

May 12, 2008

REPORT FOR INFORMATION

To: Audit Committee, City of Toronto

From: Dianne Young
Chief Executive Officer/Exhibition Place

Subject: **2007 Consolidated Financial Statements for Exhibition Place**

Summary:

This report submits the audited consolidated financial statements for The Board of Governors of Exhibition Place for the year ended December 31, 2007. The auditor of record for Exhibition Place, Ernst and Young LLP, audits these statements in accordance with generally accepted auditing standards. These financial statements reflect the financial position and include the results from operations for the Canadian National Exhibition Association, the Direct Energy Centre, Exhibition Place and the National Soccer Stadium (BMO Field) for the year ended December 31, 2007.

The final result of this audit is an opinion from the auditors that the consolidated financial statements present fairly, in all material respects, the financial position of Exhibition Place as at December 31, 2007 and the results of its operations for the year ended December 31, 2007.

The consolidated Operating Budget for Exhibition Place is set on a cash basis before the prescribed disclosure requirements of the Public Sector Accounting Board as per the City directive and the approved budget amount for 2007 was a net expenditure or loss of (\$30,000). The 2007 consolidated net profit on a cash basis is \$3,272,010 compared to a budgeted loss of (\$30,000) for a favorable variance of \$3,302,010. In accordance with the decision of City Council in December 2007, the surplus over budget will be deposited in the Exhibition Place Capital Reserve Account held by the City of Toronto for the purpose of guaranteeing the loan from the City of Toronto for the conference centre at the Automotive Building.

Recommendation:

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 the Board of Governors of Exhibition Place for the year ended December 31, 2007 for information.

Financial Implications:

There are no financial implications to this report.

Decision History:

At its meeting of May 2, 2008, 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, Exhibition Place and the National Soccer Stadium (BMO Field) for the year ended December 31, 2007.

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 of Exhibition Place as of December 31, 2007 and the results of its operations for the year then ended.

Operating Results for 2007

The Consolidated Statement of Operations indicates a net profit for the year ended December 31, 2007 of \$2,082,378 on an accrual basis to reflect the Public Sector Accounting Board(PSAB) requirements and a net profit of \$3,272,010 on a cash basis (before PSAB). The consolidated Operating Budget for Exhibition Place is set on a cash basis before the prescribed disclosure requirements of the Public Sector Accounting Board and also prepared on a cash basis as per the City directive; the approved budget amount for 2007 was a net expenditure or loss of (\$30,000).

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

Description	Net Income (Loss) After PSAB		Net Income (Loss) Before PSAB	
	2007	2006	2006	2007
Canadian National Exhibition Association	\$1,638,555	\$(1,193,309)	1,585,861	\$(1,157,613)

Exhibition Place Operations	(2,304,502)	(2,444,816)	(984,866)	(2,187,730)
Direct Energy Centre	2,240,255	1,104,944	2,162,945	1,125,886
National Soccer Stadium (BMO Field)	508,070	-	508,070	-
Consolidated Net Income (Loss)	\$2,082,378	\$(2,533,181)	\$3,272,010	\$(2,219,457)

The 2007 consolidated net profit on a cash basis (before PSAB) is \$3,272,010 compared to a budgeted loss of (\$30,000) for a favorable variance of \$3,302,010. A brief discussion of each program operations follows:-

Canadian National Exhibition Association (Schedule 1 of Auditors' report)

The total cash basis net profit for 2007 was \$1,585,861 before the Public Sector Accounting Board requirements compared to a budget of \$797,802 for a favourable variance of \$788,059 or an achievement of 200%. The positive variance to budget is mainly attributable to excellent weather conditions throughout the fair hence an extremely successful CNE this year as most of the budgeted revenue categories were exceeded or significantly achieved. A noteworthy achievement as staff undertook to make a diligent effort to reduce expenditures to the degree possible without impacting programming activities.

The following is a comparison of major types of revenue with the corresponding previous year amount:

Revenue Type	2007	2006	Comparison to 2006
Admission	\$ 7,708,770	\$ 5,725,129	\$1,983,641 increase
Parking	\$ 1,188,958	\$ 1,041,840	\$ 147,118 increase
Entry Fees & Exhibit Rentals	\$ 3,620,096	\$ 3,607,204	\$ 12,892 increase
Midway, Concessions & Casino	\$ 9,362,382	\$ 8,361,505	\$1,000,877 increase
Sponsorships	\$ 2,060,402	\$1,450,389	\$ 610,013 increase

Note that included in sponsorships for 2007 is \$1,172,798 (2006 - \$765,900) in Agreements with corporate sponsors whereby these sponsors provide products, advertising or entertainment support to the CNE activities. A similar amount is recorded as an offset in the marketing expenses. Canadian generally accepted accounting principles require that non-monetary sponsorship considerations, such as merchandise or services, have to be given an estimated fair value and be recorded directly in the financial records of the organization.

