

Board of Governors of Exhibition Place

Financial Statements
December 31, 2016



June 1, 2017

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, 2016 and the statements of operations and accumulated deficit, changes in net debt and cash flows, and schedules of operations for the year 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**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, 2016 and the results of its operations, its remeasurement gains and losses, changes in its net debt and its cash flow, 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, 2016

	2016 \$	2015 \$
Financial Assets		
Cash	4,422,208	5,899,703
Accounts receivable		
Trade	5,972,964	6,842,408
City of Toronto	1,329,185	2,355,356
Receivable from the City of Toronto (note 3(a))	6,921,707	7,174,052
	<u>18,646,064</u>	<u>22,271,519</u>
Liabilities		
Accounts payable and accrued liabilities		
Trade	6,883,719	8,810,228
City of Toronto	465,025	544,493
Employee future benefits payable (note 7)	8,435,224	8,576,026
Payable to conference centre reserve fund (note 9)	1,862,870	809,811
Deferred revenue and contributions	4,549,496	7,356,142
Loans payable (note 8)	45,009,613	46,544,124
Other liabilities	237,743	313,208
Government assistance	1,084,699	1,216,311
	<u>68,528,389</u>	<u>74,170,343</u>
Net debt	<u>(49,882,325)</u>	<u>(51,898,824)</u>
Non-financial Assets		
Prepaid expenses and other	76,205	249,095
Step-up rent receivable (note 4)	2,603,199	2,691,401
Energy retrofit assets (note 5)	10,983,146	11,566,691
Building improvements (note 6)	29,013,983	30,989,267
	<u>42,676,533</u>	<u>45,496,454</u>
Accumulated conference centre deficit (note 12)	<u>(7,205,792)</u>	<u>(6,402,370)</u>
Contingencies (note 13)		

Approved by the Board of Governors

_____ 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, 2016

	<u>2016</u>		<u>2015</u>
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Exhibition Place (schedule 1)	20,790,375	29,898,381	29,221,825
Energcare Centre (schedule 2)	14,886,064	14,493,035	20,781,355
Allstream Centre (schedule 3)	5,743,782	5,652,389	4,161,203
	<u>41,420,221</u>	<u>50,043,805</u>	<u>54,164,383</u>
Expenses (note 14)			
Exhibition Place (schedule 1)	27,350,758	33,642,905	36,494,979
Energcare Centre (schedule 2)	8,168,681	8,182,106	11,284,350
Allstream Centre (schedule 3)	5,743,782	7,220,895	6,657,890
	<u>41,263,221</u>	<u>49,045,906</u>	<u>54,437,219</u>
Surplus (deficit) before the following	157,000	997,899	(272,836)
Transfer to the City of Toronto		(1,862,870)	(495,931)
Increase (decrease) in amounts to be recovered from the City of Toronto		<u>61,549</u>	<u>(86,166)</u>
Deficit for the year		(803,422)	(854,933)
Accumulated conference centre deficit - Beginning of year		<u>(6,402,370)</u>	<u>(5,547,437)</u>
Accumulated conference centre deficit - End of year		<u>(7,205,792)</u>	<u>(6,402,370)</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, 2016

	2016 \$	2015 \$
Operating transactions		
Deficit for the year	(803,422)	(854,933)
Tangible capital asset activities		
Purchase of energy retrofit assets	(255,120)	(2,023,490)
Amortization of energy retrofit assets	838,665	587,589
Amortization of building improvements and equipment	1,975,284	1,975,296
	2,558,829	539,395
Other non-financial activities		
Prepaid expenses and other	172,890	(67,357)
Accretion of step-up rent receivable	88,202	63,430
	261,092	(3,927)
(Increase) decrease in net debt during the year	2,016,499	(319,465)
Net debt - Beginning of year	(51,898,824)	(51,579,359)
Net debt - End of year	(49,882,325)	(51,898,824)

