

AU6.9a Attachment 2

Board of Governors of Exhibition Place

Financial Statements
December 31, 2019



Independent auditor's report

To the Members of Board of Governors of Exhibition Place

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Board of Governors of Exhibition Place (the Board) as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Board's financial statements comprise:

- the balance sheet as at December 31, 2019;
 - the statement of operations and accumulated deficit for the year then ended;
 - the statement of changes in net debt for the year then ended;
 - the statement of cash flows for the year then ended;
 - the notes to the financial statements, which include a summary of significant accounting policies; and
 - the schedules of operations for the year then ended.
-

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 24, 2020

Board of Governors of Exhibition Place

Balance Sheet

As at December 31, 2019

	2019 \$	2018 \$
Financial Assets		
Cash	3,513,777	4,504,663
Accounts receivable		
Trade	7,216,006	7,539,712
City of Toronto	2,678,082	3,668,519
Receivable from the City of Toronto (note 3(a))	6,834,032	7,020,947
	<u>20,241,897</u>	<u>22,733,841</u>
Liabilities		
Accounts payable and accrued liabilities		
Trade	9,618,185	8,975,932
City of Toronto	652,080	493,361
Employee future benefits payable (note 7)	8,077,077	8,032,360
Payable surplus to City of Toronto (note 9)	2,244,300	2,221,437
Deferred revenue and contributions	3,568,648	6,866,111
Loans payable (note 8)	39,919,139	41,645,543
Other liabilities	38,570	75,305
Government assistance	721,910	837,228
	<u>64,839,909</u>	<u>69,147,277</u>
Net debt	<u>(44,598,012)</u>	<u>(46,413,436)</u>
Non-financial Assets		
Prepaid expenses and other	43,780	414,795
Step-up rent receivable (note 4)	1,949,216	2,312,021
Energy retrofit assets (note 5)	8,388,977	9,253,700
Building improvements and equipment (note 6)	24,871,501	25,063,391
	<u>35,253,474</u>	<u>37,043,907</u>
Accumulated conference centre deficit (note 11)	<u>(9,344,538)</u>	<u>(9,369,529)</u>
Contingencies and commitments (note 12)		

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, 2019

	<u>2019</u>		<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue			
Exhibition Place (schedule 1)	30,714,637	36,142,652	31,598,499
Energicare Centre (schedule 2)	15,497,411	18,302,575	14,417,503
Beanfield Centre (schedule 3)	6,441,082	7,908,932	5,738,465
	<u>52,653,130</u>	<u>62,354,159</u>	<u>51,754,467</u>
Expenses (note 13)			
Exhibition Place (schedule 1)	36,841,313	40,285,524	35,395,768
Energicare Centre (schedule 2)	8,958,166	11,571,580	8,158,543
Beanfield Centre (schedule 3)	6,681,082	8,040,849	7,071,848
	<u>52,480,561</u>	<u>59,897,953</u>	<u>50,626,159</u>
Surplus before the following	172,569	2,456,206	1,128,308
Transfer to the City of Toronto	(172,569)	(2,244,300)	(2,221,437)
Increase in amounts to be recovered from the City of Toronto		<u>(186,915)</u>	<u>30,799</u>
Surplus (deficit) for the year		24,991	(1,062,330)
Accumulated conference centre deficit – Beginning of year		<u>(9,369,529)</u>	<u>(8,307,199)</u>
Accumulated conference centre deficit – End of year		<u>(9,344,538)</u>	<u>(9,369,529)</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, 2019

	2019 \$	2018 \$
Operating transactions		
Surplus (deficit) for the year	24,991	(1,062,330)
Tangible capital asset activities		
Purchase of building improvements and equipment	(1,726,537)	-
Amortization of energy retrofit assets	864,723	864,723
Amortization of building improvements and equipment	1,918,427	1,975,296
	1,056,613	2,840,019
Other non-financial activities		
Prepaid expenses and other	371,015	(364,539)
Accretion of step-up rent receivable	362,805	193,041
	733,820	(171,498)
Decrease in net debt during the year	1,815,424	1,606,191
Net debt – Beginning of year	(46,413,436)	(48,019,627)
Net debt – End of year	(44,598,012)	(46,413,436)

