

Board of Governors of Exhibition Place

Financial Statements
December 31, 2013



June 23, 2014

Independent Auditor's Report

To the Members of Board of Governors of Exhibition Place

We have audited the accompanying financial statements of Board of Governors of Exhibition Place, which comprise the balance sheet as at December 31, 2013 and the statements of operations and accumulated deficit, changes in net debt and cash flows, and schedules of operations for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Board of Governors of Exhibition Place as at December 31, 2013 and the results of its operations, its remeasurement gains and losses, changes in its net debt and its cash flows, and schedules of operations for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Board of Governors of Exhibition Place

Balance Sheet

As at December 31, 2013

	2013 \$	2012 \$
Financial Assets		
Cash	3,162,645	10,450,118
Accounts receivable		
Trade (note 3(a))	8,633,973	4,111,943
City of Toronto	2,908,239	1,645,635
Receivable from City of Toronto (note 3(b))	7,299,481	7,353,742
	<u>22,004,338</u>	<u>23,561,438</u>
Liabilities		
Accounts payable and accrued liabilities		
Trade	8,125,542	6,767,773
City of Toronto	213,150	618,182
Employee future benefits payable (note 7)	8,809,529	9,004,270
Payable to conference centre reserve fund (note 9)	1,633,675	-
Transfer payable to the City of Toronto (note 1)	102,605	4,618,811
Deferred revenue and contributions	6,585,788	6,498,067
Loans payable (note 8)	44,604,696	45,773,358
Suite deposits payable	204,704	240,704
Other liabilities	518,717	518,717
Government assistance	1,500,566	1,645,849
	<u>72,298,972</u>	<u>75,685,731</u>
Net Debt	<u>(50,294,634)</u>	<u>(52,124,293)</u>
Non-financial Assets		
Prepaid expenses and other	186,494	236,099
Step-up rent receivable (note 4)	2,503,687	2,536,758
Energy retrofit assets (note 5)	7,998,990	8,302,580
Building improvements (note 6)	34,971,999	37,378,152
	<u>45,661,171</u>	<u>48,453,589</u>
Accumulated conference centre deficit (note 11)	<u>(4,633,463)</u>	<u>(3,670,704)</u>
Accumulated surplus	<u>-</u>	<u>-</u>
Contingencies (note 12)		

Approved by the Board of Directors

_____ Director _____ Director

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

Board of Governors of Exhibition Place

Statement of Operations and Accumulated Deficit

For the year ended December 31, 2013

	2013		2012
	Budget \$	Actual \$	Actual \$
Revenue			
Canadian National Exhibition Association (note 13)	-	-	27,216,809
Exhibition Place (schedule 1)	24,825,644	26,838,969	18,638,293
Direct Energy Centre (schedule 2)	15,399,445	14,169,918	15,219,771
National Soccer Stadium (BMO Field) (schedule 3)	8,565,311	9,097,274	9,628,859
Allstream Centre (schedule 4)	5,522,846	5,124,581	5,222,163
	<u>54,313,246</u>	<u>55,230,742</u>	<u>75,925,895</u>
Expenses			
Canadian National Exhibition Association	-	-	24,414,075
Exhibition Place (schedule 1)	31,986,610	31,743,409	23,591,722
Direct Energy Centre (schedule 2)	8,443,099	7,877,827	8,773,275
National Soccer Stadium (BMO Field) (schedule 3)	8,260,691	8,694,384	9,286,631
Allstream Centre (schedule 4)	5,522,846	6,087,340	6,229,697
	<u>54,213,246</u>	<u>54,402,960</u>	<u>72,295,400</u>
Surplus before the following	100,000	827,782	3,630,495
Surplus transfer to the City of Toronto	(100,000)	(1,736,280)	(4,618,811)
Decrease in amounts to be recovered from the City of Toronto	-	(54,261)	(19,218)
Deficit for the year	-	(962,759)	(1,007,534)
Accumulated conference centre deficit - Beginning of year	-	(3,670,704)	(2,663,170)
Accumulated conference centre deficit - End of year	-	<u>(4,633,463)</u>	<u>(3,670,704)</u>

