

 **Scotiabank CENTRE**

2019-20

Accountability &

Performance Analysis

2019-20

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MANAGEMENT TEAM

Carrie Cussons

President & CEO, Events East

Suzanne Fougere

Executive Vice President, Strategy & Business Development, Events East

Andrea Wilkie

Vice President, Finance & Corporate Services, Events East

Genaya Cameron

Senior Director, Event Operations, Halifax Convention Centre

Greg Smith

Senior Director, Food & Beverage, Halifax Convention Centre

Dawn Baldwin

Director, Sales, Halifax Convention Centre

Peggy Dooley

Director, Event Operations, Scotiabank Centre

Erin Esiyok-Prime

Director, Marketing & Communications, Events East

Colin Kiley

Director, Building Services, Events East

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

We were created in 2014 through the Halifax Convention Centre Act as part of a partnership between the Province of Nova Scotia and the Halifax Regional Municipality (HRM) and we work in collaboration with them to manage our businesses in a responsible and transparent manner. We manage Scotiabank Centre under a long-term operating agreement with HRM, which was renewed and approved by Halifax Regional Council in February 2020.

This analysis is presented for the management and operations of Scotiabank Centre for the period of April 1, 2019 to March 31, 2020, providing management's perspective on performance in key financial and operational outcome areas as outlined in the annual business plan. It is intended to provide a greater understanding of the organization's business strategy and serves as the annual public accountability statement.

Planning & Operating Context

Scotiabank Centre is known as a community icon that serves as a platform for event excitement and vibrancy, driving community and economic impact. With a rich 40-year history of hosting the best events in sports and entertainment, Scotiabank Centre is the largest multipurpose facility in Atlantic Canada. It serves as the region's premier venue for major entertainment and sporting events and the nucleus of major event activity in Nova Scotia.

With a seating capacity of more than 10,000 and the versatility to accommodate a range of events, Scotiabank Centre creates a variety of event experiences that attract over 500,000 fans each year. Our anchor tenants include the Halifax Mooseheads, the Halifax Hurricanes, the Royal Nova Scotia International Tattoo, and our newest tenant, the Halifax Thunderbirds.

Scotiabank Centre is owned by HRM and is managed and operated on their behalf by Events East. All operating income or losses generated by Scotiabank Centre accrue to HRM and the municipality funds all significant capital improvements. In April 2018, Armco Capital purchased the World Trade & Convention Centre Office Tower from the Province of Nova Scotia. The purchase resulted in the development of a Shared Services and Facilities

Agreement between HRM and Armco Capital, which governs the operation of the physical plant and use of facilities that are shared between the two owners. Scotiabank Centre is the operator of the plant and facilities on behalf of HRM and all associated costs are represented in Scotiabank Centre's financial statements.

Impact of COVID-19

At year end, the global crisis resulting from COVID-19 began to significantly impact the sports and entertainment industry. Due to the public health measures put in place to limit the risk of the virus, Scotiabank Centre temporarily closed in mid-March for event hosting, impacting events scheduled for March and into the next fiscal year.

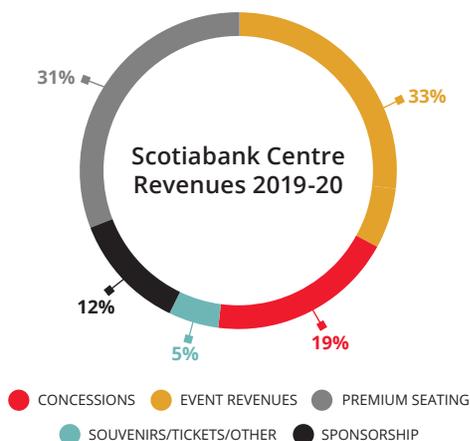
With the timing of eased restrictions on large public gatherings unknown at year-end, the following analysis does not assess the longer-term impacts of COVID-19 on our business or the sports and entertainment industry overall. Our focus remains on rescheduling events while we also prepare for the safe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