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, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Deficit for the year	(803,422)	(854,933)
Add (deduct): Non-cash items		
Employee future benefits expense	(140,802)	(19,418)
Amortization of energy retrofit assets	838,665	587,589
Amortization of building improvements and equipment	1,975,284	1,975,296
Government assistance	(131,612)	(143,287)
Accretion of step-up rent receivable	88,202	63,430
Interest accrued on loans payable	2,080,079	2,033,916
	3,906,394	3,642,593
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	869,444	(1,738,823)
Accounts receivable from the City of Toronto	1,026,171	2,732,906
Receivable due from the City of Toronto	252,345	236,967
Prepaid expenses and other	172,890	(67,357)
Trade accounts payable and accrued liabilities	(1,926,509)	2,070,733
Accounts payable and accrued liabilities due to the City of Toronto	(79,468)	292,812
Deferred revenue and contributions	(2,806,646)	(247,774)
Other long-term liabilities	(75,465)	(40,350)
Payable to conference centre reserve fund	1,053,059	188,618
	2,392,215	7,070,325
Capital activities		
Purchase of energy retrofit assets	(255,120)	(2,023,490)
Financing activities		
Repayments of loans payable	(3,614,590)	(3,597,479)
Increase in loans payable	-	228,610
	(3,614,590)	(1,368,869)
Increase (decrease) in cash during the year	(1,477,495)	3,677,966
Cash - Beginning of year	5,899,703	2,221,737
Cash - End of year	4,422,208	5,899,703
Non-cash transactions		
Loan payable for purchase of energy retrofit assets	-	2,023,490

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

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

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), Enercare Centre (schedule 2) and Allstream Centre (schedule 3).

Effective August 1, 2009, the Board entered into a ten-year naming right sponsorship agreement with MTS Allstream for the Allstream Centre (schedule 3). In February 2015, Allstream executed its right of termination of the Naming Rights Sponsorship agreement. Effective March 1, 2017, the Board entered into a ten-year naming right sponsorship agreement with Beanfield Technologies Inc. for the Beanfield Centre (schedule 3).

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 and rent, and is recognized at the point of sale or when the service has been provided.

Agreements are entered into with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to Exhibition Place, Enercare Centre 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. Revenue is recognized on a straight-line basis over the term of the agreement.

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

December 31, 2016

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 is amortized into income on the same basis as the capital asset to which the funds relate. 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
LED lighting and conservation/demand management	15 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

Employee benefit plans

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

- The Board contributes to a multi-employer defined benefit pension plan with the City and Ontario Municipal Employees Retirement System (OMERS) and contributions are expensed when 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 pro-rated on service and management's best estimate of retirement ages of employees, salary escalation and expected health-care costs.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

- 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.

Liability for contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when: the Board is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. The estimated liability includes costs directly attributable to the remediation, containment or mitigation activities and cost of post-remediation maintenance and monitoring in order to bring the site up to its current minimum standard for its use just prior to contamination. The cost of remediation is calculated based on the best available information and is reviewed and revised on an annual basis.

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, loans payable, payable to conference centre reserve fund and other liabilities. It measures its financial assets and financial 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.

Budgeted figures

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

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

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 on exchange amount.

- a) The Board has a long-term, non-interest bearing receivable from the City, which relates to the funding of the following items:

	2016 \$	2015 \$
Employee future benefits payable	8,435,224	8,576,026
Vacation and lieu time	712,835	689,984
Less: Net book value of certain equipment	(332,224)	(542,214)
Other	134,841	557,081
	<hr/>	<hr/>
Receivable from the City before the following	8,950,676	9,280,877
Less: Net step-up rent receivable on certain buildings and signage	(2,028,969)	(2,106,825)
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Receivable from the City	6,921,707	7,174,052

- b) 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).
- c) 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 \$449,479 (2015 - \$449,479) 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, 2016

5 Energy retrofit assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration project	4,400,000	2,122,083	2,277,917
DEC Halls lighting retrofit project	800,000	562,129	237,871
Five Exhibition Buildings improvement project	1,500,365	883,044	617,321
Photovoltaic Horse Palace project	1,100,000	550,000	550,000
Boiler replacements and various and lighting retrofit projects	955,000	358,125	596,875
Back pressure steam turbine and LED pathway lighting projects	1,345,000	336,250	1,008,750
District Energy System project	4,500,000	225,000	4,275,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	221,160	663,479
LED lighting and conservation/demand management	782,000	26,067	755,933
	16,267,004	5,283,858	10,983,146
	2015		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration project	4,400,000	1,902,074	2,497,926
DEC Halls lighting retrofit project	800,000	508,796	291,204
Five Exhibition Buildings improvement project	1,500,365	783,020	717,345
Photovoltaic Horse Palace project	1,100,000	495,000	605,000
Boiler replacements and various and lighting retrofit projects	955,000	310,375	644,625
Back pressure steam turbine and LED pathway lighting projects	1,345,000	269,000	1,076,000
District Energy System project	4,500,000	-	4,500,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	176,928	707,711
LED lighting and conservation/demand management	526,880	-	526,880
	16,011,884	4,445,193	11,566,691

