

Board of Governors of Exhibition Place

Financial Statements
December 31, 2014



May 22, 2015

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, 2014 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, 2014 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, 2014

	2014 \$	2013 \$
Financial Assets		
Cash	2,221,737	3,162,645
Accounts receivable		
Trade (note 3(a))	5,103,585	8,633,973
City of Toronto	5,088,262	2,908,239
Receivable from the City of Toronto (note 3(b))	7,411,019	7,299,481
	<u>19,824,603</u>	<u>22,004,338</u>
Liabilities		
Accounts payable and accrued liabilities		
Trade	6,739,495	8,125,542
City of Toronto	251,681	213,150
Employee future benefits payable (note 7)	8,595,444	8,809,529
Payable to conference centre reserve fund (note 9)	621,193	1,633,675
Transfer payable to the City of Toronto (note 1)	-	102,605
Deferred revenue and contributions	7,603,916	6,585,788
Loans payable (note 8)	45,879,077	44,604,696
Suite deposits payable	-	204,704
Other liabilities	353,558	518,717
Government assistance	1,359,598	1,500,566
	<u>71,403,962</u>	<u>72,298,972</u>
Net Debt	<u>(51,579,359)</u>	<u>(50,294,634)</u>
Non-financial Assets		
Prepaid expenses and other	181,738	186,495
Step-up rent receivable (note 4)	2,754,831	2,503,687
Energy retrofit assets (note 5)	10,130,790	7,998,990
Building improvements (note 6)	32,964,563	34,971,999
	<u>46,031,922</u>	<u>45,661,171</u>
Accumulated conference centre deficit (note 11)	<u>(5,547,437)</u>	<u>(4,633,463)</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, 2014

	<u>2014</u>		<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue			
Exhibition Place (schedule 1)	19,401,519	26,658,419	26,838,969
Direct Energy Centre (schedule 2)	15,394,190	14,554,723	14,169,918
Allstream Centre (schedule 3)	5,374,045	4,545,268	5,124,581
National Soccer Stadium (BMO Field) (note 14)	11,000,879	-	9,097,274
	<u>51,170,633</u>	<u>45,758,410</u>	<u>55,230,742</u>
Expenses			
Exhibition Place (schedule 1)	26,576,652	31,187,761	31,743,409
Direct Energy Centre (schedule 2)	8,442,951	8,537,546	7,877,827
Allstream Centre (schedule 3)	5,374,045	6,437,422	6,087,340
National Soccer Stadium (BMO Field) (note 14)	10,676,985	-	8,694,384
	<u>51,070,633</u>	<u>46,162,729</u>	<u>54,402,960</u>
Surplus (deficit) before the following	100,000	(404,319)	827,782
Transfer to the City of Toronto	-	(156,512)	(1,736,280)
Decrease in amounts to be recovered from the City of Toronto	-	(353,143)	(54,261)
Deficit for the year	100,000	(913,974)	(962,759)
Accumulated conference centre deficit - Beginning of year		(4,633,463)	(3,670,704)
Accumulated conference centre deficit - End of year		<u>(5,547,437)</u>	<u>(4,633,463)</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, 2014

	2014 \$	2013 \$
Operating transactions		
Deficit for the year	(913,974)	(962,759)
Tangible capital asset activities		
Purchase of energy retrofit assets	(2,719,390)	(284,000)
Disposal (purchase) of building improvements and equipment	22,248	(5,660)
Amortization of energy retrofit assets	587,590	587,590
Amortization of building improvements and equipment	1,985,188	2,004,713
	(124,364)	2,302,643
Other non-financial activities		
Prepaid expenses and other	4,757	41,022
Accretion of step-up rent receivable	(251,144)	33,071
	(246,387)	74,093
Increase (decrease) in net debt during the year	(1,284,725)	1,413,977
Net debt - Beginning of year	(50,294,634)	(52,124,293)
Transfer of cash balances related to Canadian National Exhibition Association (CNEA)	-	415,682
Net debt - End of year	(51,579,359)	(50,294,634)

