36.305	0.164
Total Revenue	132.541	120.886	125.833	4.947
Expenses				
Cost of Sales	41.219	35.539	39.530	3.991
Staff	21.242	23.133	23.446	0.313
Operating	14.427	14.498	13.984	-0.514
General and Administration	4.143	4.355	4.322	-0.033
Business Development	0.745	1.069	0.837	-0.232
Fees	1.711	2.001	3.114	1.113
Redevelopment	0.239	0.000	0.000	0.000
Loan Interest	4.581	4.488	4.488	0.000
Amortization	43.765	42.936	43.112	0.176
Total Expenses	132.072	128.019	132.833	4.814
Net Income (Deficit) after Government funding	0.469	-7.133	-7.000	0.133
Debt	137.718	134.898	134.898	0.000
Retained Earnings	54.024	46.891	47.024	0.133
Capital Expenditures	14.813	10.000	8.920	-1.080

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

Discussion of Results

B.C. Pavilion Corporation is a Provincial Crown corporation with a mandate to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities.

Overall results for 2019/20 reflected a small improvement in financial results over budget. With a net loss of \$7.000 million, PavCo's results were ahead of the budgeted loss of \$7.133 million by \$0.133 million. The positive results in achieving budget were generated from higher event revenues and resulting gross margin, supported with savings in various line items, including operating expenses, business development and utilities.

Total revenues increased by \$4.947 million, or 4.1 percent over Service Plan targets. The increase was related primarily to strong event revenues of \$69.685 million, which were \$3.711 million higher than budget as a result of hosting stronger performing events than expected. When compared to the previous year, total revenue from operations decreased by \$6.073 million or 7.0 percent, due primarily to exceptionally strong financial performance from both venues in the previous year and the early impact of the global pandemic, which affected March 2020 results.

At BC Place, revenues from major events during 2019/20 were impacted both by lower total attendance at Whitecaps FC matches and BC Lions games throughout the year, and the global pandemic during March. A total of 3 events were cancelled during March 2020 as a result of the pandemic, resulting in a loss of 62,500 attendees and over \$6.6 million in economic benefit.

These external factors contributed significantly to financial performance lower than both budget and prior year. As a result, overall event revenues of \$10.746 million were lower than budget by \$2.020 million, and by \$3.887 million compared to the prior year. While total operating expenses were an improvement over prior year spending, the overall impact of the revenue reduction resulted in an overall loss of \$9.120 million compared to a budgeted loss of \$8.051 million.

For the Convention Centre, revenues, gross margin and net operating results were all ahead of the Service Plan budget. Total revenues are a combination of event and related revenues, third party leases and deferred contributions of which approximately 76 percent is generated through the Convention Centre's own strategic sales initiatives. Total revenues of \$83.278 million exceeded budget by \$5.142 million or 6.6 percent as a result of better than expected event performance. To support the Convention Centre's increased activity and higher than budgeted event revenues, total operating expenses of \$60.824 million before amortization expenses were \$3.761 million higher than budget.

The Convention Centre experienced a loss of two major international events from its schedule due to the onset of the pandemic during the year's busiest event period. Despite these lost events, the Convention Centre was able to produce a positive surplus, which has now been maintained for several consecutive years. The overall surplus of \$2.120 million compared to the budget of \$0.918 million was an improvement of \$1.202 million over budget.

Staffing costs were slightly ahead of budget as a result of the increased activity in the facilities. PavCo continues to work with its Public Sector Employers' Council (PSEC) partners in managing its overall compensation strategy, which aligns with its goal of increasing employee

engagement and creating a positive employee experience. In some positions a recruitment lag existed where vacancies were not filled as quickly as planned and management will continue to review each position to determine the need to re-hire. The ongoing success of PavCo's business and its substantial economic impact to the Province relies on having qualified and skilled personnel in place at all levels.

In accordance with the terms of the loan agreement with the Province of British Columbia, PavCo incurred interest charges of \$4.488 million in 2019/20, compared to \$4.581 million in 2018/19.

Reflecting the significant capital investment in PavCo, amortization of capital assets accounted for approximately 32.5 percent of total costs at \$43.112 million, slightly lower than the prior year's amortization amount. Capital expenditures amounted to \$8.920 million, representing a broad range of items such major and routine capital asset upgrades, efficiency improvements and critical safety projects. Capital investments during the past year at BC Place included investments in broadcast equipment and infrastructure, walkthrough metal detectors and retractable roof communications systems, while the Convention Centre's investments included energy saving initiatives, such as LED lighting and building system upgrades.

PavCo's ability to complete its capital projects during the fiscal year was impacted by the pandemic as supplies and contractors were impacted by restrictions on international travel.