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

6 Building improvements and equipment

	2016		
	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	3,572,444	1,347,871
Allstream Centre building improvements	38,764,844	11,098,732	27,666,112
	44,547,280	15,533,297	29,013,983
	2015		
	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	3,147,732	1,772,583
Allstream Centre building improvements	38,764,844	9,548,160	29,216,684
	44,547,280	13,558,013	30,989,267

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 \$981,780 (2015 - \$976,017) 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 the 26-week duration are covered under the Board's long-term disability plan.

Under the former sick leave benefit plan, for unionized employees, employees were credited with a maximum of 18 sick days per annum. Previously unused sick leave could accumulate and employees would become eligible for a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they left the Board's employment. Effective February 28, 2008, employees are unable to accumulate unused sick leave credits.

Board of Governors of Exhibition Place

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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:

	2016 \$	2015 \$
Accrued benefit obligation	6,302,187	6,378,405
Net unamortized actuarial gains	2,133,037	2,197,621
	<hr/>	<hr/>
Total employee future benefits payable	8,435,224	8,576,026

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

	2016 \$	2015 \$
Sick leave	1,209,520	1,272,394
WSIB	1,786,050	1,860,701
Other post-employment and post-retirement benefits	3,306,617	3,245,310
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	6,302,187	6,378,405

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

	2016 \$	2015 \$
Balance - Beginning of year	6,378,405	7,626,057
Current service cost	248,659	300,317
Plan amendment/service cost	74,998	-
Interest cost	201,211	240,875
Benefits paid	(513,233)	(511,208)
Actuarial gain	(87,853)	(1,277,636)
	<hr/>	<hr/>
Total accrued benefit obligation	6,302,187	6,378,405

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

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

	2016 \$	2015 \$
Current service cost	248,659	300,317
Plan amendment/service cost	74,988	-
Interest cost	201,211	240,875
Amortization of net actuarial gain	(152,437)	(49,402)
	<u>372,421</u>	<u>491,790</u>

- d) There was \$nil (2015 - \$71,755) in cash payments made in 2016 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, 2015. The next actuarial valuation is expected to be completed in 2018.
- f) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employee future benefits are as follows:

	2016 %	2015 %
Discount rate		
Sick leave	3.10	2.90
Post-employment benefits	2.70	2.50
Post-retirement benefits	3.50	3.40
WSIB	3.10	2.90
Health-care inflation - hospital, dental care and other medical	3.00	3.00 - 6.00
Health-care inflation - drugs	6.00	6.00
Rate of compensation increase	3.00	3.00

The health-care rate for medical and drugs is assumed to be reduced to 4% by 2024.

- 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, 2016 amounted to \$1,127,128 (2015 - \$1,145,217) 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 2016 amounted to \$1,139,103 (2015 - \$1,388,523) and are included in the statement of operations and accumulated deficit.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

8 Loans payable

	2016 \$	2015 \$
Loans payable to the City		
Allstream Centre building improvements, \$36,764,844 loan 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	32,852,328	33,890,769
Trigeneration, \$2,325,000 loan bearing interest at 5%, due on December 31, 2032; fixed interest payments	3,007,745	2,955,605
Trigeneration, \$1,075,000 loan bearing interest at 2.34%, due on July 31, 2017	107,500	215,000
Photovoltaic Horse Palace, a non-interest bearing loan of \$600,000 discounted at an imputed interest rate of 5%, due on October 1, 2030	271,679	281,777
Five Exhibition Buildings improvement retrofit, \$827,859 loan bearing interest at 5%, due on December 31, 2016	-	53,648
Five Exhibition Buildings improvement retrofit, \$525,833 loan bearing interest at an average rate of 2.56%, due on December 31, 2018	91,963	144,546
DEC Halls lighting retrofit, \$525,833 loan bearing interest at 5%, due on December 31, 2016	-	63,935
DEC Halls lighting retrofit, \$544,425 loan bearing interest at 2.51%, due on December 31, 2017	17,845	35,691
Boiler replacements and various lighting retrofit, \$178,455 loan bearing interest at 4.5%, due on December 31, 2037	767,890	771,739
Boiler replacements and various lighting retrofit, \$238,750 loan bearing interest at 2.0%, due on December 31, 2021	103,514	127,389
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	488,709	513,494
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	408,726	475,199
District Energy project, \$4,500,000 loan bearing interest at 2.70%, due on January 31, 2026; fixed interest payments	4,661,461	4,538,855
DEC Halls LED lighting retrofit, \$782,000 loan bearing interest at 2.70%, due on October 1, 2025	720,884	790,842
Loan payable to Federation of Canadian Municipalities		
Allstream Centre building improvements, \$2,000,000 loan bearing interest at 2.375%, due on January 29, 2030	1,464,808	1,555,844
Loan payable to Toronto Atmospheric Fund		
Trigeneration, \$1,000,000 loan bearing interest at 6.06% semi-annually, due on January 3, 2017	44,561	129,791
	<u>45,009,613</u>	<u>46,544,124</u>