PERFORMANCE ANALYSIS

Financial Performance

Revenues for 2019-20 were \$9.0M, exceeding budget of \$8.3M and prior year of \$7.1M. These positive results are due to a very strong lineup of tenant and marquee events, including our new tenant, the Halifax Thunderbirds. Of the total revenue, event revenue was \$5.1M compared to budget of \$4.4M and prior year of \$3.3M. Sponsorship revenue of \$1.1M was consistent with budget and prior year. Revenue from our premium products, which includes our suites and skyboxes, was \$2.8M, exceeding budget and prior year by \$100K.

The percentage by revenue category is depicted below.



Operating expenses totaled \$7.6M compared to budget of \$6.5M and prior year of \$6.3M, which includes event expenses of \$4.6M. The event expense ratio was 50.6 per cent, higher than target, primarily due to the event mix and impact of COVID-19 on operations in March of 2020, during what was to be an extremely busy period for event activity. Other operating expenses include salaries, administration, marketing, insurance, and rent, which totaled \$3.0M and are consistent with budget and prior year.

Shared facilities and building costs of \$2.0M against a budget of \$1.7M and prior year of \$1.9M, reflect the expenses related to operating the Scotiabank Centre building and the Shared Services and Facilities Agreement between HRM and Armco Capital. Building costs include utilities, facility repair, maintenance and building opportunities, cleaning and security. In 2019-20, approximately \$200K from operations was invested in capital improvements to enhance the guest experience.

In 2019-20, Scotiabank Centre's operating income before shared facilities and building costs was \$1.5M compared to a budget of \$1.7M and prior year operating income was \$870K. Scotiabank Centre's deficit for 2019-20 was \$534K compared to a planned surplus of \$12K.

Analysis is ongoing to assess the impact of COVID-19, which is expected to significantly impact our financial performance in 2020-21 due to the restrictions on large gatherings and the resulting negative impact on event hosting.

Event Mix & Economic Impact

During 2019-20, Scotiabank Centre hosted 122 events and 540,368 attendees, an increase from prior year but lower than the target for the year. Prior to the facility closure due to COVID-19 in mid-March, Scotiabank Centre was projecting to exceed event and attendance targets for the year with a strong calendar of event activity. In the last two weeks of March 2020, a total of 15 events were impacted by COVID-19 with combined attendance of 57,000 and a projected \$4.5M in direct expenditures.

Despite this, attendance was up by 24 per cent over the prior year, primarily driven by the 2019 Memorial Cup, the Halifax Mooseheads playoff run in the 2018-19 season (April/May 2019) and the launch of the Halifax Thunderbirds' inaugural season.

	2019-20 TARGET	2019-20 ACTUAL	2018-19 ACTUAL
Total Events	135	122	107
Total Attendance	555,000	540,386	436,255
Total Direct Expenditures	\$40M	\$39.9M	\$32.1M

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

The event mix for Scotiabank Centre was similar to the prior year with tenant events making up 57 per cent of total events hosted.

Scotiabank Centre event highlights for 2019-20 include Stars on Ice; Old Dominion; Metric & July Talk; John Cleese Show; Memorial Cup; Corey Hart; Royal Nova Scotia International Tattoo; Def Leppard Hits Canada, Cirque du Soleil;CRYSTAL; Dean Brody and Dallas Smith; Arkells; Sum41 & The Offspring; A Conversation with President Barack Obama; Daniel Ceasar; Rock the Rink; City and Colour; Boney M; Jim Gaffigan; We Will Rock You; CIS Hockey; and Subway AUS Basketball Championship.

Scotiabank Centre promotes economic growth and community vibrancy by attracting and hosting events. As such, our business and success is reflected not only in the mix of events and number of attendees, but through the economic impact generated.