Auditor's Report

Independent auditor's report



To the Board of Directors of B.C. Pavilion Corporation and the Ministry of Tourism, Arts and Culture, Province of British Columbia

Our opinion

In our opinion, the accompanying financial statements of B.C. Pavilion Corporation (the Corporation) as at March 31, 2020 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

The Corporation's financial statements comprise:

- The statement of financial position as at March 31, 2020;
 - the statement of operations and change in accumulated surplus for the year then ended;
 - the statement of change in net debt for the year then ended;
 - the statement of cash flows for the year then ended;
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - basis of accounting

We draw attention to note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 19 to the financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, British Columbia
June 9, 2020

Audited Financial Statements

March 31, 2020

B.C. Pavilion Corporation

Statement of Management Responsibility

The financial statements of the B.C. Pavilion Corporation have been prepared by management in accordance with the financial reporting framework disclosed in note 2 to these financial statements, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Systems of internal control are developed and maintained by management to provide reasonable assurance that reliable information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

The B.C. Pavilion Corporation Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board and its Finance and Audit Committee. The Board reviews internal financial statements at each meeting and external audited financial statements annually. Significant financial reporting or internal control matters are discussed by the Board and its Audit and Finance Committee prior to their approval of the Corporation's financial statements.

PricewaterhouseCoopers LLP conducts an independent examination, in accordance with Canadian auditing standards, and expresses their opinion on the B.C. Pavilion Corporation financial statements. The auditors have full and free access to financial management of B.C. Pavilion Corporation and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements for B.C. Pavilion Corporation.



Ian Aikenhead
Chair – Board of Directors



Rehana Din
Chief Financial Officer

Vancouver, British Columbia
June 4, 2020

B.C. Pavilion Corporation**Statement of Financial Position**

(in \$000s)

	<i>Note</i>	March 31 2020	March 31 2019
Financial Assets			
Cash and cash equivalents	4	16,935	25,537
Investments	4	408	463
Accounts receivable	5	10,876	10,629
Due from governments	6	6,215	9,722
		34,434	46,351
Liabilities			
Accounts payable and accrued liabilities	7	13,893	20,940
Due to governments	6	9,463	9,400
Employee leave liability		1,231	1,122
Deferred revenue	8	32,659	34,002
Deferred contributions – government	9	836,150	863,177
Deferred contributions – other	10	8,092	9,006
Long-term debt	11	134,898	137,718
		1,036,386	1,075,365
Net financial debt		(1,001,952)	(1,029,014)
Non-financial assets			
Tangible capital assets	12	1,047,580	1,081,811
Inventories held for use		155	123
Prepaid expenses		1,241	1,104
		1,048,976	1,083,038
Accumulated surplus		47,024	54,024
Contingencies and contractual obligations	13		

Approved on behalf of the board:


Ian Aikenhead, Chair
Board of Directors

Dan Cahill, Member
Board of Directors

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

B.C. Pavilion Corporation
Statement of Operations and Change in Accumulated Surplus
(in \$000s)

	<i>Note</i>	31-Mar-20		31-Mar-19
		Budget	Actual	Actual
		<i>(Note 17)</i>		
Revenues	20			
Event revenues		65,974	69,685	75,751
Lease revenues		6,716	6,638	7,396
Miscellaneous revenues		2,539	3,383	2,706
Operating contributions - government		9,455	9,255	9,286
Deferred contributions - government		35,277	35,375	35,472
Deferred contributions - other		865	930	1,437
Interest revenue		60	567	493
		120,886	125,833	132,541
Expenses	14,20			
BC Place Stadium		50,801	51,675	53,087
Vancouver Convention Centre		77,218	81,158	78,985
		128,019	132,833	132,072
Annual operating (deficit) surplus		(7,133)	(7,000)	469
Accumulated surplus, beginning of year		54,024	54,024	53,555
Accumulated surplus, end of year		46,891	47,024	54,024

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

B.C. Pavilion Corporation**Statement of Change in Net Debt**

(in \$000s)

	March 31 2020		March 31 2019
	Budget	Actual	Actual
	<i>(Note 17)</i>		
Annual operating (deficit) surplus	(7,133)	(7,000)	469
Acquisition of tangible capital assets	(10,000)	(8,920)	(16,219)
Amortization of tangible capital assets	42,937	43,113	43,765
Loss on asset disposal	-	38	-
	<u>25,804</u>	<u>27,231</u>	<u>28,015</u>
Acquisition of prepaid expense	-	(3,863)	(4,543)
Use of prepaid expense	-	3,726	4,498
	-	<u>(137)</u>	<u>(45)</u>
Acquisition of inventory for use	-	(164)	(141)
Use of inventory	-	132	142
	-	<u>(32)</u>	<u>1</u>
Decrease in net financial debt	<u>25,804</u>	<u>27,062</u>	<u>27,971</u>
Net financial debt – beginning of year		<u>(1,029,014)</u>	<u>(1,056,985)</u>
Net financial debt – end of year		<u><u>(1,001,952)</u></u>	<u><u>(1,029,014)</u></u>

