



## STAFF REPORT ACTION REQUIRED

### Report Title **2006 Consolidated Financial Statements for Exhibition Place**

<b>Date:</b>	May 29, 2007
<b>To:</b>	Audit Committee
<b>From:</b>	Dianne Young, Chief Executive Officer/Exhibition Place
<b>Wards:</b>	<b>19</b>
<b>Reference Number:</b>	

#### **SUMMARY**

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This report submits the audited consolidated financial statements for Exhibition Place for the year ended December 31, 2006.

#### **RECOMMENDATIONS**

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The Chief Executive Officer of Exhibition Place recommends that City Council receive the audited financial statements attached as Appendix "A" to this report and pertaining to the consolidated operations of Exhibition Place for year ended December 31, 2006 for information.

#### **FINANCIAL IMPACT**

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There are no financial implications to this report.

#### **DECISION HISTORY**

At its meeting of May 4, 2007, The Board of Governors of Exhibition Place approved the audited financial statements pertaining to the consolidated operations of Exhibition Place for the year ended December 31, 2006 and referred subject report to City Council for its information and review.

#### **ISSUE BACKGROUND**

The Finance Division of Exhibition Place is responsible for the preparation of the annual consolidated financial statements for Exhibition Place. These financial statements reflect the financial position and include the results from operations for the Canadian National Exhibition Association, the Direct Energy Centre and Exhibition Place for the year ended December 31, 2006.

## COMMENTS

The auditor of record for Exhibition Place, Ernst & Young LLP, audits these statements in accordance with Canadian generally accepted auditing standards. These standards require that the audit is planned and carried out to obtain reasonable assurance that the financial statements are free of material misstatement.

The audit also examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assesses the accounting principles used, significant estimates made by management, and evaluates the overall financial statement presentation.

The financial statements contain an auditor's report that states the opinion of Ernst & Young LLP that the financial statements present fairly, in all material respects, the financial position of the Board of Governors as of December 31, 2006 and the results of its operations for the year then ended.

### Operating Results for 2006

The Consolidated Statement of Operations indicates a net loss for the year ended December 31, 2006 of (\$2,533,181) on an accrual basis and a net loss of (\$2,408,153) on a cash basis. The consolidated Operating Budget for Exhibition Place is set on a cash basis and also prepared on a cash basis as per the City directive and the approved budget amount for 2006 was a net expenditure or loss of (\$53,415).

The following are the results from the three programs that make up Exhibition Place:

Description	Financial Statement Income (Loss)		Cash Basis Income (Loss)	
	2006	2005	2006	2005
CNEA	\$(1,193,309)	\$891,931	\$(1,182,222)	\$895,407
Exhibition Place	\$(2,444,816)	\$(3,268,200)	\$(2,352,921)	\$(3,121,018)
Direct Energy Centre	\$1,104,944	\$1,419,630	\$1,126,989	\$1,527,200
<b>Consolidated Net Income (Loss)</b>	<b>\$(2,533,181)</b>	<b>\$(956,639)</b>	<b>\$(2,408,153)</b>	<b>\$(698,411)</b>

The 2006 consolidated net loss is (\$2,533,181) compared to a budgeted loss of (\$53,415) for an unfavorable variance of (\$2,479,766). A brief discussion of each program operations follows:-

### Canadian National Exhibition Association

The total cash basis net loss for 2006 was (\$1,182,222) before the Public Sector Accounting Board requirements compared to a budget of \$797,802 for an unfavourable variance of (\$1,980,024). The year end loss was due mainly to the revenues shortfall

from lower attendance as a result of extremely unfavorable weather over the long Labour Day weekend when the Air Show is scheduled.

#### Exhibition Place

Net Operating Loss, before the prescribed disclosure requirements of the Public Sector Accounting Board, provision for reorganization costs and contingencies as outlined in Schedule 2 of the auditors report, for the year ending December 31, 2006 was (\$1,841,001) compared to a budgeted loss of (\$1,743,191) for an unfavourable variance of (\$97,810). The cash basis net loss of (\$2,352,921) after adjustments for the items discussed above and as contained in Schedule 2, while it seems high is a significant improvement from the previous year.

#### Direct Energy Centre

Net Operating Income, before the prescribed disclosure requirements of the Public Sector Accounting Board, for the year ending December 31, 2006 was \$1,126,989 an achievement of 126% compared to a budget of \$891,975 for a favourable variance of \$235,014. Actuarial valuation of benefits liabilities in the amount of \$22,045 is not usually budgeted for and is outside of management's control. This valuation is reported to the City on a periodic basis by Mercer Human Resource Consulting; the impact of this is reflected in the statements resulting in an adjusted positive variance of \$212,969.

#### Settlement with the City of Toronto

As in prior years, various adjustments have to be made to the reported net income to determine the amount payable to or receivable from the City of Toronto on a "cash" basis. Specifically the adjustments are as follows:

Description	2006	2005
Financial Statement Net Loss	\$(2,533,181)	\$(956,639)
Adjust for Next Fixed Assets	(52,165)	(7,616)
Sick Leave Adjustment	+ 73,323	+ 103,484
Vacation Bank Adjustment	+ 110,541	+ 29,661
WSIB & Post Retirement Benefits	+ 129,860	+ 360,230
Escalating Tenants Lease Adjustment	(136,531)	(227,521)
<b>Total Receivable from the City</b>	<b>\$(2,408,153)</b>	<b>\$(698,411)</b>

The City is currently holding a balance of \$165,383 in the Exhibition Place Stabilization reserve Fund. The City Chief Financial Officer may choose to apply all or part of the reserve fund balance to reduce the above amount.

#### **CONTACT**

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## **SIGNATURE**

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### **ATTACHMENTS**

2006 Consolidated Financial Statements  
The Board of Governors of Exhibition Place