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

Board of Governors of Exhibition Place

Statement of Changes in Net Debt

For the year ended December 31, 2013

	2013 \$	2012 \$
Operating transactions		
Deficit for the year	(962,759)	(1,007,534)
Tangible capital asset activities		
Purchase of energy retrofit assets	(284,000)	(910)
Purchase of building improvements and equipment	(5,660)	(195,865)
Amortization of energy retrofit assets	587,590	587,590
Amortization of building improvements and equipment	2,004,713	2,024,137
	<u>2,302,643</u>	<u>2,414,952</u>
Other non-financial activities		
Acquisition of prepaid expenses and other	41,022	93,544
Accretion of step-up rent receivable	33,071	29,281
	<u>74,093</u>	<u>122,825</u>
Decrease in net debt during the year	1,413,977	1,530,243
Net debt - Beginning of year	(52,124,293)	(53,654,536)
Transfer of cash balances related to CNEA (note 13)	415,682	-
Net debt - End of year	<u>(50,294,634)</u>	<u>(52,124,293)</u>

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

Board of Governors of Exhibition Place

Statement of Cash Flows

For the year ended December 31, 2013

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Deficit for the year	(962,759)	(1,007,534)
Add (deduct): Non-cash items		
Employee future benefits expense	(194,741)	263,268
Amortization of energy retrofit assets	587,590	587,590
Amortization of building improvements and equipment	2,004,713	2,024,137
Government assistance	(145,283)	(149,113)
Accretion of step-up receivable	33,071	29,281
Interest accrued on loans payable	2,144,820	2,207,436
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	(4,852,750)	1,497,453
Accounts receivable from the City of Toronto	(1,262,604)	6,233,988
Receivable due from City of Toronto	54,563	19,218
Prepaid expenses and other	41,022	93,544
Trade accounts payable and accrued liabilities	2,313,563	(1,607,998)
Accounts payable and accrued liabilities due to the City of Toronto	(405,032)	(1,784,608)
Deferred revenue and contributions	482,001	(188,418)
Suite deposits payable	(36,000)	(2,455)
Other liabilities	-	34,263
Payable to conference centre reserve fund	1,633,675	-
Surplus transfer payable to the City of Toronto	(1,713,471)	1,569,206
	<u>(277,622)</u>	<u>9,819,258</u>
Capital activities		
Purchase of energy retrofit assets	(284,000)	(910)
Purchase of building improvements and equipment	(5,660)	(195,865)
	<u>(289,660)</u>	<u>(196,775)</u>
Financing activities		
Repayments of loans payable	(3,597,482)	(3,575,229)
Increase in loan payable	284,000	-
	<u>(3,313,482)</u>	<u>(3,575,229)</u>
Increase (decrease) in cash during the year	(3,880,764)	6,047,254
Cash - Beginning of year	10,450,118	4,402,864
Transfer of cash balances related to CNEA (note 13)	(3,406,709)	-
Cash - End of year	<u>3,162,645</u>	<u>10,450,118</u>
Non-cash transactions		
Loan payable for purchase of energy retrofit assets	284,000	-

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

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2013

1 Nature of operations

The Board of Governors of Exhibition Place (the Board) exists as a corporation without share capital by virtue of the City of Toronto Act, 1997 (No. 2) (the Act). The Board operates, manages and maintains Exhibition Place on behalf of the City of Toronto (the City) under the terms of an agreement between the Board and the City. As defined within the Act, the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs. The amount due to/from the City resulting from the Board's activities is shown on the balance sheet as a transfer payable to/receivable from the City.

Major capital facilities, excluding certain building improvements, are the property of the City and therefore the cost for such assets is recorded in the accounts of the City and not the Board. To assist with major capital expenditures related to Exhibition Place, various reserves and reserve funds have been established and recorded within the City's accounts (note 9).

These financial statements include the operations of the Exhibition Place (schedule 1), Direct Energy Centre (schedule 2), National Soccer Stadium (BMO Field) (schedule 3) and Allstream Centre (schedule 4).

Effective December 31, 2005, the Board entered into a ten-year naming right sponsorship agreement with Direct Energy Marketing Limited for the Direct Energy Centre (schedule 2).

Effective August 1, 2009, the Board entered into a ten-year naming right sponsorship agreement with MTS Allstream for the Allstream Centre (schedule 2). The Allstream Centre commenced its operations on October 19, 2009 (schedule 4).