The accompanying notes are an integral part of these financial statement

B.C. Pavilion Corporation

Statement of Cash Flows

(in \$000s)

	March 31 2020	March 31 2019
Operating Transactions		
(Deficit) surplus for the year	(7,000)	469
Changes in Non-cash Items Included in Surplus (Deficit):		
Amortization of tangible capital assets	43,113	43,765
Amortization of deferred capital contributions – government	(35,375)	(35,472)
Amortization of deferred contributions – other	(930)	(1,437)
Loss on disposal of asset	38	-
Changes in Non-Cash Working Capital Items:		
Accounts receivable	(247)	404
Due from governments	3,507	(70)
Due to governments	64	28
Accounts payable and accrued liabilities	(7,046)	1,782
Employee leave liability	109	62
Deferred revenue	(1,343)	(5,173)
Inventories held for use	(32)	1
Prepaid expenses	(137)	(45)
<i>Cash provided by or (used in) operating transactions</i>	<u>(5,279)</u>	<u>4,314</u>
Purchase of tangible capital assets	(8,920)	(16,219)
<i>Cash used in capital transactions</i>	<u>(8,920)</u>	<u>(16,219)</u>
Financing Transactions		
Deferred contributions – government	8,348	14,813
Deferred contributions – other	15	615
Long-term debt	(2,821)	(2,730)
<i>Cash provided by financing transactions</i>	<u>5,542</u>	<u>12,698</u>
(Decrease) increase in cash and cash equivalents	(8,657)	793
Cash and cash equivalents – beginning of year	26,000	25,207
Cash and cash equivalents – end of year	<u>17,343</u>	<u>26,000</u>
Cash and cash equivalents are made up of:		
Cash	16,163	24,820
Cash equivalents	1,180	1,180
	<u>17,343</u>	<u>26,000</u>

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

1. Authority and Nature of Operations

B.C. Pavilion Corporation (PavCo or the Corporation) was formed on April 1, 2008 under the *British Columbia Business Corporations Act*, following the amalgamation of the former B.C. Pavilion Corporation and Vancouver Convention Centre Expansion Project Ltd. (VCCEP). PavCo is wholly owned by the Province of British Columbia, and reports to the Legislative Assembly through the Minister of Tourism, Arts and Culture. As a provincial Crown agency, PavCo is subject to legislative regulations in government reporting Acts which include the *Budget Transparency and Accountability Act* and the *Financial Administration Act*.

PavCo's mandate is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. PavCo achieves this by developing, marketing and operating iconic world class public convention, sports and entertainment facilities. The Corporation owns and operates BC Place Stadium and the Vancouver Convention Centre's west facility. The Corporation operates the Vancouver Convention Centre's east facility under a separate agreement with Canada Place Corporation.

PavCo is exempt from income taxes under the Income Tax Act.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia which requires that financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to accounting for government transfers as set out in Note 19. Significant accounting policies used in the preparation of these financial statements are:

Financial assets

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Accounts are recorded at cost less the amount of any valuation allowance (bad debt allowance). Valuation allowances are made when collection is in doubt. Changes in valuation allowances are recognized as expenses in the period when the valuation change is made. Interest is only accrued on receivables when collection is reasonably assured.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Asset costs (excluding land), less any residual value, are amortized over their estimated useful lives to PavCo as follows:

Buildings and improvements	10 to 50 years, straight-line
Leasehold improvements	over the shorter of the estimated useful life of the improvement or the term of the lease, straight-line
Equipment and other capital assets	1 to 10 years, straight-line
Furniture and fixtures	3 to 20 years, straight-line
Vehicles	30% per annum, declining balance
Computer hardware and software	3 to 5 years, straight-line

2. Significant Accounting Policies (cont.)

Assets under construction are recorded at cost and include direct costs during development and construction, indirect costs that are directly attributable to the construction or development activity and other carrying costs. When construction is substantially complete or the asset is ready for use, it is subsequently amortized over its estimated useful life.

In the year of asset acquisition, amortization will be recorded at 50% of the normal annual rate, calculated for the asset as per above. In the final year or the year of disposition, amortization will be charged at 50% of the annual rate.

Contributed tangible capital assets are recorded at fair value as of the date of contribution. When fair value of a contributed asset cannot be determined by market or appraisal estimates, the asset is recorded at nominal value.

PavCo reviews the value of its tangible capital assets that are in active service for impairment based on their service potential. Assets are written down when conditions indicate that they no longer contribute to PavCo's ability to provide goods and services.

PavCo does not report the cost of its artwork and theming program in the statement of financial position as artwork is not recognized under PSAS. All costs associated with developing, constructing, acquiring, installing and securing these assets are expensed when incurred.