- Ground admissions at \$7,708,770 is favourable to budget by \$46,727 due to excellent weather conditions and a successful Labor Day weekend when the air show is scheduled.
- Parking revenues at \$1,188,958 is unfavourable to budget by (\$72,151) however it is up by \$147,118 compared to prior year.
- Entry fees and exhibit rentals at \$3,620,096 is favourable to budget by \$88,185 due to additional space rentals from the At Home Pavilion and additional percentage rent over base at the Sports Zone Pavilion

- Concessions revenue of \$1,941,693 is unfavourable to budget by (\$35,302) however it is up by \$174,046 or 9 % from prior year. Food building expenses are also higher than budget by \$142,000 mainly due to the additional cleaning up cost.
- Casino revenue are favourable to budget by \$676,634 or 12.6% due to the additional casino specific advertising (\$40,000) which boosted attendance and resulted in more gaming tables being used, in addition, the additional one day pre-CNE (16 in 2006 versus 17 in 2007) contributed to the overall achievement. Casino expenses are up by \$93,827 to reflect additional revenue stream from this area.
- Sponsorship cash revenue at \$793,854 is favourable to budget by \$68,854 or 9.5% due to some of the larger sponsors such as Rogers and Coke renewing at a higher value. Contra deals are \$1,172,798 which is higher by \$406,898 or 53% from the prior year.

Exhibition Place (Schedule 2 of Auditors' report)

Net Operating Loss, before the prescribed disclosure requirements of the Public Sector Accounting Board for the year ended December 31, 2007 was (\$984,866) compared to a budgeted loss of (\$2,538,321) for a favourable variance of \$1,553,455.

- Parking revenues at \$5,862,679 is favourable to budget by \$410,541 mainly due to opening of BMO Field and the hosting of the FIFA Under-20 World Cup Soccer; revenue from BMO is favourable to budget by \$421,502 which is offset by reduced revenues from Ricoh Coliseum and Tenants operations. In addition parking expenses are also up by \$97,405 compared against budget to reflect cost for the additional revenue stream for a total net positive variance after expenses of \$313,136.
- Rental income at \$1,612,624 is favourable to budget by \$247,124 due to additional new business such as the LCBO, FAME event and FIFA.
- Show services revenue from third party billings were up by \$638,000 mainly due to additional technical requirements from Ex Place events and the Genesis concert in the BMO Field.
- Indirect expenses are favourable to budget by \$818,729 as a result of salary savings from vacancy for the first quarter in the sales department; lower snow cleaning costs; lower utility costs for the Better Living Centre due to shut down of gas meters and energy management initiatives; and lower wage costs for various trades due to efficiency in planning and scheduling as a result of the Board's internal reorganization which has basically resulted in minimal or no overtime work.

Direct Energy Centre (Schedule 3 of Auditors' report)

Net Operating Income on a cash basis, before the prescribed disclosure requirements of the Public Sector Accounting Board, for the year ending December 31, 2007 was \$2,162,945 an achievement of 126% compared to a budget of \$1,710,486 for a favourable variance of \$452,459.

- Rental income was \$7,769,962 compared to a budget of \$7,515,716 for a favourable variance of \$ 254,246 a 103% achievement mainly due to securing new business.
- Show services from third party billings were up by \$1,096,869 with corresponding increase in expenses of \$1,023,883 for a net favourable variance of \$72,986 mainly due to additional technical requirements for the Interior Design show and the CFA event

which was offset by lower demand from the Boat Show due to reduction of a feature exhibit.

- Telecommunications income at \$502,154 is favourable to budget by \$91,095 due to additional provision of internet services to trade events, additional recoveries from tenants and new provision of services to BMO Field.
- Electrical services of \$854,563 are unfavourable to budget by (\$16,436) due to lower demand from some of the larger events.
- Direct and indirect expenses are unfavourable to budget by (\$123,075) as a result of higher utility costs offset by savings from lower building operations costs, savings of sales and marketing expenditures and reorganization savings.
- Food & Beverage concessions of \$1,279,160 are unfavourable to budget by (\$23,818) due to a decrease in bookings of corporate events.

National Soccer Stadium (BMO Field) (Schedule 4 of Auditors' report)

Net Operating Income on a cash basis, before the prescribed disclosure requirements of the Public Sector Accounting Board, for the year ending December 31, 2007 was \$508,070 compared to a budget of \$33 for a favourable variance of \$508,037.

This is the first year of operations for BMO Field and therefore there are no prior year financial history. The positive variance is mainly due higher field rentals from the winter bubble, higher attendance for MLS TFC games including the FIFA – U-20 tournament which resulted in higher ancillary revenues in all major revenue areas and higher per caps revenue than budgeted.

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	2007	2006
Financial Statement Net Income (Loss)	\$ (2,533,181)	\$ 2,082,378
Amortization of capital assets	+ 122,714	+ 97,793
Capital assets funding	(170,365)	(149,958)
Net increase in employee benefits	+ 1,189,633	+ 313,724
Escalation, tenants lease adjustments	(80,522)	(49,818)
Advance received	-	+ 53,949
Total (Receivable) Payable to/from the City	\$ 3,143,838	\$ (2,267,491)

Contact

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ATTACHMENTS

2007 Consolidated Financial Statements for Exhibition Place