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, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Deficit for the year	(913,974)	(962,759)
Add (deduct): Non-cash items		
Employee future benefits expense	(214,085)	(194,741)
Amortization of energy retrofit assets	587,590	587,590
Amortization of building improvements and equipment	1,985,188	2,004,713
Government assistance	(140,968)	(145,283)
Accretion of step-up receivable	(251,144)	33,071
Deferred revenue and contributions	(38,379)	(126,260)
Interest accrued on loans payable	2,102,469	2,144,820
	<u>3,116,697</u>	<u>3,341,151</u>
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	3,530,388	(4,852,750)
Accounts receivable from the City of Toronto	(2,180,023)	(1,262,604)
Receivable due from the City of Toronto	(111,538)	54,563
Prepaid expenses and other	4,757	41,022
Trade accounts payable and accrued liabilities	(1,386,047)	2,313,563
Accounts payable and accrued liabilities due to the City of Toronto	38,531	(405,032)
Deferred revenue and contributions	1,056,507	608,261
Suite deposits payable	(204,704)	(36,000)
Other liabilities	(165,159)	-
Payable to conference centre reserve fund	(1,012,482)	1,633,675
Transfer payable to the City of Toronto	(102,605)	(1,713,471)
	<u>2,584,322</u>	<u>(277,622)</u>
Capital activities		
Purchase of energy retrofit assets	(2,719,390)	(284,000)
Purchase of building improvements and equipment	-	(5,660)
Disposal of building improvements and equipment	22,248	-
	<u>(2,697,142)</u>	<u>(289,660)</u>
Financing activities		
Repayments of loans payable	(3,597,478)	(3,597,482)
Increase in loans payable	2,769,390	284,000
	<u>(828,088)</u>	<u>(3,313,482)</u>
Increase (decrease) in cash during the year	<u>(940,908)</u>	<u>(3,880,764)</u>
Cash - Beginning of year	3,162,645	10,450,118
Transfer of cash balances related to CNEA	-	<u>(3,406,709)</u>
Cash - End of year	<u>2,221,737</u>	<u>3,162,645</u>
Non-cash transactions		
Loan payable for purchase of energy retrofit assets	2,719,390	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, 2014

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 Exhibition Place (schedule 1), Direct Energy Centre (schedule 2) and Allstream Centre (schedule 3).

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 3). The Allstream Centre commenced its operations on October 19, 2009 (schedule 3).

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 (note 14).

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 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.

Board of Governors of Exhibition Place

Notes to Financial Statements

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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.

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 and 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

Notes to Financial Statements

December 31, 2014

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 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's financial assets include cash, trade accounts receivable and accounts receivable from the City, and its financial liabilities include accounts payable and accrued liabilities, suite deposits payable, loans payable, payable to conference centre reserve fund, transfer payable to the City and other liabilities. It measures its financial assets and liabilities at amortized cost, except for cash, which is measured at fair value.

Measurement uncertainty

The preparation of financial statements in accordance 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.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

Budgeted figures

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

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 \$nil (2013 - \$1,590,576) 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:

	2014 \$	2013 \$
Employee future benefits payable	8,595,444	8,809,529
Vacation and lieu time	672,237	587,354
Less: Net book value of certain equipment	(418,891)	(484,471)
Other	243,227	243,227
	<hr/>	<hr/>
Receivable from the City before the following	9,092,017	9,155,639
Less: Net step-up rent receivable on certain building and signage	(2,145,680)	(1,856,158)
	<hr/>	<hr/>
Receivable from the City	6,946,337	7,299,481

- 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 of 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 (2013 - \$399,077) in contributions for insurance premium payments.