Inventories

Inventories consist of minor consumable supplies held for use in the course of operations at PavCo's facilities and are recognized at historical cost.

Prepaid expenses

Prepaid expenses include cash disbursements for facility insurance and future event and operational costs, which will be charged to expense over the periods expected to benefit from them.

Revenue recognition

Revenues from events held at PavCo's facilities are recognized upon completion of the events. Amounts received in advance of event completion are recorded as deferred revenue. Non-event related revenues are recognized on an accrual basis and in the period in which the transactions or events that gave rise to the revenues occurred.

Revenues received in advance from lease and business alliance agreements, and expenses incurred to generate them, are deferred and amortized on a straight-line basis over the term specified in the agreements.

Revenue resulting from contra-transactions, such as the exchange of goods or services for advertising, is recognized at fair market value. Unearned revenue is deferred and amortized over the term of the services contract.

Operating contributions are recognized as income in the period for which they are contributed. Funding received for other specific purposes is treated as deferred contributions and recognized in the period that the stipulation or restriction is met.

2. Significant Accounting Policies (cont.)

Capital contributions

The value of contributed depreciable tangible capital assets or funding received from government or other external sources for the purpose of acquiring or developing tangible capital assets for use in providing services, is treated as deferred capital contributions. These contributions are amortized to revenue in the period during which the assets are used to provide services, at the same amortization rate as the related tangible capital assets. If the net book value of a depreciable tangible capital asset funded by a deferred capital contribution is reduced for any reason other than amortization, the proportionate share of the deferred contribution is recognized to revenue during the same period.

This accounting treatment is not consistent with the requirements of Canadian PSAS which require that government transfers or externally restricted contributions be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer or externally restricted contribution contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished.

Funding received for the acquisition of land or a transfer in the form of land, is recognized as revenue in the same period that the asset is acquired.

Expenses

The cost of all goods consumed and services received during the fiscal year, not related to assets, is expensed. Expenses are reported on an accrual basis. Direct costs from events held at the facilities are recognized upon completion of the events. Amounts incurred in advance of event completion are recorded as prepaid expenses. Environmental costs are recorded when a determination of liability is made and the related costs can be reasonably estimated.

Financial Instruments - recognition and measurement

PavCo's financial instruments consist of cash and cash equivalents, accounts receivable, due from governments, accounts payable and accrued liabilities, due to governments and long-term debt. All financial instruments are carried at cost or amortized cost in the financial statements. All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Employee pension plan

PavCo and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable (note 15).

3. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosed amounts of contingent assets and liabilities at the reporting date as well as the reported amounts of revenues and expenses during the reporting period. Uncertainty in the determination of these amounts is known as measurement uncertainty.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates. Estimates included in these financial statements are accrued liabilities, collectability of accounts receivable and estimated useful life of tangible capital assets.

4. Cash and Investments

	March 31 2020	March 31 2019
Unrestricted cash	15,755	24,357
Restricted cash	1,180	1,180
	<u>16,935</u>	<u>25,537</u>
Investments	408	463

Restricted cash consists of a refundable deposit to secure a letter of credit that PavCo issued on behalf of the depositor. A liability for the amount of the deposit is recorded in accounts payable and accrued liabilities. A portion of the deposit was refunded in fiscal 2019, with a further portion expected to be refunded in fiscal 2021. Investments represent PavCo's proportionate interest in the Convention Development Fund, which is a joint initiative with Tourism Vancouver and the Vancouver Hotel Destination Association.

5. Accounts Receivable

	March 31 2020	March 31 2019
Trade	11,732	10,961
Other receivables	53	41
Subtotal	<u>11,785</u>	<u>11,002</u>
Less: provision for doubtful accounts	<u>(909)</u>	<u>(373)</u>
	<u>10,876</u>	<u>10,629</u>

6. Due to and from Governments

	March 31 2020	March 31 2019
Due from federal government	92	74
Due from provincial government	6,123	9,648
Total due from governments	<u>6,215</u>	<u>9,722</u>
Due to provincial government	9,463	9,400

Due from provincial government consists of contributions for tangible capital assets purchased in this fiscal year.

7. Accounts Payable and Accrued Liabilities

	March 31 2020	March 31 2019
Trade accounts payable and accrued liabilities	11,620	18,461
Accrued interest on long-term debt	2,221	2,268
Builder's lien and other holdbacks	52	211
	13,893	20,940

8. Deferred Revenue

	March 31 2020	March 31 2019
Unearned lease revenues	23,661	24,989
Unearned event revenue and deposits	8,998	9,013
	32,659	34,002

Unearned lease revenue represents funds received in advance from lease and business alliance agreements, and is recognized in accordance with the terms specified in those agreements. The terms of the business alliance agreements range from 10 years to 50 years.

Event revenues and deposits are receipts in advance of scheduled event dates and are deferred until completion of the event.