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

	\$
2017	2,007,456
2018	2,055,534
2019	2,102,670
2020	2,193,121
2021	2,290,875
Thereafter	<u>34,359,957</u>
	<u>45,009,613</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, 2016 was \$879 (2015 - \$83,961).

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 Enercare 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, 2016 was \$3,441,322 (2015 - \$1,572,615).

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 Board contributed \$350,000 (2015 - \$350,000) in the year. The balance in the City of Toronto Fleet Reserve Fund is \$404,769 (2015 - \$346,772).

Equipment Reserve Fund

The purpose of this fund is to provide funding for acquiring or purchasing non-motorized portable equipment for the Board's operations. Annual funding promotes efficiencies and budget stabilization by moderating large fluctuations in the annual replacement of non-motorized portable equipment. The Board contributed \$200,000 (2015 - \$200,000) in the year. The balance in the Equipment Reserve Fund is \$400,000 (2015 - \$200,000).

Exhibition Place Green Space Renewal

The purpose of this fund is to hold funds for the re-conversion of the temporary parking to functional green space on the baseball diamond site at Exhibition Place. The Board contributed \$1,000,000 (2015 - \$nil) in the year. The balance in the Exhibition Place Green Space Renewal reserve is \$1,004,375 (2015 - \$nil).

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

10 Liability for contaminated sites

A liability for the remediation of a contaminated site is recognized when contamination of a property managed by the Board for which the Board has assumed responsibility for remediation is known to be in excess of an environmental standard. Where an environmental standard exists, it is expected that future economic benefits will be given up and the related remediation costs can be estimated.

The sources of contamination specific to individual sites may include hazardous and contaminated soil. Contamination was assessed primarily based on Phase I and Phase II Environmental Site Assessments under Ontario regulations. In addition, the Board considered a range of key risk factors for each site including potential or historical human habitation or operations, potential offsite contamination, potentially contaminating activities, areas of potential environmental concern and the contaminants of concern. Remediation means the improvement of a contaminated site to prevent, minimize or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that removes, destroys, contains or otherwise reduces availability of contaminants to receptors of concern.

Based on the available information as at December 31, 2016, one site on the Exhibition Place grounds was identified with known existing or potential contamination, and was determined to meet the recognition criteria. This site is not owned by the Board; however, the Board has accepted responsibility for remediation costs due to construction-in-progress for development of land on the grounds of Exhibition Place. Accordingly, the Board has recognized a liability.

The liability is based on minimum estimated costs for remediation of contamination to bring the site to the minimum acceptable environmental standards for its use just prior to contamination, in addition to ongoing monitoring and management of the site. As at December 31, 2016, complete remediation of the contamination has occurred; however, these costs have not fully been paid. As such, as at December 31, 2016, there remains a liability of \$51,954 (2015 - \$1,114,110) included in accounts payable and accrued liabilities.

11 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.

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Notes to Financial Statements

December 31, 2016

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, 2016, four customers have a balance greater than 10% of the Board's trade accounts receivable balance (2015 - two customers).

As at December 31, 2016, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	4,064,767	995,974	109,710	802,512

Management believes the Board's credit risk is low.

- 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 -	6,415,849	257,475	210,395	-	6,883,719
Other liabilities	-	79,238	158,505	-	237,743
Loans payable	681,469	1,325,987	8,642,200	34,359,957	45,009,613
	7,097,318	1,662,700	9,011,100	34,359,957	52,131,075

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

- 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 2016 expired on or before December 31, 2016.

