

Appendix A

DRAFT #4
April 16, 2021

Financial Statements of

**BOARD OF GOVERNORS OF
EXHIBITION PLACE**

And Independent Auditors' Report thereon

Year ended December 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of Board of Governors of Exhibition Place

Opinion

We have audited the financial statements of Board of Governors of Exhibition Place (the Entity), which comprise:

- the balance sheet as at December 31, 2020
- 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
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 24, 2020.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 16, 2021

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Balance Sheet

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 6,479,601	\$ 3,513,777
Accounts receivable:		
Trade	5,767,750	7,216,006
City of Toronto	93,945	2,678,082
Receivable from the City of Toronto (note 2(a))	6,526,123	6,834,032
	18,867,419	20,241,897
Financial Liabilities		
Accounts payable and accrued liabilities:		
Trade	6,175,490	9,318,185
City of Toronto	2,805,968	652,080
Employee future benefits payable (note 6)	8,048,135	8,077,077
Payable surplus to City of Toronto (note 8(b))	136,442	2,244,300
Deferred subsidy from City of Toronto	1,799,286	—
Deferred revenue and contributions	3,664,213	3,868,648
Loans payable (note 7)	38,121,361	39,919,139
Other liabilities	—	38,570
Government assistance	612,585	721,910
	61,363,480	64,839,909
Net debt	(42,496,061)	(44,598,012)
Non-Financial Assets		
Prepaid expenses and other	162,698	43,780
Step-up rent receivable (note 3)	1,636,585	1,949,216
Energy retrofit assets (note 4)	7,524,254	8,388,977
Building improvements and equipment (note 5)	23,134,405	24,871,501
	32,457,942	35,253,474
Contingencies and commitments (note 11)		
Accumulated conference centre deficit (note 10)	\$ (10,038,119)	\$ (9,344,538)

See accompanying notes to financial statements.

On behalf of the Board of Governors:

_____ Director

_____ Director

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Statement of Operations and Accumulated Deficit

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Revenue:			
Exhibition Place (Schedule 1)	\$ 31,502,146	\$ 16,364,734	\$ 36,142,652
Enercare Centre (Schedule 2)	15,966,034	6,229,804	18,302,575
Beanfield Centre (Schedule 3)	4,445,063	1,613,320	7,908,932
	51,913,243	24,207,858	62,354,159
Expenses (note 12):			
Exhibition Place (Schedule 1)	37,948,527	30,345,654	40,285,524
Enercare Centre (Schedule 2)	9,071,653	5,975,391	11,571,580
Beanfield Centre (Schedule 3)	6,780,066	5,080,058	8,040,849
	53,800,246	41,401,103	59,897,953
Surplus (deficit) before the following	(1,887,003)	(17,193,245)	2,456,206
COVID-19 subsidy revenue (note 13):			
Operations - City of Toronto	—	14,597,762	—
Contribution from City of Toronto - Exhibition Place Conference Centre Reserve Fund	2,387,003	2,346,253	—
	2,387,003	16,944,015	—
Surplus (deficit) before the following	500,000	(249,230)	2,456,206
Transfer to the City of Toronto	(500,000)	(136,442)	(2,244,300)
Net decrease in amounts to be recovered from the City of Toronto	—	(307,909)	(186,915)
Surplus (deficit)	—	(693,581)	24,991
Accumulated conference centre deficit, beginning of year		(9,344,538)	(9,369,529)
Accumulated conference centre deficit, end of year		\$ (10,038,119)	\$ (9,344,538)

See accompanying notes to financial statements.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Statement of Changes in Net Debt

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Operating transactions:		
Surplus (deficit)	\$ (693,581)	\$ 24,991
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	1,737,096	1,918,427
	2,601,819	1,056,613
Other non-financial activities:		
Prepaid expenses and other	(118,918)	371,015
Accretion of step-up rent receivable	312,631	362,805
	193,713	733,820
Decrease in net debt	2,101,951	1,815,424
Net debt, beginning of year	(44,598,012)	(46,413,436)
Net debt, end of year	\$ (42,496,061)	\$ (44,598,012)