9. Deferred Contributions – Government

Government contributions are funding transfers that contain eligibility criteria and legislative or contractual stipulations with respect to their use. PavCo has received funding for asset acquisition and capital construction projects at PavCo's facilities as follows:

	Balance April 1 2019	Contributions during year	Amortized to revenue	Balance March 31 2020
Government of Canada - Capital	179,067	-	(4,556)	174,511
Province of British Columbia – Capital	684,110	8,348	(30,819)	661,639
	863,177	8,348	(35,375)	836,150
	Balance April 1 2018	Contributions during year	Amortized to revenue	Balance March 31 2019
Government of Canada	183,623	-	(4,556)	179,067
Province of British Columbia – Capital	700,213	14,813	(30,916)	684,110
Province of British Columbia – Operating	-	-	-	-
	883,836	14,813	(35,472)	863,177

9. Deferred Contributions – Government (cont.)

Contributions from the Government of Canada comprise federal funding for the construction of the Vancouver Convention Centre’s west facility and the connector between the east and west facility. The funding for the Vancouver Convention Centre’s west facility includes the construction of the waste water treatment facility. Contributions from the Province of British Columbia are for tangible capital assets.

Government contributions for capital are amortized to revenue in the period during which the assets are used to provide those services, at a rate corresponding with the amortization rate for the related tangible capital assets. Other government contributions are recognized when their legislative or contractual stipulations are met.

10. Deferred Capital Contributions – Other

	Balance April 1 2019	Receipts during year	Amortized to revenue	Balance March 31 2020
Other contributions	9,006	16	(930)	8,092

	Balance April 1 2018	Receipts during year	Amortized to revenue	Balance March 31 2019
Other contributions	9,828	615	(1,437)	9,006

Other deferred contributions include contributions, defined by their contractual stipulations, from non-related parties to fund major improvements to or for the acquisition of capital assets. Included in other deferred contributions are value-in-kind contributions of tangible capital assets.

11. Long-term Debt

	March 31 2020	March 31 2019
Province of British Columbia	134,898	137,718

In fiscal 2010, PavCo entered into a long-term loan agreement with the Province of British Columbia to provide financing for the revitalization at BC Place Stadium. PavCo received the balance of the loan in fiscal 2011. The loan is secured by the assets of BC Place Stadium and the Vancouver Convention Centre.

Under the terms of the loan agreement, the repayable loan was non-interest bearing during the construction and start-up period. Commencing April 2, 2013, PavCo began repaying the loan by providing semi-annual blended payments of principal and interest. For fiscal year 2020, \$2.82 million was repaid on the loan with \$4.66 million paid in interest.

The parties negotiated a reduced interest rate from 4.89% to 3.29% effective November 1, 2015 until fiscal 2049. The current repayment schedule reflects loan payments by PavCo of \$7.3 million for fiscal years 2020 through 2048 and \$3.7 million for fiscal year 2049.

12. Tangible Capital Assets

	BC Place	Vancouver Convention Centre⁽¹⁾	March 31 2020	March 31 2019
Land	31,292	41,442	72,734	72,734
Buildings and improvements	371,932	556,488	928,420	959,892
Leasehold improvements	0	24,398	24,398	25,494
Equipment	5,697	2,268	7,965	8,542
Furniture and fixtures	10,784	828	11,612	13,129
Computer hardware/software	1,389	1,062	2,451	2,020
	421,094	626,486	1,047,580	1,081,811

(1) Includes corporate office assets

Included above as at March 31, 2020 is work-in-progress in the below tangible capital asset categories.

	BC Place	Vancouver Convention Centre	March 31 2020	March 31 2019
Buildings and improvements	2,611	490	3,101	3,757
Leasehold improvements	-	792	792	1,027
Equipment	710	39	749	237
Furniture and fixtures	-	17	17	12
Computer hardware/software	34	270	304	322
Work-in-progress	3,355	1,608	4,963	5,355

Artwork

PavCo holds a variety of art pieces at its facilities; however, it does not recognize the cost or value of artwork in its financial statements. All costs of developing, constructing, acquiring, installing and securing the pieces have been expensed. The Corporation has title to most pieces in the program, and is responsible for the preservation and protection of all pieces.

The Vancouver Convention Centre’s comprehensive art program, which was produced as part of the west facility expansion, includes various paintings, sculptures, First Nations pieces, and other items. The historical cost of these art pieces at March 31, 2020 is \$6.2 million (\$6.2 million at March 31, 2019).

As part of the BC Place revitalization project, PavCo developed and re-constructed Terry Fox plaza to showcase the new Terry Fox memorial sculptures. The historical cost for the Terry Fox memorial sculptures is \$0.6 million (\$0.6 million at March 31, 2019).

The Corporation uses the historical cost value of the art pieces for insurance purposes, unless appraisal values are available.