BMO Field is used to accommodate various sports functions throughout the year. The operation of BMO Field is governed by the terms of a management agreement that was entered into between the Board, the City and Maple Leaf Sports and Entertainment Ltd. (MLSE), whereby MLSE will manage the day-to-day operations of the stadium. The agreement was entered into in January 2007 and continues through to December 31, 2027.

The Board is a municipal government entity under the Income Tax Act and accordingly is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for local governments established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The significant accounting policies are summarized as follows.

Revenue recognition

The majority of the revenue in these financial statements is related to sales, service revenue (including suite sales and ticket rebates) and rent, and is recognized at the point of sale or when the service has been provided.

Deferred revenue and contributions

Deferred revenue and contributions consist of monies received for naming rights, rentals for space in trade shows and other events that have been paid in advance and are attributable to a future period.

Board of Governors of Exhibition Place

Notes to Financial Statements

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Sponsorships

Agreements are entered into with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to Exhibition Place, Direct Energy Centre, BMO Field and Allstream Centre activities. In return, consideration is provided in a number of diverse ways including specific rights to selected attractions or advertising recognition. Sponsorships received in cash and/or other consideration are recorded in the accounts at the amount of consideration received or given at either the fair value of the amount received or the fair value of the benefit given up, less any cash consideration, whichever is more reliably measurable.

Government assistance

The Board makes periodic applications for financial assistance under available government incentive programs. Government assistance relating to capital expenditures is reflected as a liability on the balance sheet and amortized into income on the same basis as the capital asset to which the funds related. Government assistance for non-capital expenditures is included in the statement of operations and accumulated deficit.

Energy retrofit assets

Energy retrofit assets are recorded at cost less accumulated amortization. Amortization is calculated when the project is fully commissioned on a straight-line basis over the estimated useful lives of the assets as follows:

Trigeneration project	20 years
DEC Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Palace project	20 years
Boiler replacements and various lighting retrofit projects	20 years
Back pressure steam turbine and LED pathway lighting projects	20 years
Horse Palace, East Annex Photovoltaic and multiple energy projects	20 years
District energy system project	20 years

Building improvements and equipment

Building improvements and equipment are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Motor vehicles	5 years
Computer equipment and software	3 years
Electrical equipment	5 years
Other equipment and furniture	2 to 20 years
Allstream Centre building improvements	25 years

Board of Governors of Exhibition Place

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Employee benefit plans

The Board has the following policies with respect to employee future benefit plans:

- The Board's contributions to a multi-employer with the City of Toronto and Ontario Municipal Employees Retirement System (OMERS), defined benefit pension plan are expensed when contributions are due as the plan is accounted for as a defined contribution plan.
- The costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.
- The costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation and expected health-care costs.
- Past service costs from plan amendments are expensed in the period of plan amendment.
- Net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Gains or losses resulting from currency transactions are included in the statement of operations and accumulated deficit.

Financial instruments

The Board classifies its financial instruments into one of the following categories based on the purpose for which the assets were acquired. The Board's accounting policy for each category is as follows:

Financial instrument	Measurement category
Cash	fair value
Accounts receivable	amortized cost
Accounts receivable - City of Toronto	amortized cost
Receivable from City of Toronto	amortized cost
Accounts payable and accrued liabilities - trade	amortized cost
Accounts payable and accrued liabilities - City of Toronto	amortized cost
Suite deposits payable	amortized cost
Loans payable	amortized cost
Payable to conference centre reserve fund	amortized cost
Transfer payable to the City of Toronto	amortized cost
Other liabilities	amortized cost

Board of Governors of Exhibition Place

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Measurement uncertainty

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The employee future benefits liability and related costs charged to the statement of operations and accumulated deficit depend on certain actuarial and economic assumptions and on current information available to the Board, the City and the consultants retained to develop the actuarial projections. Actual results could differ from those estimates.

Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the City of Toronto.

3 Related party balances and transactions

The Board is related to the City and its agencies, boards and commissions in terms of the City's ability to affect the operating, investing and financing policies of these entities. The Board enters into transactions with these related parties in the normal course of business at the agreed upon exchange amount.