See accompanying notes to financial statements.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Surplus (deficit) for the year	\$ (693,581)	\$ 24,991
Add (deduct) non-cash items:		
Employee future benefits	(28,942)	44,717
Amortization of energy retrofit assets	864,723	864,723
Amortization of building improvements and equipment	1,737,096	1,918,427
Government assistance	(109,325)	(115,318)
Accretion of step-up rent receivable	312,631	362,805
	2,082,602	3,100,345
Changes in non-capital working capital balance related to operations:		
Trade accounts receivable	1,448,256	323,706
Accounts receivable from the City of Toronto	2,584,137	990,437
Receivable due from the City of Toronto	307,909	186,915
Prepaid expenses and other	(118,918)	371,015
Trade accounts payable and accrued liabilities	(3,142,695)	347,489
Accounts payable and accrued liabilities due to the City of Toronto	2,153,888	158,719
Deferred revenue and contributions	(204,435)	(3,297,464)
Deferred subsidy City of Toronto	1,799,286	—
Other liabilities	(38,570)	(36,735)
Surplus payable to the City of Toronto	(2,107,858)	22,863
	4,763,602	2,167,290
Investing activities:		
Purchase of building improvements and equipment	—	(1,431,772)
Financing activities:		
Repayments of loans payable	(1,797,778)	(1,726,404)
Increase (decrease) in cash	2,965,824	(990,886)
Cash, beginning of year	3,513,777	4,504,663
Cash, end of year	\$ 6,479,601	\$ 3,513,777
Supplemental cash flow information:		
Other equipment financed through payables	\$ —	\$ 294,756

See accompanying notes to financial statements.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements

Year ended December 31, 2020

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 is related to the City of Toronto (the "City") as it operates, manages and maintains Exhibition Place on behalf of 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 8).

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.

1. 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.

(a) 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.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

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 based on the amount received or the fair value of the benefit given up, less any cash consideration, whichever is more reliably measurable.

(b) 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. Deferred subsidy from City of Toronto consists of January 2021 operating subsidy received in December 2020.

(c) Government assistance:

The Board makes periodic applications for financial assistance under available government incentive programs. Government assistance relating to capital assets where there are ongoing obligations on the use of the capital assets 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.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(d) 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
Enercare 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
District Energy System project	20 years
Horse Palace, East Annex Photovoltaic and multiple energy projects	20 years
LED lighting and conservation/demand management	15 years

(e) 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:

Electrical equipment	5 years
Other equipment and furniture	5 to 20 years
Beanfield Centre building improvements	25 years

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) Employee benefit plans:

The Board provides retirement and post-employment benefits to certain employee groups. These benefits include pension, sick leave and other post retirement and post-employment benefits, including health, dental and life insurance benefits to certain employees.

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

- The Board contributes to a multi-employer defined benefit pension plan with 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.
- 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.

(g) 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.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(h) 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, payable surplus to the City, loans payable, and other liabilities. It measures its financial assets and financial liabilities at amortized cost, except for cash, which is measured at fair value

(i) 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 year. 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.

(j) 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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

2. 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.

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

	2020	2019
Employee future benefits payable	\$ 8,048,135	\$ 8,077,077
Vacation and lieu time	117,284	662,209
Less net book value of certain equipment	(554,665)	(644,557)
Other	243,174	243,174
Receivable from the City before the following	7,853,928	8,337,903
Less net step-up rent receivable on certain buildings and signage	(1,327,805)	(1,503,871)
Receivable from the City	\$ 6,526,123	\$ 6,834,032

- (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 8).
- (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 (2019 - \$448,430) in contributions for insurance premium payments.

3. 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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Energy retrofit assets:

2020	Cost	Accumulated amortization	Net book value
Trigeneration project	\$ 4,400,000	\$ 3,002,084	\$ 1,397,916
Enercare Halls lighting retrofit project	800,000	775,462	24,538
Five Exhibition Buildings improvement project	1,500,365	1,283,142	217,223
Photovoltaic Horse Palace project	1,100,000	770,000	330,000
Boiler replacements and various lighting retrofit projects	955,000	549,125	405,875
Back pressure steam turbine and LED pathway lighting projects	1,345,000	605,250	739,750
District Energy System project	4,500,000	1,125,000	3,375,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,640	398,088	486,552
LED lighting and conservation/demand management	782,000	234,600	547,400
	\$ 16,267,005	\$ 8,742,751	\$ 7,524,254

2019	Cost	Accumulated amortization	Net book value
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

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Building improvements and equipment:

2020	Cost	Accumulated amortization	Net book value
Electrical equipment	\$ 59,366	\$ 59,366	\$ —
Other equipment and furniture	6,237,455	4,566,780	1,670,675
Beanfield Centre building improvements	38,764,844	17,301,114	21,463,730
	<u>\$ 45,061,665</u>	<u>\$ 21,927,260</u>	<u>\$ 23,134,405</u>

2019	Cost	Accumulated amortization	Net book value
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>

6. Employee future benefits payable:

The employee future benefits are for certain 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 Board has the following benefit plans:

(a) Sick leave:

The Board's non-union hourly, 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. For non-union hourly permanent employees that were added to the Board employees group on January 1, 2021, an exception was made to waive the probationary period.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Employee future benefits payable (continued):

Eligible hourly, permanent employees and eligible full-time renewable contract employees using sick days will be paid 100% of their regular earnings for the first twenty (20) days, and 75% of their regular earnings for an additional one hundred and ten (110) days per calendar year

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

(b) 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.

(c) Post retirement and post-employment benefits:

The Board provides health, dental, and life insurance benefits to certain employees post-retirement.

The disclosures relating to these benefits are as follows:

	2020	2019
Defined benefit obligation	\$ 9,160,026	\$ 8,434,771
Net unamortized actuarial losses	(1,111,891)	(357,694)
Total employee future benefits payable	\$ 8,048,135	\$ 8,077,077

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Employee future benefits payable (continued):

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

	2020	2019
Sick leave	\$ 886,069	\$ 1,021,733
WSIB	3,353,477	2,797,607
Other post-employment and post-retirement benefit	4,920,480	4,615,431
	<u>\$ 9,160,026</u>	<u>\$ 8,434,771</u>

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

	2020	2019
Balance, beginning of year	\$ 8,434,771	\$ 7,681,066
Current service cost	660,767	605,320
Interest cost	232,048	265,958
Benefits paid	(823,326)	(755,103)
Actuarial loss	655,766	637,530
Balance, end of year	<u>\$ 9,160,026</u>	<u>\$ 8,434,771</u>

(iii) The benefit cost recognized during the year is calculated as follows:

	2020	2019
Current service cost	\$ 660,767	\$ 605,320
Interest cost	232,048	265,958
Amortization of net actuarial gain	(98,431)	(71,458)
	<u>\$ 794,384</u>	<u>\$ 799,820</u>

(iv) There was \$251,737 (2019 - \$212,457) in cash payments made in 2020 with respect to the sick leave plan.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Employee future benefits payable (continued):

(v) 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.

(vi) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employee future benefits are as follows:

	2020	2019
Discount rate:		
Sick leave	1.50%	2.50%
Post-employment benefits	1.20%	2.40%
Post-retirement benefits	2.00%	2.70%
WSIB	2.00%	2.70%
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.

(vii) 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, 2020 amounted to \$1,097,959 (2019 - \$1,149,650) and are included in the statement of operations and accumulated deficit.

The Board does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees. The Board is current with all payments to OMERS. As at December 31, 2020, OMERS has a deficit of \$3.2 billion (2019 - \$3.4 billion). The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2019. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2022.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Employee future benefits payable (continued):

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 2020 amounted to \$500,194 (2019 - \$1,158,542) and are included in the statement of operations and accumulated deficit.

7. Loans payable:

	2020	2019
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	\$ 29,670,501	\$ 30,525,085
Trigeneration, \$2,325,000 loan bearing interest at 5%, due on December 31, 2032	2,543,398	2,707,999
Photovoltaic Horse Palace, a non-interest bearing loan of \$600,000 discounted at an imputed interest rate of 5%, due on October 1, 2030	225,871	238,190
Boiler replacements and various lighting retrofit, \$716,250 loan bearing interest at 4.5%, due on December 31, 2037	745,688	752,320
Boiler replacements and various lighting retrofit, \$238,750 loan bearing interest at 2.0%, due on December 31, 2021	8,013	31,889
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	376,281	406,516
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	107,197	188,287
District Energy project, \$4,500,000 loan bearing interest at 2.70%, due on January 31, 2026	2,944,373	3,390,949
Enercare Halls LED lighting retrofit, \$782,000 loan bearing interest at 2.70%, due on October 1, 2025	421,711	499,519
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	1,078,328	1,178,385
	\$ 38,121,361	\$ 39,919,139

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Loans payable (continued):

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

2021	\$ 1,862,844
2022	1,873,368
2023	1,928,689
2024	2,009,424
2025	2,096,657
Thereafter	28,350,379
	\$ 38,121,361

8. 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.