- 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.

12 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, 2016 is \$7,205,792 (2015 - \$6,402,370).

13 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.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

14 Expenses by object

	Actual	
	2016	2015
	\$	\$
Salaries and benefits	30,819,335	33,743,199
Trade labour recoveries	(13,128,757)	(15,170,672)
Net salary and benefits	17,690,578	18,572,527
Direct overhead and event/tenant labour costs	13,128,757	15,170,672
Utilities	2,573,740	2,764,335
Supplies and equipment	303,897	590,420
Contribution to reserve funds	2,102,013	1,854,955
Amortization of energy retrofit assets, building improvements and equipment	2,813,970	2,562,885
Interest	2,080,078	2,033,916
Other indirect costs and recoverable services	8,352,873	10,887,509
	49,045,906	54,437,219

Board of Governors of Exhibition Place

Schedule 1

Schedule of Operations - Exhibition Place

For the year ended December 31, 2016

	2016		2015
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Parking	7,293,925	8,084,271	7,603,391
Building rentals and concessions	7,690,499	8,526,973	7,742,899
Sales of services	2,963,600	10,151,870	10,174,207
Discounts, commissions, incentives, other income and realty tax recoveries	2,567,351	2,719,410	2,940,342
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	-	-	345,129
Naming rights	275,000	415,857	415,857
	<u>20,790,375</u>	<u>29,898,381</u>	<u>29,221,825</u>
Expenses			
Maintenance, cleaning and security	11,803,877	14,737,859	17,749,734
Utilities	2,323,917	2,272,526	2,499,079
Cost of services	2,318,416	5,511,876	5,635,294
Administration	6,165,243	5,730,904	5,530,001
Parking attendants' wages and sundry costs	2,595,043	3,275,187	3,202,393
Amortization of energy retrofit assets and equipment	810,923	881,988	630,931
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	247,500	389,440	385,857
City of Toronto Fleet Reserve Fund	550,000	550,000	550,000
Interest	535,839	411,076	313,361
	<u>27,350,758</u>	<u>33,760,856</u>	<u>36,496,650</u>
Deficit before the following	(6,560,383)	(3,862,475)	(7,274,825)
Sick leave benefits recovery	-	117,951	1,671
Deficit for the year	<u>(6,560,383)</u>	<u>(3,744,524)</u>	<u>(7,273,154)</u>

Board of Governors of Exhibition Place

Schedule 2

Schedule of Operations - Enercare Centre

For the year ended December 31, 2016

	<u>2016</u>		<u>2015</u>
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Building rentals	8,278,233	8,228,293	10,780,940
Services	4,614,135	4,394,435	7,591,247
Catering commissions	764,213	645,669	1,158,593
Naming rights	750,000	750,000	700,000
Advertising, sponsorship, interest and recoveries	479,483	474,638	550,575
	<u>14,886,064</u>	<u>14,493,035</u>	<u>20,781,355</u>
Expenses			
Administration	4,648,018	4,350,687	4,795,357
Cost of services	2,169,662	2,459,530	5,024,840
Maintenance, cleaning and security	676,001	687,945	1,044,534
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	675,000	683,944	419,619
	<u>8,168,681</u>	<u>8,182,106</u>	<u>11,284,350</u>
Surplus for the year	<u>6,717,383</u>	<u>6,310,929</u>	<u>9,497,005</u>

Board of Governors of Exhibition Place

Schedule 3

Schedule of Operations - Allstream Centre

For the year ended December 31, 2016

	2016		2015
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Building rentals	1,352,830	1,443,102	1,067,918
Services	1,183,392	1,759,180	1,394,029
Catering commissions	835,376	1,152,160	714,917
Parking	122,826	245,413	178,863
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	2,249,358	1,052,534	805,476
	5,743,782	5,652,389	4,161,203
Expenses			
Amortization of building improvements and equipment	1,128,543	1,931,964	1,931,964
Interest	1,669,936	1,669,001	1,720,555
Administration	1,401,500	1,404,151	1,277,607
Cost of services	927,800	1,408,215	1,035,988
Utilities	275,710	301,214	265,256
Maintenance, cleaning and security	340,293	506,350	426,520
	5,743,782	7,220,895	6,657,890
Deficit for the year	-	(1,568,506)	(2,496,687)