B.C. Pavilion Corporation

12. Tangible Capital Assets (cont.)

	Land	Buildings and improvements	Leasehold improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware and software	2020
Cost:								
Opening balance	72,734	1,295,008	45,922	69,262	34,655	25	5,095	1,522,701
Additions	-	3,699	994	2,695	290	-	1,242	8,920
Disposals and adjustments	-	(257)	142	(291)	50	-	(21)	(377)
Closing balance	72,734	1,298,450	47,058	71,666	34,995	25	6,316	1,531,244
Accumulated amortization:								
Opening balance	-	(335,116)	(20,428)	(60,720)	(21,526)	(25)	(3,075)	(440,890)
Amortization expense	-	(34,939)	(2,232)	(3,268)	(1,858)	-	(816)	(43,113)
Effect of disposals and adjustments	-	25		287	1		26	339
Closing balance	-	(370,030)	(22,660)	(63,701)	(23,383)	(25)	(3,865)	(483,664)
Net book value	72,734	928,420	24,398	7,965	11,612	-	2,451	1,047,580

	Land	Buildings and improvements	Leasehold improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware & software	2019
Cost:								
Opening balance	72,734	1,287,459	42,413	69,763	33,463	25	4,630	1,510,487
Additions	-	10,251	1,891	1,516	1,408	-	1,153	16,219
Disposals and adjustments	-	(2,702)	1,617	(2,018)	(216)	-	(686)	(4,005)
Closing balance	72,734	1,295,008	45,921	69,261	34,655	25	5,097	1,522,701
Accumulated amortization:								
Opening balance	-	(301,389)	(18,314)	(58,888)	(19,870)	(25)	(2,644)	(401,130)
Amortization expense	-	(35,726)	(2,114)	(3,815)	(1,677)	-	(433)	(43,765)
Effect of disposals and adjustments	-	2,000		1,984	21		-	4,005
Closing balance	-	(335,115)	(20,428)	(60,719)	(21,526)	(25)	(3,077)	(440,890)
Net book value	72,734	959,893	25,493	8,542	13,129	-	2,020	1,081,811

13. Contingencies and Contractual Obligations

a) Contingent liabilities

- i) Environmental - PavCo remains liable for environmental and reclamation obligations for known hazards that may exist at its facilities and has recognized soil remediation costs in the financial statements. As at March 31, 2020, management is not aware of any additional existing environmental problems related to its facilities that may result in material liability to the Corporation.
- ii) Legal - the Corporation is named in various legal actions resulting from operations at PavCo's facilities. No determination can be made on the eventual outcome or disposition of the legal actions. PavCo does not expect the outcome of any proceedings, individually or in the aggregate, to have a material impact on the Corporation's financial position.

b) Contractual obligations

- i) Operating leases - the Corporation is committed to payments under several operating leases and maintenance agreements, the longest of which extends to 2022. These represent total commitments as follows:

Fiscal 2021	2,555
Fiscal 2022	2,271
Fiscal 2023	2,057
Fiscal 2024	1,402
Fiscal 2025 and beyond	105

- ii) Capital projects - at March 31, 2020, the Corporation has committed to future expenditures under contracts currently entered into with respect to remaining capital obligations as follows:

Fiscal 2021	785
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During fiscal year 2018, PavCo entered into a 70-year land lease agreement with a third party for lands on the west side of BC Place. Lease revenues related to this lease are recognized annually within the statement of operations. As part of this lease, an \$8.5 million accommodations agreement with a First Nation was reached, payable over three years starting in fiscal year 2018. The full value of the agreement was expensed during fiscal year 2018.

14. Expenses by Object

The following summarizes expenses by object:

	2020	2020	2019
	Budget	Actual	Actual
Event direct costs	35,392	39,530	41,219
Salaries, wages and benefits	23,153	23,324	21,242
Operating expenses	14,644	13,983	14,427
General and administration	4,355	4,856	4,143
Business development	1,069	837	745
Professional consulting fees	1,982	2,702	1,711
Interest on long-term debt	4,488	4,488	4,581
Redevelopment	-	-	239
Amortization	42,936	43,113	43,765
	128,019	132,833	132,072

15. Employee Pension Plan

PavCo and its employees contribute to the Public Service Pension Plan, a jointly trustee pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. The Public Service Pension Plan has approximately 123,000 active, inactive and retired members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2017, indicated a funding surplus of \$1.89 billion for basic pension benefits. The next valuation will be as at March 31, 2020.

Employers participating in the plan record their pension expenses as the amount of employer contributions made during the fiscal year. This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore there is no consistent and reliable basis for allocating the obligation, assets and costs to individual employers participating in the plan.

Contributions to the plan by PavCo for fiscal 2020 were \$1.797 million (2019 - \$1.68 million).