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

Scotiabank Centre's total direct expenditures in 2019-20 were up almost 24 per cent from the previous year at \$39.9M. Of the total direct expenditures, \$13.4M are considered incremental expenditures. Additional economic impacts include 707 person years of employment, \$2.6M in provincial government tax revenue and \$20.2M in additions to household income. These impacts do not include the direct spending by Scotiabank Centre.

GUEST EXPERIENCE

Continuing to create an enhanced fan experience guided many of our strategic priorities throughout the year. This included an increased focus on key touchpoints with our fans, balanced by the requirements of maintaining a safe, secure environment for our staff and fans.

Concessions

In collaboration with our partner, Centerplate, we continued to refine our concessions program to meet the needs of our fans and event organizers. The 2019 Memorial Cup presented a unique opportunity to pilot new processes and service improvements due to the number of consecutive games and increased attendance in our facility for a sustained period.

Additionally, this year we worked to align our training approach to ensure consistency between both Scotiabank Centre and Centerplate employees, helping to create a more seamless event experience for our fans.

New Video Scoreboard

In the Summer of 2019, the former centre-hung clock, which had reached end-of-life, was replaced by a state-of-the-art high definition video scoreboard and a new production suite. The new scoreboard is more than twice the size of the former and aligns with the high-definition broadcast standards for television and internet webcast. The new scoreboard was a critical capital upgrade for Scotiabank Centre that helped to drive in-game experience and new advertising opportunities throughout the year.

Security

In keeping with our commitment to creating a safe, secure environment for our fans and staff, this year Scotiabank Centre continued to focus on key service improvements and planning for capital improvements to support this critical priority. After a successful pilot during the 2019 Memorial Cup, we introduced a no re-entry policy in the 2019-20 events season. This approach aligns with industry standards and today's evolving security environment in major venues.

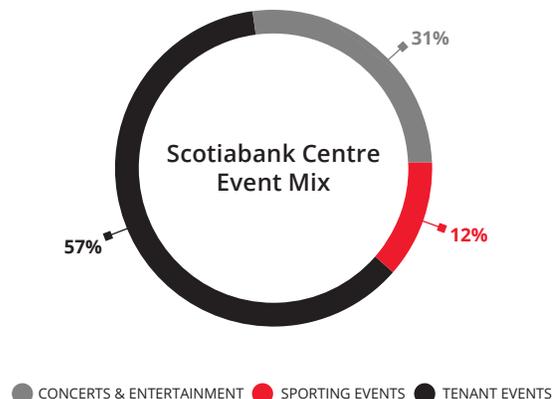
We also tested new security measures including metal detectors and mandatory bag searches for select high security events, including A Conversation with President Barack Obama. We finalized a multi-year plan to see the implementation of security bollards, high-definition surveillance cameras for perimeter security, and additional metal detectors to allow for full implementation of our multi-phased security program in the upcoming year.

Event Mix

In 2019-20, Scotiabank Centre hosted its busiest event season in recent history. A major highlight of the year was the inaugural season of the Halifax Thunderbirds, a professional lacrosse team in December 2019. Adding to the diversity of our tenant and event mix, the Thunderbirds introduced a new sport and a unique fan experience to our venue. Successful delivery of the Thunderbirds season was a critical focus throughout the year.

Additionally, the Halifax Mooseheads had an extensive run in the 2018-19 playoff season, immediately followed by the 2019 Memorial Cup. With 10 days of back-to-back event activity and community events throughout the downtown core, Scotiabank Centre was the host and backdrop for an exciting two-week experience for Halifax and our fans.

Much of the year was focused on planning and promoting the 2020 IIHF Women's World Championship, including operational planning to IIHF standards, as well as community and fan engagement. While the event was postponed due to COVID-19, planning and engagement efforts will be applicable in the upcoming year when the event takes place in 2021.



COMMUNITY CONNECTION

Community Relations

Recognizing the critical role Scotiabank Centre plays in our community, our activities throughout the year focused on ensuring the events we host create vibrancy in our downtown core.