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 2061.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

5 Energy retrofit assets

	2014		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Trigeneration project	4,400,000	1,682,083	2,717,917
DEC Halls lighting retrofit project	800,000	455,460	344,540
Five Exhibition Buildings improvement project	1,500,365	682,990	817,375
Photovoltaic Horse Palace project	1,100,000	440,000	660,000
Boiler replacements and various and lighting retrofit projects	955,000	262,625	692,375
Back pressure steam turbine and LED pathway lighting projects	1,345,000	201,750	1,143,250
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	132,696	751,943
District Energy System project (i)	3,003,390	-	3,003,390
	13,988,394	3,857,604	10,130,790
	2013		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Trigeneration project	4,400,000	1,462,083	2,937,917
DEC Halls lighting retrofit project	800,000	402,129	397,871
Five Exhibition Buildings improvement project	1,500,365	582,972	917,393
Photovoltaic Horse Palace project	1,100,000	385,000	715,000
Boiler replacements and various and lighting retrofit projects	955,000	214,875	740,125
Back pressure steam turbine and LED pathway lighting projects	1,345,000	134,500	1,210,500
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,648	88,464	796,184
District Energy System project (i)	284,000	-	284,000
	11,269,013	3,270,023	7,998,990

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

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

6 Building improvements and equipment

	2014		
	Cost \$	Accumulated amortization \$	Net \$
Motor vehicles	261,634	261,634	-
Computer equipment	215,712	215,712	-
Electrical equipment	384,775	384,775	-
Other equipment and furniture	4,920,315	2,723,031	2,197,284
Allstream Centre building improvements	38,764,844	7,997,565	30,767,279
	<u>44,547,280</u>	<u>11,582,717</u>	<u>32,964,563</u>
	2013		
	Cost \$	Accumulated amortization \$	Net \$
Motor vehicles	261,634	261,634	-
Computer equipment	215,712	215,712	-
Electrical equipment	384,775	374,877	9,898
Other equipment and furniture	5,254,608	2,610,378	2,644,230
Allstream Centre building improvements	38,764,844	6,446,973	32,317,871
	<u>44,881,573</u>	<u>9,909,574</u>	<u>34,971,999</u>

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 \$911,387 (2013 - \$1,008,717) 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

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

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:

	2014 \$	2013 \$
Accrued benefit obligation	7,626,057	7,026,656
Net unamortized actuarial gains	969,387	1,782,873
	<hr/>	<hr/>
Total employee future benefits payable	8,595,444	8,809,529

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

	2014 \$	2013 \$
Sick leave	1,180,509	1,187,201
WSIB	2,039,269	2,018,638
Other post-employment and post-retirement benefits	4,406,279	3,820,817
	<hr/>	<hr/>
	7,626,057	7,026,656

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

	2014 \$	2013 \$
Balance - Beginning of year	7,026,656	7,096,922
Current service cost	270,136	270,857
Interest cost	282,294	244,653
Benefits paid	(669,655)	(611,675)
Actuarial loss	716,626	25,899
	<hr/>	<hr/>
Total accrued benefit obligation	7,626,057	7,026,656

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

	2014 \$	2013 \$
Current service cost	270,136	270,857
Interest cost	282,294	244,653
Amortization of net actuarial gain	(96,860)	(98,576)
	455,570	416,934

- d) There was \$23,239 (2013 - \$194,752) in cash payments made in 2014 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:

	2014 %	2013 %
Discount rate		
Sick leave	3.20	4.10
Post-employment benefits	2.80	3.60
Post-retirement benefits	3.40	4.40
WSIB	2.80	3.60
Health-care inflation - hospital, dental care and other		
medical	3.00 - 6.00	3.20 - 6.40
Health-care inflation - drugs	6.00	6.40
Rate of compensation increase	3.00	3.00

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, 2014 amounted to \$1,083,769 (2013 - \$1,137,798) 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 2014 amounted to \$1,300,591 (2013 - \$1,166,662) and are included in the statement of operations and accumulated deficit.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

