



ACTION REQUIRED

2015 Audited Consolidated Financial Statements and Audit Results for The Board of Governors of Exhibition Place

Date:	June 16, 2016
To:	Audit Committee
From:	Dianne Young Chief Executive Officer, Exhibition Place
Wards:	NA
Reason for Confidential Information	

SUMMARY

This report presents for the information of the Audit Committee and City Council the Audited Consolidated Financial Statements, attached as Appendix A, and the Audit Results, attached as Appendix B, for the Board of Governors of Exhibition Place (the "Board") for the year ended December 31, 2015.

The financial statements reflect the consolidated financial position of Exhibition Place as at December 31, 2015. The auditor of record for Exhibition Place, PricewaterhouseCoopers LLP (PWC), audited the financial statements in accordance with Canadian public sector accounting standards. The financial position includes results of the operations for Enercare Centre, Exhibition Place and Allstream Centre.

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, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The consolidated Operating Budget for Exhibition Place is set on a cash basis as per the City directive. The 2015 consolidated net profit on a cash basis which will be transferred to the City is \$495,931 compared to an approved budgeted net income of \$252,308, for a favorable variance of \$243,623 or an achievement of 196.5%.

In accordance with the decision of City Council in December 2007, any surplus over the budget target is to be deposited in the Exhibition Place Conference Centre Reserve Fund ("CCRF") to be held by the City of Toronto to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations for the purpose of guaranteeing the loan of \$35.6M (\$38.675M with accrued interest on cash advances during construction) from the City of Toronto for the renovations of the Conference Centre.

RECOMMENDATION

It is recommended that the Audit Committee and City Council receive the 2015 Audit Results and Financial Statements for the Board.

Financial Impact

There are no financial implications to this report.

DECISION HISTORY

Audited consolidated financial statements for Exhibition Place are required to be submitted on an annual basis to the Finance & Audit Committee, the Board, City of Toronto Audit Committee, and ultimately to City Council.

At its meeting of December 2007, City Council approved of a recommendation to deposit any annual surplus over budget into the Exhibition Place Conference Centre Reserve Account to provide a source of funding for any cash shortfalls with respect to Allstream Centre loan repayment.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2007.EX4.2>

On November 5, 2012, City Council approved of a recommendation to expand the purpose of the Exhibition Place Conference Centre Reserve Fund to provide a source of funding for both Allstream Centre loan repayments and also maintaining Direct Energy Centre and Allstream Centre in a state of good repair.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX24.19>

At its meeting on October 8, 2013 City Council recommended that Exhibition Place use its funds from the Conference Centre reserve to fund the cost for the disposal of pre-existing contaminated soil dating from the early 1900's which expenditures are keeping with the terms of the lease agreement between Exhibition Place and Princes Gates Hotel LLP. As well City Council recommended that Exhibition Place will arrange to replenish back this fund from any operating surplus.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX34.24>

At its meeting of June 10, 2016, the Board approved Report No. 3 dated May 13, 2016 for the 2015 Consolidated Financial Statements for the Board of Governors of Exhibition Place.

<http://www.explace.on.ca/database/rte/files/Item%203-2015%20Financial%20Statements%20combined.pdf>

ISSUE BACKGROUND

Audited consolidated financial statements for Exhibition Place are required to be submitted on an annual basis to the Finance & Audit Committee, the Board, City of Toronto Audit Committee, and ultimately to City Council.

The Exhibition Place Finance Department 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 Enercare Centre, Exhibition Place and Allstream Centre for the year ended December 31, 2015.

COMMENTS

The auditor of record for Exhibition Place, PWC, audited the statements in accordance with Canadian public sector accounting standards. These standards required that the audit is planned and carried out to provide an opinion that the consolidated financial statements presents fairly, in all material respects, the financial position of the Board as at December 31, 2015 and the results of its operations, changes in its net debt and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

The audit also examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used, significant estimates made by management, as well as evaluating the overall financial statement presentation. The consolidated financial statements contains an auditor's report that states the opinion of PWC that the financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2015 and the results of its operations for the year then ended.

Operating Results for 2015

The Consolidated Statement of Operations indicates on an accrual basis net profit (loss) for the year ended December 31, 2015 of (\$272,836) (2014 - \$404,319) and a net profit of \$495,931 (2014 - \$156,512) on a cash basis. The consolidated Operating Budget for Exhibition Place is set on a cash basis per the City directive; the approved budget amount for 2015 was a net income of \$252,308.