In collaboration with our venue partners and downtown neighbours, we look to create experiences that begin in our facility and extend into our community. Throughout the year, we engaged with our fans outside of the venue in the lead-up to and during key events through street team activations, neighbourhood outreach, and proactive marketing. This approach was highly impactful for major events including the 2019 Memorial Cup and the 2020 National Loblaw Kick-Off which saw delegates travel back and forth between Scotiabank Centre and the Halifax Convention Centre over the course of the two-day event.

This year also saw the renewal of our partnership with Kids Up Front Atlantic, a charitable organization that provides access to arts, culture, sport and recreation for kids who do not have the opportunity to experience them. As the premier venue partner, Scotiabank Centre has committed to providing 1,000 tickets to Kids Up Front Atlantic annually, helping to further the community impact of the events we host.

Fan Experience

Creating a memorable fan experience impacts our community and the energy in our venue when we host events. This year presented several opportunities to connect our community with our events, including the arrival of the Halifax Thunderbirds. In the lead-up to and launch of their inaugural season, we worked closely with the team to create excitement, help build their fan base, and reinforced the important role of events in our community.

With the diverse lineup of marquee events throughout the year, fan communications was a critical focus. Through a multi-platform engagement strategy, we effectively communicated new policies, security measures, and fan engagement opportunities associated with key events including the 2019 Memorial Cup and A Conversation with President Barack Obama. This augmented approach to fan communication supported a seamless event experience in-venue and strengthened our touchpoints with fans in advance, during and post-event.

Leveraging our new video scoreboard, we focused on creating content to support fan engagement in-venue and through our digital and social media platforms. This included continuation of our *That's the Ticket* contest, which provides fans with the opportunity to win a premium experience at Scotiabank Centre for concerts and special events.

Our *Scotiable* advertising program is another component of our communications and engagement strategy, helping to create increased visibility of our event calendar and evoke community pride when hosting major events.

BUSINESS GROWTH

Premium Seating

A focus on the Premium Seating experience continued throughout the year with client consultation and the introduction of several key service and facility enhancements starting with the 2019 Memorial Cup. This included promotional menus, new food and beverage options for key events, and the introduction of a dedicated Premium Seating entrance.

In conjunction with the launch of the fall events season, we also introduced new décor elements at entrances and high traffic areas to align with the desired fan experience. In response to customer feedback, we developed a streamlined communication process to share pre-event information and help support Premium Seating clients with hosting their guests.

In collaboration with our tenants, this year we launched The Lounge, a new space that offers an enhanced event experience and amenities before and during games, including: a private entrance, bar, special game-level viewing area, and dedicated washrooms. The Lounge was met with positive customer feedback and will continue in the upcoming season with ongoing refinements to the approach and service model.

Planning for the second phase of service enhancements in the skyboxes and executive suites was also a key focus with implementation targeted for the 2020 IIHF Women's World Championship.

Corporate Advertising & Partnerships

The new video scoreboard and production suite introduced new advertising opportunities this year. Business development activities focused on advertising packages for the video scoreboard during tenant and sporting events and enhancing the overall advertising mix available within the venue.

Partnership remains a critical focus in growing our business and reputation and is a key driver for the fan experience at Scotiabank Centre. Aligned with this strategy, a competitive process for a wine and beverage alcohol partner was initiated in the year to ensure we are able to provide a variety of local and premium products. The tender was awarded post year end for implementation upon the facility re-opening. Similarly, a competitive process was also initiated in the telecommunications advertising category, resulting in a new multi-year partnership with Rogers Communications Inc., which will support continued technology improvements in the venue.

Corporate partnership activity remained strong throughout the year and included the renewal of a multi-year partnership with Steele Subaru. New agreements were secured with Canadian Tire, GoodLife, United Rentals, and MacGillivray Law. Renewals included United Sign, Rogers Media Inc, NSGEU, Cavendish Farms, Support4Sport / Support4Culture, and Atlantic Lottery.