- a) Accounts receivable include amounts owing from the City as a source of funding from the Conference Centre Reserve Fund with respect to the Allstream Centre's operating deficit, of which \$1,590,576 (2012 - \$777,855) is included in trade accounts receivable.
- b) The Board has a long-term, non-interest bearing receivable from the City, which relates to the funding of the following items:

	2013 \$	2012 \$
Employee future benefits payable	8,809,529	9,004,270
Vacation and lieu time	587,354	840,601
Less: Net book value of certain equipment	(484,471)	(946,787)
Other	243,227	218,627
	<hr/>	<hr/>
Receivable from the City of Toronto before the following	9,155,639	9,116,711
Less: Net step-up rent receivable on certain building and signage	(1,856,158)	(1,762,969)
	<hr/>	<hr/>
Receivable from the City of Toronto	7,299,481	7,353,742
	<hr/>	<hr/>

- c) The Board has several agreements with the City for the establishment of various reserve funds that are recorded within the City's accounts (note 9).
- d) The Board contributes to a fund at the City that provides funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. The fund is established for insurance claim costs below deductible levels and for payments that exceed insurance coverage levels. Contributions are paid to the City and the City makes insurance premium payments on behalf of the Board. During the year, the Board made \$399,077 (2012 - \$600,692) in contributions for insurance premium payments.

Board of Governors of Exhibition Place

Notes to Financial Statements

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4 Step-up rent receivable

The Board has numerous long-term tenants on the grounds that pay annual rents based on the stipulated contract amount indicated in the lease for that year. Many of these leases have step-up provisions so that the annual lease amount changes during the term of the lease. The Board recognizes lease revenues over the term of the lease on a straight-line basis. The amount will be included in surplus at various amounts over time up to 2025.

5 Energy retrofit assets

			2013	2012
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Trigeneration	4,400,000	1,462,083	2,937,917	3,157,917
DEC Halls lighting retrofit project	800,000	402,129	397,871	451,204
Five Exhibition Buildings improvement project	1,500,365	582,972	917,393	1,017,418
Photovoltaic Horse Palace project	1,100,000	385,000	715,000	770,000
Boiler replacements and various and lighting retrofit projects	955,000	214,875	740,125	787,875
Back pressure steam turbine and LED pathway lighting projects	1,345,000	134,500	1,210,500	1,277,750
Horse Palace, East Annex Photovoltaic and Multiple Energy projects	884,648	88,464	796,184	840,416
District Energy System projects (i)	284,000	-	284,000	-
	<u>11,269,013</u>	<u>3,270,023</u>	<u>7,998,990</u>	<u>8,302,580</u>

- i) The District Energy System project will be completed and ready for use in October 2016. No amortization has been taken in 2013.

6 Building improvements and equipment

			2013	2012
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Motor vehicles	261,634	261,634	-	-
Computer equipment	215,712	215,712	-	72,307
Electrical equipment	384,775	374,877	9,898	21,769
Other equipment and furniture	5,254,608	2,610,378	2,644,230	3,415,612
Allstream Centre building improvements	38,764,844	6,446,973	32,317,871	33,868,464
	<u>44,881,573</u>	<u>9,909,574</u>	<u>34,971,999</u>	<u>37,378,152</u>

Board of Governors of Exhibition Place

Notes to Financial Statements

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7 Employee future benefits payable

The employee future benefits are for employees of the Board, the cost of which is reported in these financial statements.

The benefit plans as noted below are all unfunded; however, the Board participates in reserve funds established by the City for sick leave and health-care benefits. The contributions to these reserves during the year totalled \$1,008,717 (2012 - \$1,072,518) and are included in expenses on the statement of operations and accumulated deficit.

The Board has the following benefit plans:

Sick leave

The Board's short-term disability plan, for non-unionized employees, provides salary protection at 100% or 75% based on an employee's benefit eligibility date for up to 26 weeks per illness or per calendar year. Absences greater than 26 weeks duration are covered under the Board's long-term disability plan.

Under the sick leave benefit plan, for unionized employees, employees are credited with a maximum of 18 days sick time per annum. Previously unused sick leave could accumulate and employees may become eligible for a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they leave the Board's employment. Effective February 28, 2008, employees are unable to accumulate unused sick leave credits. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could then be taken in cash by employees on termination of employment.