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

	Net Income (Loss)		Transfer Payable to City -	
	Accrual Basis		Net Income (Loss)	
	Cash Basis			
	2015	2014	2015	2014
	\$	\$	\$	\$
Exhibition Place (<i>schedule 1</i>)	(7,273,154)	(4,529,342)	(7,359,320)	(4,882,486)
Enercare Centre (<i>schedule 2</i>)	9,497,005	6,017,177	9,497,005	6,017,177
Allstream Centre (<i>schedule 3</i>)	(2,496,687)	(1,892,154)	(1,641,754)	(978,179)
Net Income	(272,836)	(404,319)	495,931	156,512

The 2015 consolidated net profit on a cash basis is \$495,931 (2014 -\$156,512) compared to a budgeted net income of \$252,308 for a favorable variance of \$243,623 or an achievement of 196.5%.

A brief discussion of each program operations follows:

Exhibition Place (Schedule 1 of Auditors' Report)

Net Operating Loss for Exhibition Place on a cash basis for the year ended December 31, 2015 was (\$7,359,320) compared to a budgeted loss of (\$8,507,688) for a favourable variance of \$1,148,368

	2015	2015	2015
	Actual	Budget	Variance
	\$	\$	\$
Revenue	29,094,016	20,072,427	9,021,589
Expenses	(36,453,336)	(28,580,115)	(7,873,221)
Income (loss) before the following [cash basis]	(7,359,320)	(8,507,688)	1,148,368
Employee benefits (expense) recovery	19,418	-	(19,418)
Vacation (pay) recovery	(17,747)	-	17,747
Amortization of equipment	(43,314)	-	43,314
Net step-up lease and other	127,809	-	(127,809)
Net Income (Loss)	(7,273,154)	(8,507,688)	1,062,202

Revenues/Expenses

- Parking revenues at \$7,603,391 is favourable to budget by \$913,607 with a corresponding increase in parking expenses/rebates of \$526,953 for a net favourable variance of \$386,654. This is primarily due to lower than budgeted net revenue from Toronto 2015 Pan Am games, Boat Show, Bridal Show, CRFA, Ooak Spring Show, Sportsmen's Show, Canada Blooms – National Home Show, Green Living Show and CHIN Picnic offset by additional parking revenue from tenants and Ontario Place events.
- Net tenant event services income of \$257,264 is favourable to budget by \$34,197 primarily due to higher than budgeted show services income from tenants.
- Indirect departmental expenses at \$17,379,025 are favourable to budget by \$1,099,506 primarily due to lower utilities due to the energy savings initiatives and lower operational maintenance costs.
- Program recoveries at \$312,525 is unfavourable to budget by (\$54,337) primarily due to BMO Field and Ricoh Coliseum recoveries at a lower level of labor services provided.
- Rental income from events at \$916,542 is favourable to budget by \$150,634 primarily due to new unbudgeted events from Exhibition Place events such as the Indoor Winter Carnival, Antique Show & Vintage Clothing, BMO Field Hospitality event, offset by Chin Picnic not returning.

Energicare Centre (Schedule 2 of Auditors' Report)

Net Operating Income for Energicare Centre on a cash basis for the year ended December 31, 2015 was \$9,497,005 compared to a budget net operating income of \$9,074,096 for a favourable variance of \$422,909.

Enercare Centre	2015	2015	2015
	Actual	Budget	Variance
	\$	\$	\$
Revenue	20,781,355	20,801,704	(20,349)
Expenses	(11,284,350)	(11,727,608)	443,258
Net Income (Loss)	9,497,005	9,074,096	422,909

Revenues/Expenses

- Rental income from events at \$10,780,940 is favourable to budget by \$560,007 primarily due to higher than budgeted rental income from the Boat Show, Toronto 2015 Pan Am games and favourable variance from new events offset by lower than budgeted rent from Green Living Show and Fall Bridal Show not returning.
- Food & Beverage concessions of \$1,158,593 are favourable to budget by \$275,793 primarily due to lower than budgeted food and beverage revenue from the Boat Show, Sportsmen's Show, SIAL, Green Living Show and Fall Bridal Show not returning offset by a favourable variance from unbudgeted new events and higher than budgeted concessions from Toronto 2015 Pan Am games.
- Net show services income from third-party billings at \$1,235,537 are unfavorable to budget by (\$128,933). This is primarily due to higher than budgeted net show services income from Canada Blooms – National Home Show, One of a Kind (OOAK) Spring Show and from timing of unbudgeted new events offset by lower than budgeted show services income from CRFA Show, Toronto 2015 Pan Am games, as well as lower than budgeted revenue from Green Living Show, CHIN Picnic, Sportsmen's Show and Fall Bridal Show not returning.
- Advertising, sponsorship, interest and recoveries within the Enercare Centre at \$550,575 is unfavourable to budget by (\$51,071) primarily due to lower than budgeted sponsorship monies from Ricoh as the agreement was not extended past February 2015 offset by higher than budgeted interest income.