8 Loans payable

	2014 \$	2013 \$
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	34,879,761	35,821,658
Allstream Centre building improvements, bearing interest at 2.375%, due on January 29, 2030	1,644,777	1,731,627
Trigeneration, bearing interest at 5%, due on December 31, 2032	2,903,558	2,851,593
Trigeneration, bearing interest at 2.34%, due on July 31, 2017	322,500	430,000
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5%, due on October 1, 2030	288,478	294,853
Five Exhibition Buildings improvement retrofit, bearing interest at 5%, due on December 31, 2016	172,967	285,629
Five Exhibition Buildings improvement retrofit, bearing interest at an average rate of 2.56%, due on December 31, 2018	197,129	249,713
DEC Halls lighting retrofit, bearing interest at 5%, due on December 31, 2016	127,512	187,635
DEC Halls lighting retrofit, bearing interest at 2.51%, due on December 31, 2017	53,536	71,382
Boiler replacements and various lighting retrofit, bearing interest at 4.5%, due on December 31, 2037	774,965	777,596
Boiler replacements and various lighting retrofit, bearing interest at 2.0%, due on December 31, 2021	151,264	175,139
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	537,078	559,519
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	538,450	598,635
District Energy project, bearing interest at 5%, due on January 1, 2025	3,026,931	284,000
DEC Halls LED lighting retrofit, bearing interest at 4.10%, due on October 1, 2025	50,090	-
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06%, due on January 3, 2017	210,081	285,717
	<u>45,879,077</u>	<u>44,604,696</u>

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

	\$
2015	1,387,614
2016	2,026,576
2017	1,995,551
2018	2,053,311
2019	2,110,883
Thereafter	36,305,142
	<u>45,879,077</u>

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

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, 2014 was \$83,502 (2013 - \$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, 2014 was \$nil (2013 - \$nil).

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, 2014 was \$1,414,987 (2013 - \$3,156,187).

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 \$109,180 (2013 - \$620,407).

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, 2014 was \$400,000 (2013 - \$741,264).

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

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, liquidity risk, market risk, foreign currency 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, 2014, two customers have a balance greater than 10% of the Board's trade accounts receivable balance (2013 - two customers).

At December 31, 2014, the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over
	\$	\$	\$	120 days
				\$
Accounts receivable	3,453,294	1,089,688	158,329	402,274

Management believes the Board's credit risk is low.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

- 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 - trade	6,334,207	137,743	267,545	-	6,739,495
Loans payable	617,801	769,813	8,186,321	36,305,142	45,879,077
	<u>6,952,008</u>	<u>907,556</u>	<u>8,453,866</u>	<u>36,305,142</u>	<u>52,618,572</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 2014 expired on or before December 31, 2014.

- 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 3). 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, 2014 is \$5,547,437 (2013 - \$4,663,463).

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

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 Expenses by object

	2014	2013
	Actual \$	Actual \$
Salaries and benefits	29,836,986	28,920,496
Trade labour recoveries	(12,479,630)	(11,209,641)
Net salary and benefits	17,357,356	17,710,855
Direct overhead and event/tenant labour costs	12,479,630	11,209,641
Utilities	2,599,844	2,606,363
Supplies and equipment	494,062	948,050
Contribution to reserve funds	1,800,464	2,323,811
Amortization of ERP, equipment and building improvements	2,572,778	2,592,295
Interest	2,102,468	2,144,817
Other indirect costs and recoverable services	6,756,126	14,867,128
	<u>46,162,728</u>	<u>54,402,960</u>

14 BMO Field Management Agreement

As approved by City Council on April 1, 2014 in relation to the renovation and expansion of BMO Field, the Board and MLSE approved an amendment to their management agreement on July 4, 2014 to reflect changes in the terms and working framework of MLSE in their management of the day-to-day operations of BMO Field. The term of the management agreement has been extended to December 31, 2037 and has given MLSE more autonomy in managing the day-to-day operations. Commencing on January 1, 2014 and throughout the remaining term of the agreement, the Board will no longer share in the profit of BMO Field, but rather will receive a guaranteed commission. In 2014, this commission amounted to \$450,000, which is included as revenue in the schedule of operations for Exhibition Place (Schedule 1). As a result of these changes, the Board is no longer recording the operations of BMO Field for the current year. The Board's 2014 budget, including BMO Field, was approved by City Council prior to the management agreement being amended; therefore, BMO Field's budget has been included in the Board's 2014 budgeted figures.