Workplace Safety Insurance Board (WSIB)

The Board is a Schedule 2 employer and as such pays the full cost of all medical and all other benefits for its employees who sustain injuries at the workplace plus the administration cost as determined by the WSIB.

Post-retirement and post-employment benefits

The Board provides health, dental, life insurance and long-term disability benefits to certain employees.

The disclosures relating to these benefits are as follows:

	2013 \$	2012 \$
Accrued benefit obligation	7,026,656	7,096,922
Net unamortized actuarial gains	1,782,873	1,907,348
Total employee future benefits payable	<u>8,809,529</u>	<u>9,004,270</u>

Board of Governors of Exhibition Place

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- a) Components of the accrued benefit obligation are as follows:

	2013 \$	2012 \$
Sick leave	1,187,201	1,230,988
WSIB	2,018,638	2,186,378
Other post-employment and post-retirement benefits	3,820,817	3,679,556
	7,026,656	7,096,922

- b) The continuity of the Board's accrued benefit obligation is as follows:

	2013 \$	2012 \$
Balance - Beginning of year	7,096,922	8,752,280
Current service cost	270,857	555,165
Interest cost	244,653	303,781
Benefits paid	(611,674)	(622,395)
Actuarial (gain) loss	25,898	(1,891,909)
	7,026,656	7,096,922

- c) The benefit cost (recovery) recognized during the year is calculated as follows:

	2013 \$	2012 \$
Current service cost	270,857	555,165
Interest cost	244,653	303,781
Amortization of net actuarial gain (loss)	(98,575)	26,717
	416,935	885,663

- d) There was \$194,752 (2012 - \$48,425) in cash payments made in 2013 with respect to the sick leave plan.
- e) Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2012. The next actuarial valuation is expected to be completed in 2015.
- f) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employee future benefits are as follows:

	2013 %	2012 %
Discount rate		
Sick leave	4.10	3.50
Post-employment benefits	3.60	3.10
Post-retirement benefits	4.40	3.80
WSIB	3.60	3.10
Health-care inflation - hospital, dental care and other medical	3.2 - 6.40	3.40 - 6.80
Health-care inflation - drugs	6.40	6.80
Rate of compensation increase	3.00	3.00

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The health-care rate for medical and drugs is assumed to be reduced to 4% by 2020. The health-care rate for dental is assumed to be reduced to 3% by 2015.

- g) In addition to the above-noted plans, the Board makes contributions to OMERS, which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. However, it is accounted for as a defined contribution plan as it is a multi-employer plan. Total employer contributions for the year ended December 31, 2013 amounted to \$1,137,798 (2012 - \$1,140,895) and are included in the statement of operations and accumulated deficit.

In addition to contributions for employees who participate in the OMERS plan, the Board has arrangements with bargaining units to make contributions to various pension plans and registered retirement savings plans on behalf of its employees. Contributions expensed under these plans for 2013 amounted to \$1,166,662 (2012 - \$978,503) and are included in the statement of operations and accumulated deficit.

8 Loans payable

	2013 \$	2012 \$
Loans payable to the City		
Allstream Centre building improvements, bearing interest at 5% and due on October 1, 2035, interest owing on the loan is added to the principal until the first repayment date of December 1, 2010	35,821,658	36,718,703
Allstream Centre building improvements, bearing interest at 2.375%, due on January 29, 2030	1,731,627	1,816,460
Trigeneration, bearing interest at 5%, due on December 31, 2032	2,851,593	2,799,721
Trigeneration, bearing interest at 2.34%, due on July 31, 2017	430,000	537,500
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5%, due on October 1, 2030	294,853	300,920
Five Exhibition Buildings improvement retrofit, bearing interest at 5%, due on December 31, 2016	285,629	391,644
Five Exhibition Buildings improvement retrofit, bearing interest at an average rate of 2.56%, due on December 31, 2018	249,713	302,296
DEC Halls lighting retrofit, bearing interest at 5%, due on December 31, 2016	187,635	244,471
DEC Halls lighting retrofit, bearing interest at 2.51%, due on December 31, 2017	71,382	89,227
Boiler replacements and various lighting retrofit, bearing interest at 4.5%, due on December 31, 2037	777,596	779,656
Boiler replacements and various lighting retrofit, bearing interest at 2.0%, due on December 31, 2021	175,139	199,014
Back pressure steam turbine and LED pathway lighting retrofit, a non-interest bearing loan of \$1,000,000 discounted at an imputed interest rate of 5%, due on April 1, 2030	559,519	580,871
Horse Palace, east annex pavilion and multiple energy project retrofit, a non-interest bearing loan of \$890,000 discounted at an imputed interest rate of 5%, due on January 1, 2022	598,635	655,903
District Energy project, bearing interest at 5%, due on January 1, 2025	284,000	-
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06%, due on January 3, 2017	285,717	356,972
	<u>44,604,696</u>	<u>45,773,358</u>