Event Attraction Strategy

We continue to collaborate with HRM and other key partners on the long-term event attraction strategy for Scotiabank Centre to align with community and stakeholder expectations. This includes event bidding opportunities for major sport and marquee events with prospects identified for the next several years.

This past year, the primary focus within this strategy was planning for a successful IIHF 2020 Women's World Championship, in partnership with Hockey Canada, the funding partners, and the host community of Truro/Colchester. This marquee international event and the reinforcement of Halifax and Nova Scotia as hosts on the international hockey stage, is a cornerstone of our long-term approach to event hosting and highlights our regional strengths.

Consistent with the long-term strategy, 2019-20 had a diverse lineup of signature concert and entertainment activity that resulted from proactive relationship development efforts with key promoters. While some of this activity was impacted by COVID-19, it is expected to return in future years and will be a continued focus of our outreach efforts.

TALENT & CULTURE

Employee Engagement Survey

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

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

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

Internal Engagement & Recognition

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

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

Training & Recruitment

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

Additional training delivered throughout the year included: Nova Scotia Alcohol and Gaming responsible alcohol service, respect, diversity and inclusion in the workplace, emergency and mental health first aid, and other safety and security training to support enhanced security measures in place for select events.

ACCOUNTABILITY & SUSTAINED PERFORMANCE

Governance

In February 2020, the new long-term management agreement between HRM and Events East was approved, reinforcing confidence in the events strategy and operational management for Scotiabank Centre. We continue to work in close collaboration and partnership with HRM to effectively manage and operate Scotiabank Centre in a transparent manner, in line with our agreement, which is in place for the next five years and includes future renewal opportunities.

Shared Services and Facilities Agreement

We continue to implement and assess the Shared Services and Facilities Agreement, which guides the use of the plant and facilities shared by HRM and Armco Capital. Key learnings related to the financial and operational impacts of this agreement continued throughout the year and we continue to actively monitor associated costs and processes to ensure efficiencies.

Capital Priorities

Our ten-year naming rights partnership with Scotiabank allows for ongoing capital investment in Scotiabank Centre, with \$5.3M to fund key facility upgrades. A multi-year capital program continues through ongoing collaboration with HRM. Throughout the year, planning was underway for critical infrastructure modifications in future years, including the replacement of the switchgear which supports facility power, perimeter security improvements, and exterior structural repairs.

Work throughout the year focused on facility enhancements that impact operations and guest experience. This encompassed the new centre-hung video scoreboard and renovations to The Lounge and its critical operating systems such as HVAC. These enhancements will allow for an enhanced fan experience and provide Scotiabank Centre with additional sponsorship opportunities.

OUTCOMES & PERFORMANCE MEASURES

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

Strategic Goal	Measure	2019-20 Target	2019-20 Actual	Notes
Business Growth	Total direct spending and economic benefit.	Generate direct spending of approximately \$40M as a result of the events we host.	Generated \$39.9M in direct expenditures.	Direct expenditure target met.
Business Growth	Number of events and attendees hosted.	Host 135 events with total projected attendance of 550,000.	Hosted 122 events with 540,386 attendees.	Due to COVID-19, 15 events planned for March with an estimated 57,000 attendees were cancelled or postponed, including the 2020 IIHF World Women's Championship. Prior to COVID-19, we were projected to exceed event and attendance targets.
Guest Experience	Guest feedback.	Implementation of guest-focused enhancements.	Successful implementation of the new video scoreboard.	Program ongoing with continuation of guest-focused enhancements in the upcoming year.
Talent & Culture	Completion of employee engagement survey.	Complete employee engagement survey and achieve an average employee engagement score of approximately 80 per cent for core employees.	Employee engagement survey completed with 76 per cent average engagement score	Internal working group established to address opportunities highlighted through survey.
Accountability & Sustained Performance	Financial performance.	Generate revenue of \$8M. Manage event expense ratio to no more than 44 per cent.	Generated \$9.0M in revenue. Managed event expense ratio to 50.6 per cent.	Revenue target exceeded. Higher than planned event expense ratio reflects mix of events and operational requirements, as well as the impact of COVID-19 on operations in March of 2020.
Accountability & Sustained Performance	Meet governance requirements.	Approval of multi-year operating agreement.	Approved by Halifax Regional Council.	New multi-year agreement in place and collaboration with HRM ongoing.