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Surplus (deficit) for the year	24,991	(1,062,330)
Add (deduct): Non-cash items		
Employee future benefits (expense)	44,717	(133,265)
Amortization of energy retrofit assets	864,723	864,723
Amortization of building improvements and equipment	1,918,427	1,975,296
Government assistance	(115,318)	(121,022)
Accretion of step-up rent receivable	362,805	193,041
	<hr/>	<hr/>
	3,100,345	1,716,443
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	323,706	(471,883)
Accounts receivable from the City of Toronto	990,437	356,660
Receivable due from the City of Toronto	186,915	(30,799)
Prepaid expenses and other	371,015	(364,539)
Trade accounts payable and accrued liabilities	347,488	(383,488)
Accounts payable and accrued liabilities due to the City of Toronto	158,719	(1,691,057)
Deferred revenue and contributions	(3,297,463)	813,863
Other long-term liabilities	(36,735)	(83,200)
Surplus payable to the City of Toronto	22,863	(19,245)
	<hr/>	<hr/>
	2,167,290	(157,245)
Investing activities		
Purchase of other equipment and furniture	(1,431,772)	-
Financing activities		
Repayments of loans payable	(1,726,404)	(1,697,439)
	<hr/>	<hr/>
Decrease in cash during the year	(990,886)	(1,854,684)
Cash – Beginning of year	4,504,663	6,359,347
	<hr/>	<hr/>
Cash – End of year	3,513,777	4,504,663
	<hr/>	<hr/>
Other equipment financed through payables	294,765	-

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

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

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 Beanfield Centre (schedule 3).

The Board is a municipal government entity under the Income Tax Act (Canada) 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.

The Board enters into agreements with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to Exhibition Place, Enercare Centre and Beanfield 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, space rental and service revenue from clients 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, 2019

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
Energare Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Palace project	20 years
Boiler replacements and various lighting retrofit projects	20 years
Back pressure steam turbine and LED pathway lighting projects	20 years
Horse Palace, East Annex Photovoltaic and multiple energy projects	20 years
District Energy System project	20 years
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	3 years
Electrical equipment	5 years
Other equipment and furniture	2 to 20 years
Beanfield 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 prorated 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, 2019

- 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, 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.

3 Related party balances and transactions

The Board is related to the City and its agencies, boards and commissions as the City has the 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.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

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

	2019 \$	2018 \$
Employee future benefits payable	8,077,077	8,032,360
Vacation and lieu time	662,209	705,076
Less: Net book value of certain equipment	(644,557)	(245,558)
Other	243,174	243,174
	<hr/>	<hr/>
Receivable from the City before the following	8,337,903	8,735,052
Less: Net step-up rent receivable on certain buildings and signage	(1,503,871)	(1,714,105)
	<hr/>	<hr/>
Receivable from the City	6,834,032	7,020,947

- 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 \$448,430 (2018 – \$458,498) 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 revenue over the term of the lease on a straight-line basis. The amount will be included in the statement of operations and accumulated deficit at various amounts over time up to fiscal 2061.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

5 Energy retrofit assets

	2019		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Trigeneration project	4,400,000	2,782,083	1,617,917
Enercare Halls lighting retrofit project	800,000	722,129	77,871
Five Exhibition Buildings improvement project	1,500,365	1,183,118	317,247
Photovoltaic Horse Palace project	1,100,000	715,000	385,000
Boiler replacements and various lighting retrofit projects	955,000	501,375	453,625
Back pressure steam turbine and LED pathway lighting projects	1,345,000	538,000	807,000
District Energy System project	4,500,000	900,000	3,600,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,640	353,856	530,784
LED lighting and conservation/demand management	782,000	182,467	599,533
	16,267,005	7,878,028	8,388,977
			2018
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Trigeneration project	4,400,000	2,562,083	1,837,917
Enercare Halls lighting retrofit project	800,000	668,796	131,204
Five Exhibition Buildings improvement project	1,500,365	1,083,093	417,272
Photovoltaic Horse Palace project	1,100,000	660,000	440,000
Boiler replacements and various lighting retrofit projects	955,000	453,625	501,375
Back pressure steam turbine and LED pathway lighting projects	1,345,000	470,750	874,250
District Energy System project	4,500,000	675,000	3,825,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,640	309,625	575,015
LED lighting and conservation/demand management	782,000	130,333	651,667
	16,267,005	7,013,305	9,253,700