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The fixed principal repayments of the loans payable are as follows:

	\$
2014	1,517,775
2015	1,586,736
2016	1,586,224
2017	1,533,773
2018	1,569,062
2019 and thereafter	<u>36,811,126</u>
	<u>44,604,696</u>

9 City of Toronto reserve funds

The City maintains a number of reserve funds on behalf of the Board. These reserve funds are established by the City's Council and are detailed in the City's Municipal Code.

Capital Improvement Fund

The purpose of this fund is to assist in the financing of major capital costs related to all of the buildings at Exhibition Place. Contributions are no longer being made to this fund. The balance of the Capital Improvement Fund as at December 31, 2013 was \$82,029 (2012 - \$82,029).

Stabilization Fund

The purpose of this fund is to put income aside in profitable years in order to offset deficits in other years. This reserve is funded by any surplus generated by the operations of Exhibition Place greater than the approved annual budget up to a maximum accumulated balance of \$2,000,000 with the residual, if any, being contributed to the Capital Improvement Fund. The balance of the Stabilization Fund as at December 31, 2013 was \$nil (2012 - \$3,174,925).

At its meetings with respect to the independence of the Canadian National Exhibition Association (CNEA) on March 6, 2012 (note 13), Toronto City Council approved the placement of any surplus increase of the Council's approved budget for the CNEA for 2011 and 2012 into the Stabilization Fund for the sole purpose of assisting the CNEA to become independent from the Board and the City in 2013. In July 2013, the fund balance of \$3,174,925 was transferred to the CNEA.

The disposition of any future Exhibition Place annual surpluses is subject to the City Council's contribution policy and a determination by the Chief Financial Officer of the City.

Exhibition Place Conference Centre Reserve Fund

The purpose of this fund is to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations. The contributions to the fund include the net revenue derived from the Direct Energy Centre and Allstream Centre naming rights and the surplus payable to the City. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2013 was \$3,156,187 (2012 - \$4,611,897).

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2013

City of Toronto Fleet Reserve Fund

The purpose of this fund is to provide funding to the City for acquiring or purchasing fleet and motorized vehicles for the Board's operations. Annual funding promotes efficiencies and budget stabilization by moderating large fluctuations in the annual replacement of vehicles. The balance in the City of Toronto Fleet Reserve Fund is \$620,407 (2012 - \$294,627).

Soccer Stadium Capital Maintenance Fund

The purpose of this fund is to provide funding for capital expenditures for BMO Field. Under the terms of the management agreement for the operation of BMO Field, the Board is to make annual contributions to this reserve. The balance as at December 31, 2013 was \$741,264 (2012 - \$672,659).

10 Financial instruments

a) Fair value

The carrying values of the Board's financial instruments approximate their fair values unless otherwise noted.

The fair value of the long-term receivable from the City is not determinable since there are no fixed terms of repayment.

b) Risk management

The Board's investment activities expose it to a range of financial risks. These risks include credit risk, foreign currency risk, market risk, liquidity risk and interest rate risk, which are as follows:

- Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the balance sheet represents the maximum credit risk exposure at the date of the financial statements.

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact that management believes the Board has thorough and rigorous credit approval procedures. As at December 31, 2013, two customers have a balance greater than 10% of the Board's trade accounts receivable balance (2012 - two customers).