COMBINED CORE ACCOUNTABILITY & STRATEGIC MEASURES

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

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

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

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

 Scotiabank CENTRE

2019-20 Financial Statements

MANAGEMENT'S REPORT

The financial statements of Scotiabank Centre have been prepared by management of Events East Group based on the financial reporting provisions prescribed in the Management Agreement [the "Agreement"], between Halifax Regional Municipality and Events East Group dated February 5, 2020 and the interim agreement dated November 16, 2018 [the "Interim Agreement"]. Management has applied the principles of Canadian public sector accounting standards, and the integrity and objectivity of these financial statements are management's responsibility. Management is responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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

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

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

On behalf of Events East Group:



Andrea Wilkie

Vice President, Finance & Corporate Services



Carrie Cussons

President & CEO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Events East Group

Opinion

We have audited the financial statements of Scotiabank Centre [the "Centre"], which comprise the statement of financial position as at March 31, 2020, and the statement of operations and accumulated surplus (deficit), statement of changes in net debt and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in all material respects, in accordance with the financial reporting provisions described in note 2 to meet the requirements of the Management Agreement dated February 5, 2020 [the "Agreement"] and the interim agreement dated November 16, 2018 [the "Interim Agreement"], between Halifax Regional Municipality and Events East Group.

Basis of opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting and restriction on use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Centre in complying with the financial reporting provisions as described in note 2 to meet the requirements of the Agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Centre, Halifax Regional Municipality and Events East Group and should not be used by parties other than the Centre, Halifax Regional Municipality or Events East Group. Our opinion is not modified in respect of this matter.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions as described in note 2 to meet the requirements of the Agreement, 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.

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 Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young LLP

Halifax, Canada
June 29, 2020
Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at March 31

	2020 \$	2019 \$
FINANCIAL ASSETS		
Cash	3,019,041	916,081
Due from Halifax Regional Municipality, net <i>[note 4]</i>	33,430	527,731
Accounts receivable	1,416,595	1,118,383
Total financial assets	4,469,066	2,562,195
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	597,161	1,069,506
Due to Events East Group <i>[note 4]</i>	3,242,883	859,662
Unearned revenue	667,659	687,931
Total financial liabilities	4,507,703	2,617,099
Net debt	(38,637)	(54,904)
NON-FINANCIAL ASSET		
Prepaid expenses	38,637	54,904
Accumulated surplus (deficit)	—	—

See accompanying notes

On behalf of the Board:


 _____ Director


 _____ President

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (DEFICIT)

Year ended March 31

	2020 \$	2020 \$	2019 \$
	<i>[budget]</i>		
REVENUE	8,275,300	9,042,198	7,124,321
EXPENSES			
Events	3,626,900	4,575,865	3,165,307
Salaries [notes 3]	2,149,800	2,199,636	2,170,730
Administration and technology	195,800	247,972	247,952
Marketing and promotions	273,000	136,577	281,423
Operations	195,700	292,502	231,064
Insurance and rent	100,900	111,715	85,530
Ice slab mitigation	—	—	72,200
	6,542,100	7,564,267	6,254,206
Annual surplus before shared facilities and building costs	1,733,200	1,477,931	870,115
Shared facilities and building costs, net [note 1]	1,721,200	2,012,008	1,870,496
ANNUAL SURPLUS (DEFICIT)	12,000	(534,077)	(1,000,381)
Transfer (to)/from Halifax Regional Municipality [note 4]	(12,000)	534,077	1,000,381
Annual surplus (deficit) after transfers (to)/from Halifax Regional Municipality	—	—	—
Accumulated surplus (deficit), beginning of year	—	—	—
Accumulated surplus (deficit), end of year	—	—	—
Related party transactions [note 4]			