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

6 Building improvements and equipment

	2019		
	Cost \$	Accumulated amortization \$	Net \$
Motor vehicles	261,634	261,634	-
Electrical equipment	59,366	59,366	-
Other equipment and furniture	6,646,852	4,789,686	1,857,166
Beanfield Centre building improvements	38,764,844	15,750,509	23,014,335
	<u>45,732,696</u>	<u>20,861,195</u>	<u>24,871,501</u>

	2018		
	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	4,421,838	498,477
Beanfield Centre building improvements	38,764,844	14,199,930	24,564,914
	<u>44,547,280</u>	<u>19,483,889</u>	<u>25,063,391</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 benefits premium paid during the year totalled \$1,110,025 (2018 – \$983,962) and is included in expenses on the statement of operations and accumulated deficit.

The Board has the following benefit plans:

Sick leave

The Board's non-union permanent and full-time renewable contract employees are eligible to participate in the Short Term Disability (STD) plan. A permanent employee who has completed six months of service will be entitled to receive STD benefits. A renewable full-time contract employee who has completed 12 months of service will be entitled to receive STD benefits.

Eligible permanent employees and eligible full-time renewable contract employees using sick days will be paid 100% of their regular earnings for the first day up to the 20th day, and 75% for absences on the 21st day and up to a maximum of 110 days per calendar year.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

If an eligible employee uses less than the 20 days STD allotment paid at 100% coverage, they can carry-over up to a maximum of 15 of the unused days at 100% coverage to the following year as top-up credits. Carry-over days will be converted at a 2 to 1 ratio, therefore 15 unused 100% STD days are equivalent to 30 top-up credits. Credits are deducted based on the employee shifts hours.

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 post-retirement.

The disclosures relating to these benefits are as follows:

	2019 \$	2018 \$
Defined benefit obligation	8,434,771	7,681,066
Net unamortized actuarial gains (losses)	(357,694)	351,294
Total employee future benefits payable	<u>8,077,077</u>	<u>8,032,360</u>

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

	2019 \$	2018 \$
Sick leave	1,021,733	1,108,160
WSIB	2,797,607	2,312,921
Other post-employment and post-retirement benefits	4,615,431	4,259,985
	<u>8,434,771</u>	<u>7,681,066</u>

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

	2019 \$	2018 \$
Balance – Beginning of year	7,681,066	6,870,327
Current service cost	605,320	295,088
Plan amendment/service cost	-	30,212
Interest cost	265,958	214,765
Benefits paid	(755,103)	(560,047)
Actuarial loss	637,530	830,721
Balance – End of year	<u>8,434,771</u>	<u>7,681,066</u>

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

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

	2019 \$	2018 \$
Current service cost	605,320	295,088
Plan amendment/service cost	-	30,212
Interest cost	265,958	214,765
Amortization of net actuarial gain	(71,458)	(113,283)
	<u>799,820</u>	<u>426,782</u>

- d) There was \$212,457 (2018 – \$206,860) in cash payments made in 2019 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, 2018. The next actuarial valuation is expected to be completed in 2021.
- f) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employee future benefits are as follows:

	2019 %	2018 %
Discount rate		
Sick leave	2.50	3.20
Post-employment benefits	2.40	3.10
Post-retirement benefits	2.70	3.40
WSIB	2.70	3.40
Health-care inflation – hospital, dental care and other medical	3.00 – 4.50	3.00 – 4.50
Health-care inflation – drugs	5.50	5.50
Rate of compensation increase	3.00	3.00

The health-care inflation rate for medical and drugs is assumed to be reduced from 5.50% to 3.57% by 2040.

- 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, 2019 amounted to \$1,149,650 (2018 – \$1,151,693) 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 2019 amounted to \$1,158,542 (2018 – \$986,781) and are included in the statement of operations and accumulated deficit.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