Allstream Centre (Schedule 3 of Auditors' Report)

Net Operating Profit (loss) for the Allstream Centre before interest on the City loan, amortization of building and contribution from naming fees is \$350,356 compared to a budget profit of \$438,179 for an unfavourable variance of (\$87,823). The Allstream Centre commenced operations October 19, 2009. Since, there is little prior year history; the rental budget was based on the pro-forma information presented to the City prior to opening.

Allstream Centre			
	2015	2015	2015
	Actual	Budget	Variance
	\$	\$	\$
Building Rental	1,067,918	1,211,400	(143,482)
Net Show Services, Food and Beverage Commission and Parking	1,235,724	1,223,684	12,040
Sub-total - Event Income	2,303,642	2,435,084	(131,442)
Departmental; Overhead Expenses	(1,953,286)	(1,996,905)	43,619
Net Profit (Loss) before Naming Fees, Interest and Amortization	350,356	438,179	(87,823)
Naming Fees Revenue	805,476	980,293	(174,817)
Contribution from (to) Conference Reserve Fund - Cash Shortfall	-	1,065,014	(1,065,014)
Net Profit (Loss) before Interest and Amortization	1,155,832	2,483,486	(1,327,654)
Interest Expenses	(1,720,555)	(1,720,555)	-
Loan Principal Repayments	-	(1,077,031)	1,077,031
Net Profit (Loss) before Amortization	(564,723)	(314,100)	(250,623)
Amortization	(1,931,964)	-	(1,931,964)
Net Income (Loss) per Financial Statements	(2,496,687)	(314,100)	(2,182,587)

Revenues and Expenses

- Building rental income at \$1,067,918 is unfavourable to budget by (\$143,482) primarily due to lower than budgeted rent from Cerise contracted events. Rental income has grown over 2014 by \$141,386 or 13%.
- Food & Beverage concessions of \$714,917 are unfavourable to budget by (\$96,128) primarily due to lower than budgeted food and beverage provider Cerise contracted events. Food & Beverage revenue in 2015 is consistent with 2014 revenue level growing marginally by \$13,979.
- Show services from third party billings at \$1,182,543 are favourable to budget by \$282,543 with corresponding increase in related show expenses of \$255,709 for a net favourable variance of \$26,834.
- Departmental overhead expenses at \$1,953,286 are favourable to budget by \$43,619 primarily due to lower utilities from the energy savings initiatives offset by higher PMD show costs and maintenance costs. Indirect expenses include costs from various departments. These costs are Marketing, Event Services, Security, Concierge, Finance, Cleaning and Décor, House Technician, Operations, Utilities and wages & materials for base building upkeep and general maintenance of the buildings. .
- Interest cost of \$1,720,555 and amortization cost of \$1,931,964 (are non-cash items) is related to the City loan financing and capitalization of asset for the new Allstream Centre building. Interest cost is reported on the accrual basis including the interest accrued on advances made by the City during the period of construction, under the loan agreement with the City and as per City Council directive actual loan repayment to the City commenced on November 1, 2010.

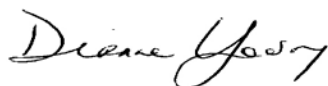
Settlement with the City of Toronto

As in prior years, various adjustments have to be made to the reported consolidated 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:

	2015	2014
	Actual	Actual
	\$	\$
Net Income (Loss) per Financial Statements	(272,836)	(404,319)
Net change of Non - Cash Conference Centre Deficit	854,933	913,974
Amortization	43,314	43,332
(Purchase) disposal of Equipment	-	22,248
Employee Benefits	(1,671)	(129,202)
Net Step-up and Other	(127,809)	(289,521)
Transfer Payable to City - Cash Basis Net Income (Loss)	495,931	156,512

CONTACT

Dianne Young
Chief Executive Officer/Exhibition Place
Tel: 416-263-3611
Fax: 416-263-3690
E-mail: dyoung@explace.on.ca



Dianne Young
Chief Executive Officer

ATTACHMENTS

Appendix “A” Audited Consolidated Financial Statements for the Board – December 31, 2015
Appendix “B” Audit Results for the Board - December 31, 2015

APPENDIX A

APPENDIX B