See accompanying notes

STATEMENT OF CHANGES IN DEBT

Year ended March 31

	2020 \$	2019 \$
Annual surplus (deficit) after transfers (to)/from Halifax Regional Municipality	—	—
Decrease (increase) in prepaid expenses	16,267	(6,257)
Decrease (increase) in net debt	16,267	(6,257)
Net debt, beginning of year	(54,904)	(48,647)
Net debt, end of year	(38,637)	(54,904)

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31

	2020 \$	2019 \$
OPERATING ACTIVITIES		
Annual surplus (deficit) after transfers (to)/from Halifax Regional Municipality	—	—
Net change in non-cash working capital balances		
Accounts receivable	(298,212)	(25,112)
Accounts payable and accrued liabilities	(472,345)	528,546
Increase (decrease) in due from Halifax Regional Municipality, net	494,301	(782,490)
Decrease in due to Trade Centre Limited	—	(133,964)
Increase in due to Events East Group	2,383,221	362,706
Unearned revenue	(20,272)	(35,822)
Prepaid expenses	16,267	(6,257)
Cash provided by (used in) operating activities	2,102,960	(92,393)
Net increase (decrease) in cash during the year	2,102,960	(92,393)
Cash, beginning of year	916,081	1,008,474
Cash, end of year	3,019,041	916,081

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

2019-20

1. Nature of operations

Scotiabank Centre [the “Centre”] is a sports and entertainment complex owned by the Halifax Regional Municipality [“HRM”]. The Centre is an asset of HRM and is not a separate legal entity. All operating surpluses or deficits generated by the Centre accrue to HRM and the municipality funds all significant capital improvements.

The Centre is operated by Events East Group [“Events East”] on behalf of HRM under a Management Agreement [the “Agreement”] dated February 5, 2020 which outlines Events East’s management of the Centre. The Agreement is for a term of five years and may be renewed upon mutual agreement of Events East and HRM for two additional five-year terms. Prior to the Agreement being executed, an Interim Agreement [the “Interim Agreement”] dated November 16, 2018 outlined Events East management of the Centre.

Effective April 9, 2018, a Shared Services and Facilities Agreement [“SSFA”] was signed between HRM and an external third party. The agreement directs the shared operation of the former World Trade and Convention Centre [“WTCC”] building, including the Office Tower, and the Scotiabank Centre building, which share common spaces and facilities that are integral to the operation of both the former WTCC building and the Centre. Events East, as manager of the Centre, is assigned by HRM as operator of the SSFA on HRM’s behalf. As such, all shared facilities operations, expenses and recoveries from the third party are recognized in the Centre’s financial statements.

2. Summary of significant accounting policies

The Centre’s management has prepared these financial statements by applying the principles of the Chartered Professional Accountants of Canada Public Sector Accounting Standards for other government organizations as defined by the Canadian Public Sector Accounting Board, which sets out generally accepted accounting principles for government organizations.

These financial statements were prepared in accordance with the significant accounting policies described below to comply with the financial reporting provisions prescribed in the Agreement dated February 5, 2020 and the Interim Agreement between HRM and Events East.

Accordingly, these financial statements include only the operating results of the Centre as managed by Events East as an agent for HRM. The basis of accounting used in these financial statements materially differs from Public Sector Accounting Standards for other government organizations as defined by the Canadian Public Sector Accounting Board because the financial statements include only the operating net assets of the Centre.

These financial statements do not include the assets [including the original cost of the property] and liabilities related to the property that are controlled by HRM, the property owner. The assets of the Centre are available for the satisfaction of debts, contingent liabilities and commitments of HRM and not just those liabilities presented in the accompanying statement of financial position.