16. Related Party Transactions

PavCo is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. All transactions with these entities were in the normal course of operations and recorded at fair market value.

17. Budgeted Figures

Budgeted figures have been provided for comparison purposes and are derived from the estimates provided in the Corporation's 2019/20 Annual Service Plan report which was approved by PavCo's Board of Directors on January 20, 2020.

18. Financial Instruments

PavCo is exposed to various risks related to its financial instruments. It is management's opinion that the Corporation is not exposed to significant market, liquidity or credit risk arising from these financial instruments. PavCo's risk management objective when it invests in financial instruments is to ensure that any investments are in quality securities, so as to safely guard the assets of the shareholder, and enable the Corporation to continue operations as a going concern.

Market Risk - Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect PavCo's income or the value of its financial instruments. PavCo's exposure to currency risk is related only to the value of foreign exchange transactions in the normal course of business, and the Corporation manages this risk by minimizing the amount of transactions in foreign funds.

Interest Rate Risk - PavCo is not subject to interest rate risk on its long-term debt as a fixed rate is provided for in the loan agreement, which eliminates fluctuations in the value of this financial instrument during the repayment period.

Liquidity Risk - Liquidity risk is the risk that PavCo will have difficulty in meeting its financial obligations when they come due. PavCo manages liquidity risk by continually monitoring cash flows and through the receipt of grants and borrowed funds from its shareholder.

All financial assets and liabilities are current and expected to mature within one year, with the exception of long-term debt held with the Province of BC. Debt will mature per the following schedule:

- Within one year - \$2.9 million
- One to five years - \$16.0 million
- Over five years - \$115.9.million

Credit Risk - Credit risk is the risk of financial loss to PavCo if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

PavCo's exposure to credit risk is related only to the value of accounts receivable in its normal course of business, and the Corporation manages this risk by minimizing the amount of transactions that require recovery. The Corporation continually monitors and manages the collection of receivables from other customers, while adding provisions where collection of balances is less likely.

19. Impact of accounting for restricted contributions in accordance with Restriction Contributions Regulation 198/2011

As disclosed in the significant accounting policies, note 2, regulation 198/2011 requires PavCo to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, Canadian PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

If PavCo had recorded deferred capital contributions under PSAS rather than the accounting policy described under note 2, deferred capital contributions recognized as revenue for the year ended March 31, 2020 would have increased by \$8.36 million (2019 - increased by \$15.40 million) and the annual operating deficit would have decreased by \$8.36 million (2019 - decreased by \$15.40 million).

As at March 31, 2020, deferred capital contributions used to purchase tangible capital assets would have decreased by \$844.2 million (2019 - decreased by \$872.2 million) and the accumulated surplus would have increased by \$844.2 million (2019 - increased by \$872.2 million).

20. Segmented Information

PavCo reports segmented information by its operating divisions: BC Place Stadium and the Vancouver Convention Centre. BC Place Stadium and the Vancouver Convention Centre, market, sell and manage space for conventions, trade and consumer shows, entertainment, sports and other events.

20. Segmented Information (cont.)

Revenues, expenses and tangible capital assets by facility are provided in the following tables:

	<i>BC Place⁽¹⁾</i>		<i>Vancouver Convention Centre^{(1) (2)}</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Revenues						
Event revenues	10,746	14,633	58,939	61,118	69,685	75,751
Lease revenues	3,024	3,512	3,614	3,884	6,638	7,396
Miscellaneous revenues ⁽³⁾	2,908	2,623	475	83	3,383	2,706
Operating contributions - government	9,255	9,286	-	-	9,255	9,286
Deferred contributions - government	15,621	16,585	19,754	18,887	35,375	35,472
Deferred contributions - other	640	640	290	797	930	1,437
Interest revenue	361	268	206	225	567	493
	42,555	47,547	83,278	84,994	125,833	132,541
Expenses						
Event direct costs	6,354	8,405	33,176	32,814	39,530	41,219
Salaries, wages and benefits	9,512	8,849	13,812	12,393	23,324	21,242
Operating expenses	3,869	4,237	10,114	10,190	13,983	14,427
General and administration	2,560	1,937	2,296	2,206	4,856	4,143
Business development	313	270	524	475	837	745
Professional consulting fees	1,800	815	902	896	2,702	1,711
Interest on long-term debt	4,488	4,581	-	-	4,488	4,581
Redevelopment ⁽⁴⁾	-	239	-	-	-	239
Amortization	22,779	23,754	20,334	20,011	43,113	43,765
	51,675	53,087	81,158	78,985	132,833	132,072
(Deficit) surplus for the year	(9,120)	(5,540)	2,120	6,009	(7,000)	469

(1) Corporate office revenues and expenditures have been allocated equally between PavCo's facilities.

(2) PavCo's proportionate share of the Convention Development Fund is consolidated to Vancouver Convention Centre operations.