8 Loans payable

	2019 \$	2018 \$
Loans payable to the City		
Beanfield Centre building improvements, \$36,764,844 loan bearing interest at 5% and due on December 1, 2040 (formerly due October 1, 2035); interest owing on the loan was added to the principal until the first repayment date of December 1, 2010	30,525,085	31,338,974
Trigeneration, \$2,325,000 loan bearing interest at 5%, due on December 31, 2032	2,707,999	2,864,760
Photovoltaic Horse Palace, a non-interest bearing loan of \$600,000 discounted at an imputed interest rate of 5%, due on October 1, 2030	238,190	249,912
Boiler replacements and various lighting retrofit, \$716,250 loan bearing interest at 4.5%, due on December 31, 2037	752,320	758,211
Boiler replacements and various lighting retrofit, \$238,750 loan bearing interest at 2.0%, due on December 31, 2021	31,889	55,764
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	406,516	435,286
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	188,287	265,447
District Energy project, \$4,500,000 loan bearing interest at 2.70%, due on January 31, 2026	3,390,949	3,825,784
Enercare Halls LED lighting retrofit, \$782,000 loan bearing interest at 2.70%, due on October 1, 2025	499,519	575,282
Loan payable to Federation of Canadian Municipalities		
Beanfield Centre building improvements, \$2,000,000 loan bearing interest at 2.375%, due on January 29, 2030	1,178,385	1,276,123
	<u>39,919,139</u>	<u>41,645,543</u>

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

	\$
2020	1,785,472
2021	1,862,844
2022	1,873,368
2023	1,928,689
2024	2,009,424
Thereafter	30,459,342
	<u>39,919,139</u>

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

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. The Board earns interest on funds placed in these reserves and it is added to the reserve balance at year-end.

Capital Improvement Fund

The purpose of this fund is to assist in the financing of major capital costs related to all buildings at Exhibition Place. Contributions are no longer being made to this fund. The balance of the Capital Improvement Fund as at December 31, 2019 was \$1,165 (2018 – \$1,146).

Exhibition Place Conference Centre Reserve Fund

The purpose of this fund is to provide a source of funding, in the first instance, for any shortfalls in the loan payments to the City from Exhibition Place for the new conference centre, and in the second instance to support cash shortfalls with respect to capital funding required to maintain the Enercare Centre and the Beanfield Centre in a state of good repair. If Exhibition Place, excluding the Enercare Centre and the Beanfield Centre, achieves a surplus in excess of the budgeted surplus, the excess above budget is transferred into the fund. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2019 was \$9,693,515 (2018 – \$7,527,788).

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 \$375,000 (2018 – \$350,000) in the year. The balance in the City of Toronto Fleet Reserve Fund is \$619,844 (2018 – \$646,437).

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 (2018 – \$200,000) in the year. The balance in the Equipment Reserve Fund is \$426 (2018 – \$36,426).

Exhibition Place Green Space Renewal

The purpose of this fund is to hold funds for the re-conversion of the temporary parking into functional green space on the baseball diamond site at Exhibition Place. The Board contributed \$nil (2018 – \$nil) in the year. The balance in the Exhibition Place Green Space Renewal reserve is \$1,037,754 (2018 – \$1,020,893).

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

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, 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, 2019, five customers have a balance greater than 10% of the Board's trade accounts receivable balance (2018 – three customers).

As at December 31, 2019, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 90 days \$
Trade accounts receivable	3,992,969	786,651	486,086	1,950,300
City of Toronto	1,993,076	404,628	329	280,049
	<u>5,986,045</u>	<u>1,191,279</u>	<u>486,415</u>	<u>2,230,349</u>

Management believes the Board's credit risk is low.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

- 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. The following table presents the maturity analysis for the financial liabilities that shows the remaining contractual maturities:

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	7,601,539	1,427,922	588,724	-	9,618,185
City of Toronto Payable surplus to City of Toronto	652,080	-	-	-	652,080
Other liabilities	2,244,300	-	-	-	2,244,300
Loans payable	-	38,570	-	-	38,570
	968,081	817,391	7,674,325	30,459,342	39,919,139
	<u>11,466,000</u>	<u>2,283,883</u>	<u>8,263,049</u>	<u>30,459,342</u>	<u>52,472,274</u>

- Foreign currency risk

The Board has limited foreign currency risk with respect to its financial instruments, as substantially all 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 amortization of the conference centre's building improvement commenced in 2009 and there are 14 years remaining for the amortization. The accumulated deficit balance as at December 31, 2019 is \$9,344,538 (2018 – \$9,369,529).