Cash

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

Tangible capital assets

The land, building and equipment utilized and operated by the Centre are owned by HRM and are not included in these financial statements. The cost of the debt and depreciation related to these assets are not recorded in these financial statements. HRM includes these assets in its financial statements and will capitalize betterments to the facility based on its own accounting policies. Any betterment made to the facility and paid for by the Centre that is not reimbursed by HRM is expensed in the period they are incurred.

Prepaid expenses

Prepaid expenses include costs incurred prior to major events and are charged to expense when the event occurs.

Revenue

Revenue is recognized when the item has an appropriate basis of measurement, a reasonable estimate can be made of the amount involved, and for an item that involves obtaining or giving up future economic benefits, it is expected that such benefits will be obtained or given up. Funds received when these criteria have not been met are recorded as unearned revenue.

Expenses

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

3. Employee future benefits

Pension plan

Employees of the Centre participate in the Public Service Superannuation Plan, a contributory defined benefit pension plan administered by the Public Service Superannuation Plan Trustee Inc., which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2020 were \$208,138 [2019 – \$210,346] and were recorded in salaries during the year. Total employee contributions for 2020 amounted to \$208,163 [2019 – \$210,346]. The Centre is not responsible for any underfunded liability, nor does the Centre have access to any surplus that may arise in this Plan and, accordingly, no liability associated with this Plan has been recognized in the financial statements.

4. Related party transactions

The Centre had the following transactions with the government and other government-controlled organizations:

	2020 \$	2019 \$
Payroll recoveries paid to Events East ^[1]	(3,984,021)	(3,912,341)
Commissions received from Trade Centre Limited ^[2]	–	69,480
Commissions received from Events East ^[3]	95,924	10,474
Net transfers from Halifax Regional Municipality ^[4]	450,339	556,030
Interest revenue from Halifax Regional Municipality ^[5]	33,369	33,421
Transactions with Events East ^[6]	<u>(312,083)</u>	<u>(354,172)</u>

[1] Payroll and related costs of the Centre were paid by Events East on behalf of the Centre.

[2] Commissions earned on ticket sales purchased through Ticket Atlantic, a division of Trade Centre Limited up to February 28, 2019. Trade Centre Limited was a related party of the Centre as it was also operated by Events East.

[3] Commissions earned on ticket sales purchased through Ticket Atlantic, a division of Events East effective March 1, 2019. For the year ended March 31, 2020, the commissions represent a 12-month period. For the year ended March 31, 2019, the commissions represent the one-month period ended March 31, 2019.

[4] Transfers throughout the year include deficit funding net of payment for policing services rendered by HRM.

[5] Interest earned on cash deposits held on behalf of the Centre by HRM as part of their pooling arrangement with the bank.

[6] Events East and the Centre had a variety of intercompany transactions throughout the year related to allocation of general expenses, paid by Events East on behalf of the Centre.

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

5. Financial instruments and risk management

The Centre's financial instruments are recorded at cost or amortized cost. Financial assets consist of assets that could be used to settle existing liabilities or fund future activities, and include cash, accounts receivable and due from Halifax Regional Municipality. Financial liabilities consist of the Centre's accounts payable and accrued liabilities, and due to Events East Group. The carrying value of the Centre's financial instruments approximates their fair value. Transaction costs are expensed when incurred.

Risks and uncertainties

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

Liquidity risk

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

Capital risk

The main objective of the Centre is to promote, manage, develop and administer the facility on behalf of HRM. The Centre does not maintain any permanent capital as each year's surplus is transferred to HRM.

Credit risk

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

6. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Events East's Board of Directors. Certain figures within the approved budget have been reclassified to conform to the presentation adopted in the current year.

7. COVID-19 impact

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

The Centre cannot currently estimate the duration or future negative financial impact of the COVID-19 pandemic, however, it is expected that the COVID-19 pandemic will significantly impact operating results for the coming fiscal year due to the cancellation of sports and entertainment events and tenant league suspensions. Discussions are ongoing with event promoters and major tenants with respect to rebooking events once restrictions have been lifted and health and safety policies and protocols have been established.

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