Board of Governors of Exhibition Place

Schedule 1

Schedule of Operations - Exhibition Place

For the year ended December 31, 2014

	<u>2014</u>	<u>2013</u>	
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Parking	6,277,842	7,300,697	6,959,538
Building rentals and concessions	7,285,134	7,653,089	7,266,601
Sales of services	2,783,768	7,976,246	7,795,868
Discounts, commissions, incentives, other income and realty tax recoveries	2,034,775	2,740,138	2,727,009
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	500,000	621,193	1,633,678
Naming rights	520,000	367,056	456,275
	<u>19,401,519</u>	<u>26,658,419</u>	<u>26,838,969</u>
Expenses			
Maintenance, cleaning and security	12,309,188	15,578,689	16,396,380
Utilities	2,630,677	2,516,620	2,103,010
Cost of services	2,299,455	3,589,952	3,656,306
Administration	5,324,454	5,007,934	5,625,121
Parking attendants' wages and sundry costs	2,275,070	2,998,120	2,476,996
Amortization of energy retrofit assets and equipment	630,922	630,922	630,921
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	468,000	332,209	387,870
City of Toronto Fleet Reserve Fund	329,780	329,780	329,780
Interest	309,106	332,737	328,216
	<u>26,576,652</u>	<u>31,316,963</u>	<u>31,934,600</u>
Deficit before the following	(7,175,133)	(4,658,544)	(5,095,631)
Sick leave benefits recovery	-	129,202	191,191
Deficit for the year	<u>(7,175,133)</u>	<u>(4,529,342)</u>	<u>(4,904,440)</u>

Board of Governors of Exhibition Place

Schedule 2

Schedule of Operations - Direct Energy Centre

For the year ended December 31, 2014

	<u>2014</u>	<u>2013</u>	
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Building rentals	7,550,000	7,266,740	7,020,114
Services	5,846,406	5,324,958	5,114,049
Catering commissions	770,000	642,439	725,739
Naming rights	700,000	700,000	700,000
Advertising, sponsorship, interest and recoveries	527,784	620,586	610,016
	<u>15,394,190</u>	<u>14,554,723</u>	<u>14,169,918</u>
Expenses			
Administration	4,089,987	4,171,871	4,016,032
Cost of services	3,173,168	3,065,283	2,730,473
Maintenance, cleaning and security	504,796	610,992	441,322
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	675,000	689,400	690,000
	<u>8,442,951</u>	<u>8,537,546</u>	<u>7,877,827</u>
Surplus for the year	<u>6,951,239</u>	<u>6,017,177</u>	<u>6,292,091</u>

Board of Governors of Exhibition Place

Schedule 3

Schedule of Operations - Allstream Centre

For the year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>
	\$	\$
	(Unaudited)	<u>Actual</u>
		\$
Revenue		
Building rentals	1,200,000	926,532
Services	1,030,615	952,134
Catering commissions	1,016,894	700,937
Parking	160,000	120,522
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	1,966,536	1,845,143
	<u>5,374,045</u>	<u>4,545,268</u>
		<u>5,124,581</u>
Expenses		
Amortization of building improvements and equipment	1,027,882	1,941,856
Interest	1,769,731	1,769,731
Administration	1,222,564	1,315,133
Cost of services	797,290	725,240
Utilities	285,000	251,900
Maintenance, cleaning and security	271,578	433,562
	<u>5,374,045</u>	<u>6,437,422</u>
		<u>6,087,340</u>
Deficit for the year	<u>-</u>	<u>(1,892,154)</u>
		<u>(962,759)</u>