At December 31, 2013, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	2,155,907	467,397	1,855,673	106,684

Management believes the Board's credit risk is low.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2013

- Liquidity risk

Liquidity risk is the risk the Board will not be able to meet its financial obligations when they come due. The Board manages its liquidity risk by forecasting cash flows from operations, anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	7,042,068	429,486	653,988	-	8,125,542
Loans payable	562,108	955,667	6,275,795	36,811,126	44,604,696
	<u>7,604,176</u>	<u>1,385,153</u>	<u>6,929,783</u>	<u>36,811,126</u>	<u>52,730,238</u>

- Market risk

The Board is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Board has addressed the commodity price risk exposure associated with changes in the wholesale prices of electricity by entering into energy related purchase and sales contracts, through an agreement with Direct Energy Business Services, which fixes a portion of the wholesale price over the term of the contract. All contracts entered into by the Board in 2013 expired on December 31, 2013.

- Foreign currency risk

The Board has limited foreign currency risk with respect to its financial instruments, as substantially all of the Board's financial assets and financial liabilities are denominated in Canadian dollars.

- Interest rate risk

Interest rate risk arises from fluctuations in interest rates and the degree of volatility of those rates. The Board has mitigated its interest rate risk on its loans payable through the use of fixed interest rates.

11 Conference centre deficit

The conference centre accumulated deficit results from the non-cash expenditures that are not funded by the Exhibition Place Conference Centre Reserve Fund (schedule 4). The loss for the period is represented by the amortization of the conference centre's building improvements offset by the principal loan repayments. The accumulated loss will reverse over 25 years, as this is the term of the loan repayment and amortization period of the building improvements. The accumulated deficit balance as at December 31, 2013 is \$4,633,466 (2012 - \$3,670,704).

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2013

12 Contingencies

In the normal course of operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year the liability is able to be estimated.

13 CNEA independence

On January 27, 2012, the Board of Governors of Exhibition Place and the Board of Directors of the CNEA approved the terms of a Master Agreement that calls for the CNEA to become independent from both the Board and the City, effective April 1, 2013. On March 6, 2012, Toronto City Council approved the terms and conditions associated with this agreement and has permitted the Board to execute the Master Agreement with the CNEA.

The following assets and liabilities were transferred to the CNEA as a result of the CNEA independence on April 1, 2013:

	\$
Cash	3,406,709
Accounts receivable	330,418
Prepaid expenses and other	8,582
Building improvements	407,100
Accounts payable and accrued liabilities	(955,794)
Deferred revenue	(394,280)
Transfer payable to Board of Governors of Exhibition Place	(2,802,735)
	<u>-</u>

14 Expenses by object

	2013	2012
	Actual	Actual
	\$	\$
Salaries and benefits	28,920,496	36,970,456
Trade labour recoveries	(11,209,641)	(12,513,191)
	<u>17,710,855</u>	<u>24,457,265</u>
Net salary and benefits	17,710,855	24,457,265
Direct overhead and event/tenant labour costs	11,209,641	12,513,191
Utilities	2,606,363	2,964,129
Supplies and equipment	948,050	992,105
Contribution to reserve funds	2,323,811	2,554,048
Amortization of ERP, equipment and building improvements	2,592,295	2,593,298
Interest	2,144,817	2,207,435
Other indirect costs	4,985,261	16,220,963
Recoverable services	9,881,867	7,792,966
	<u>54,402,960</u>	<u>72,295,400</u>

Board of Governors of Exhibition Place

Schedule 1

Schedule of Operations - Exhibition Place

For the year ended December 31, 2013

	2013		2012
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Parking	6,151,757	6,959,538	6,734,923
Building rentals and concessions	6,980,292	7,266,601	3,819,202
Sales of services	7,174,453	7,795,868	4,386,684
Discounts, commissions, incentives, other income and realty tax recoveries	3,499,142	2,727,009	3,077,484
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	500,000	1,633,678	100,000
Naming rights	520,000	456,275	520,000
	24,825,644	26,838,969	18,638,293
Expenses			
Maintenance, cleaning and security	16,817,183	16,396,380	9,422,120
Utilities	2,775,562	2,103,010	1,870,571
Cost of services	2,372,266	3,656,306	3,885,208
Administration	5,992,363	5,625,121	3,526,739
Parking attendants' wages and sundry costs	2,272,050	2,476,996	2,715,008
Amortization of energy retrofit assets and equipment	631,190	630,921	630,940
Contribution to City - Exhibition Place Conference Centre Reserve Fund	468,000	387,870	468,000
City of Toronto Fleet Reserve Fund	329,780	329,780	329,800
Interest	328,216	328,216	346,113
	31,986,610	31,934,600	23,194,499
Deficit before the following	(7,160,966)	(5,095,631)	(4,556,206)
Sick leave benefits recovery (expense)	-	191,191	(397,223)
Deficit for the year	(7,160,966)	(4,904,440)	(4,953,429)