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2019

12 Contingencies and commitments

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

	Actual	
	2019	2018
	\$	\$
Salaries and benefits	31,811,030	27,425,602
Trade labour recoveries	(13,268,370)	(9,176,311)
Net salary and benefits	18,542,660	18,249,291
Direct overhead and event/tenant labour costs	13,268,370	9,176,311
Utilities	4,624,397	3,325,210
Supplies and equipment	614,393	346,163
Contribution to reserve funds	2,130,930	2,080,859
Amortization of energy retrofit assets, building improvements and equipment	2,783,150	2,840,019
Interest	1,871,595	1,940,452
Other indirect costs and recoverable services	16,062,458	12,667,854
	<u>59,897,953</u>	<u>50,626,159</u>

14 Subsequent event

Since December 31, 2019, the outbreak of the coronavirus pandemic has resulted in governments worldwide enacting emergency measures to control the spread of the virus. As a result, the conference centres have been closed for an indefinite period and events have been cancelled until at least June 30, 2020. These events may have a material impact on the Board's revenues earned in fiscal 2020 as well as its workforce.

As the situation continues to evolve rapidly, the Board is unable to quantify the potential impact this pandemic may have on its financial statements. However, the Board is financially supported by the City of Toronto.

Board of Governors of Exhibition Place

Schedule 1

Schedule of Operations – Exhibition Place

For the year ended December 31, 2019

	2019	2018	
	Budget	Actual	
	\$	\$	
	(Unaudited)	Actual	
		\$	
Revenue			
Parking	8,117,000	8,828,987	7,939,614
Building rentals and concessions	9,047,529	9,948,211	9,125,856
Sales of services	6,871,257	9,758,027	7,929,122
Discounts, commissions, incentives, other income and realty tax recoveries	6,253,851	7,182,427	6,178,907
Naming rights	425,000	425,000	425,000
	30,714,637	36,142,652	31,598,499
Expenses			
Maintenance, cleaning and security	13,015,349	12,748,537	12,104,574
Utilities	3,523,956	4,237,999	3,031,438
Cost of services	5,345,494	7,948,128	6,196,372
Administration	9,238,504	9,493,877	8,797,709
Parking attendants' wages and sundry costs	3,523,389	3,637,230	3,325,402
Amortization of energy retrofit assets and equipment	908,056	931,338	908,055
Contribution to the City – Exhibition Place Conference Centre Reserve Fund	382,500	382,500	350,301
City of Toronto Fleet Reserve Fund	575,000	575,000	550,000
Interest	329,065	329,065	356,880
	36,841,313	40,283,674	35,620,731
Deficit before the following	(6,126,676)	(4,141,022)	(4,022,232)
Sick leave benefits (expense) recovery	-	(1,850)	224,963
Deficit for the year	(6,126,676)	(4,142,872)	(3,797,269)

Board of Governors of Exhibition Place

Schedule 2

Schedule of Operations – Enercare Centre

For the year ended December 31, 2019

	2019	2018
	Budget \$ (Unaudited)	Actual \$ Actual \$
Revenue		
Building rentals	8,355,332	9,628,540
Services	5,046,183	6,360,200
Catering commissions	870,500	1,040,840
Naming rights	750,000	750,000
Advertising, sponsorship, interest and recoveries	475,396	522,995
	15,497,411	18,302,575
		14,417,503
Expenses		
Administration	4,819,009	4,483,602
Cost of services	2,767,007	3,840,120
Maintenance, cleaning and security	697,150	2,572,858
Contribution to the City – Exhibition Place Conference Centre Reserve Fund	675,000	675,000
	8,958,166	11,571,580
		8,158,543
Surplus for the year	6,539,245	6,730,995
		6,258,960

Board of Governors of Exhibition Place

Schedule 3

Schedule of Operations – Beanfield Centre

For the year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
	<u>Budget</u>	<u>Actual</u>
	\$	\$
	(Unaudited)	<u>Actual</u>
		\$
Revenue		
Building rentals	2,194,556	2,581,341
Services	1,765,000	2,304,809
Catering commissions	1,164,226	1,680,782
Parking	259,800	284,500
Contribution from the City – Exhibition Place Conference Centre Reserve Fund	1,057,500	1,057,500
	<u>6,441,082</u>	<u>7,908,932</u>
		<u>5,738,465</u>
Expenses		
Amortization of building improvements and equipment	910,647	1,851,815
Interest	1,542,531	1,542,530
Administration	1,873,852	1,721,013
Cost of services	1,376,530	1,656,811
Utilities	369,000	386,398
Maintenance, cleaning and security	608,522	882,282
	<u>6,681,082</u>	<u>8,040,849</u>
		<u>7,071,848</u>
Deficit for the year	<u>(240,000)</u>	<u>(1,333,383)</u>