(3) Miscellaneous revenues include non-event related revenues and monies received outside of the course of normal operations.

(4) Redevelopment costs are outside of normal operating expenses and are associated with the redevelopment of lands to the west of BC Place.

20. Segmented Information (cont.)

BC Place	Land	Buildings and improvements	Equipment	Furniture and fixtures	Computer hardware and software	2020	2019
Cost:							
Opening balance	31,292	561,929	51,718	24,356	2,190	671,485	665,629
Additions	-	1,590	2,170	24	689	4,473	9,861
Disposals and adjustments	-	(7)	(222)	(1)	(21)	(251)	(4,005)
Closing balance	31,292	563,512	53,666	24,379	2,858	675,707	671,485
Accumulated amortization:							
Opening balance	-	(173,313)	(45,727)	(11,985)	(1,060)	(232,085)	(212,335)
Amortization expense	-	(18,267)	(2,466)	(1,611)	(435)	(22,779)	(23,755)
Effect of disposals and adjustments	-	-	225	1	26	252	4,005
Closing balance	-	(191,580)	(47,968)	(13,595)	(1,469)	(254,612)	(232,085)
Net book value – March 31	31,292	371,932	5,698	10,784	1,389	421,095	439,400

20. Segmented Information (cont.)

Vancouver Convention Centre	Land	Buildings and improvements	Leasehold improvements	Equipment	Furniture and fixtures	Vehicles	Computer hardware and software	2020	2019
Cost:									
Opening balance	41,442	733,079	45,922	17,544	10,299	25	2,905	851,216	844,858
Additions	-	2,109	994	525	266	-	553	4,447	6,358
Disposals and adjustments		(250)	142	(69)	51	-	-	(126)	-
Closing balance	41,442	734,938	47,058	18,000	10,616	25	3,458	855,537	851,216
Accumulated amortization:									
Opening balance	-	(161,803)	(20,428)	(14,993)	(9,541)	(25)	(2,015)	(208,805)	(188,795)
Amortization expense	-	(16,672)	(2,232)	(802)	(247)	-	(381)	(20,334)	(20,010)
Disposal	-	25	-	62	-	-	-	87	-
Closing balance	-	(178,450)	(22,660)	(15,733)	(9,788)	(25)	(2,396)	(229,052)	(208,805)
Net book value - March 31	41,442	556,488	24,398	2,267	828	-	1,062	626,485	642,411

PavCo's lease agreement with Canada Place Corporation for the Vancouver Convention Centre's east facility is for a 20-year term expiring in 2027. It is at nominal annual rent and PavCo is responsible for all operating costs. As the lease term represents the full economic life of the asset, it is included in the tangible capital assets of the Corporation.

- 21. Uncertainty due to COVID-19.** In March 2020, the World Health Organization declared a global pandemic related to the COVID-19 virus. The pandemic has significantly disrupted economic activities in British Columbia and in particular the meetings, events, spectator sports and entertainment sectors. Although the economic influence from the virus is expected to be temporary, the impact to PavCo's event operations and related financial results is expected to be significant, but cannot be reasonably estimated at this time. Refer to note 22 related to economic dependence.
- 22. Economic dependence.** These financial statements have been prepared on a going concern basis. The operations of the Corporation are dependent on continued funding from the Province of British Columbia.

Appendix A: Additional Information

Organizational Overview

PavCo owns and operates two world-class public facilities located in downtown Vancouver: [BC Place](#) and the [Vancouver Convention Centre](#).

Stakeholders

BC Place is proud to be the home of the BC Lions Football Club competing in the Canadian Football League (CFL), Vancouver Whitecaps FC of Major League Soccer (MLS) and the Canada Sevens, part of the World Rugby Sevens Series. BC Place is also the home of the BC Sports Hall of Fame.

PavCo stakeholders also include Tourism Vancouver as a contributing partner to the expanded Convention Centre; businesses and associations representing the tourism and hospitality industry; clients leasing space for commercial activity and renting space for events; suppliers of goods and services to events; neighbours; and the general public.

Vision

To be a global leader in outstanding venues and events.

Mission

To deliver inspiring and sustainable experiences for our clients, guests and our community, by hosting conventions, entertainment, sporting and related events that meet their highest expectations.

Corporate Governance

PavCo's Board of Directors provides leadership and direction to the organization in a manner consistent with directives set out by the Provincial Government. The Board consists of seven members, all appointed by the Shareholder.

PavCo has developed a comprehensive charter of Board activities, as well as several terms of reference and policies in accordance with the Province's Crown Agencies and Board Resourcing Office's *Best Practice Guidelines*. These can be found at www.bcpavco.com/resources/board/.

The principles included in the Provincial Government's Governance Framework provide an understanding of the roles and responsibilities for all parties that are part of the Crown Corporation Governance Environment:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance
- Value, innovation and continuous improvement

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