Board of Governors of Exhibition Place

Schedule 2

Schedule of Operations - Direct Energy Centre

For the year ended December 31, 2013

	<u>2013</u>		<u>2012</u>
	Budget	Actual	Actual
	\$	\$	\$
	(Unaudited)		
Revenue			
Building rentals	7,499,996	7,020,114	7,454,623
Services	5,815,449	5,114,049	5,775,031
Catering commissions	850,000	725,739	781,740
Naming rights	700,000	700,000	700,000
Advertising, sponsorship, interest and recoveries	534,000	610,016	508,377
	<u>15,399,445</u>	<u>14,169,918</u>	<u>15,219,771</u>
Expenses			
Administration	3,948,730	4,016,032	4,228,759
Cost of services	3,229,283	2,730,473	3,306,073
Maintenance, cleaning and security	565,086	441,322	548,443
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	700,000	690,000	690,000
	<u>8,443,099</u>	<u>7,877,827</u>	<u>8,773,275</u>
Surplus for the year	<u>6,956,346</u>	<u>6,292,091</u>	<u>6,446,496</u>

Board of Governors of Exhibition Place

Schedule 3

Schedule of Operations - National Soccer Stadium (BMO Field)

For the year ended December 31, 2013

	<u>2013</u>		<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue			
Food and beverage	4,840,611	3,671,232	4,305,971
Usage fees and merchandise	1,240,833	1,245,174	1,254,397
Suite and ticket rebates	1,556,054	1,695,707	1,542,391
Sponsorships	888,195	852,527	869,451
Cost recoveries and other revenue	39,618	1,632,634	1,656,649
	<u>8,565,311</u>	<u>9,097,274</u>	<u>9,628,859</u>
Expenses			
Salaries, wages and benefits	2,039,888	1,757,771	1,747,669
Cost of goods sold - food and beverage	1,418,209	1,079,126	1,424,266
Royalty	1,676,913	1,248,870	1,590,940
Supplies and services	1,367,458	2,615,993	2,669,196
Utilities, insurance and other	794,527	870,379	812,159
Contribution to the Soccer Stadium Capital Maintenance Fund	419,832	415,680	411,556
Incentives and rebates	275,000	462,547	387,943
Management fee	228,864	226,476	224,376
Amortization of equipment	40,000	17,542	18,526
	<u>8,260,691</u>	<u>8,694,384</u>	<u>9,286,631</u>
Surplus for the year	<u>304,620</u>	<u>402,890</u>	<u>342,228</u>

Board of Governors of Exhibition Place

Schedule 4

Schedule of Operations - Allstream Centre

For the year ended December 31, 2013

	2013		2012
	Budget \$	Actual \$	Actual \$
Revenue			
Building rentals	966,375	789,153	1,434,090
Services	1,411,060	1,011,363	1,010,972
Catering commissions	1,048,668	521,282	665,344
Parking	145,211	135,145	175,904
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	1,951,532	2,667,638	1,935,853
	<u>5,522,846</u>	<u>5,124,581</u>	<u>5,222,163</u>
Expenses			
Amortization of building improvements and equipment	981,067	1,943,832	1,943,832
Interest	1,816,601	1,816,601	1,861,322
Administration	1,184,205	1,024,445	1,103,823
Cost of services	1,028,834	751,797	778,449
Utilities	305,000	245,088	232,374
Maintenance, cleaning and security	207,139	305,577	309,897
	<u>5,522,846</u>	<u>6,087,340</u>	<u>6,229,697</u>
Deficit for the year	-	(962,759)	(1,007,534)