(a) 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 is \$1,183 (2019 - \$1,165).

(b) Exhibition Place Conference Centre Reserve Fund ("CCRF"):

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 achieves a surplus in excess of the budgeted surplus, the excess above budget is transferred into the CCRF. The balance of the Exhibition Place Conference Centre Reserve Fund is \$7,467,006 (2019 - \$9,693,515). Refer to note 13 for 2020 transfers from CCRF.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

8. City of Toronto reserve funds (continued):

(c) 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 (2019 - \$375,000) in the year. The balance in the City of Toronto Fleet Reserve Fund is \$762,294 (2019 - \$619,844).

(d) 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 (2019 - \$200,000) in the year. The balance in the Equipment Reserve Fund is \$426 (2019 - \$426).

(e) 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 (2019 - nil) in the year. The balance in the Exhibition Place Green Space Renewal reserve is \$1,054,014 (2019 - \$1,037,754).

9. 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.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Financial instruments (continued):

(b) Risk management:

The main risks to which the Board's financial instruments are exposed are as follows:

(i) 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 financial 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, 2020, 4 customers have a balance greater than 10% of the Board's trade accounts receivable balance (2019 - five customers).

The total net trade receivables from third parties and the City as at December 31, 2020 were \$5,767,750 and \$93,945 respectively. Exhibition Place allowance for doubtful accounts has a year over year increase of \$1,774,111.

The following accounts receivable were past due but not impaired:

	0-30 days	31-60 days	61-90 days	Over 90 days
Trade accounts receivable	\$ 2,139,465	\$ 399,579	\$ 64,248	\$ 3,164,458
City of Toronto	65,368	2,823	—	25,754
	<u>\$ 2,204,833</u>	<u>\$ 402,402</u>	<u>\$ 64,248</u>	<u>\$ 3,190,212</u>

Management continues to work with tenants during the pandemic to collect outstanding receivables.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Financial instruments (continued):

(ii) 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	\$ 4,807,293	\$ 1,296,614	\$ 71,583	\$ —	\$ 6,175,490
City of Toronto Payable surplus to City of Toronto	2,805,968	—	—	—	2,805,968
Loans payable	136,442	—	—	—	136,442
	1,006,781	856,063	7,908,138	28,350,379	38,121,361
	\$ 8,756,484	\$ 2,152,677	\$ 7,979,721	\$ 28,350,379	\$ 47,239,261

(iii) 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.

(iv) 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.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Financial instruments (continued):

(v) Market risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization resulting in governments worldwide enacting emergency measures to control the spread of the virus. As a result, conference centres were closed and events cancelled. These events had a material impact on the Board's revenue 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.

10. 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, 2020 is \$10,038,119 (2019 - \$9,344,538).

11. 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.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

12. Expenses by object:

	2020	2019
Salaries and benefits	\$ 19,934,842	\$ 31,811,030
Trade labour recoveries	(3,304,627)	(13,268,370)
Net salary and benefits	16,630,215	18,542,660
Direct overhead and event/tenant labour costs	3,304,627	13,268,370
Utilities	4,162,908	4,624,397
Supplies and equipment	713,334	614,393
Contribution to reserve funds	2,122,359	2,130,930
Amortization of energy retrofit assets, building improvements and equipment	2,601,819	2,783,150
Interest	1,802,409	1,871,595
Other indirect costs and recoverable services	10,063,432	16,062,458
	\$ 41,401,103	\$ 59,897,953

13. COVID-19 subsidy revenue:

Since March 2020, the City has made decisions to cancel programs and events due to the COVID-19 pandemic risk to public health and safety. Since March 2020, nearly every Exhibition Place show organizer and meeting planner client has invoked their force majeure clause in their license agreement to cancel or postpone their 2020 events. The same meeting and event cancellation is occurring in every convention centre across Canada. In addition to the cancellation of shows and meetings, many of the Board's tenants have been completely closed while some other tenants have opened in very limited capacity and therefore, the Board has experienced the loss of related ancillary revenue, such as parking and show services from their closure.

From March to December 31, 2020, the Board received a total of \$16,944,015 reported as an operating subsidy from the City to cover the deficit. COVID-19 subsidy revenue includes \$14,597,762 for operations, and \$2,346,253, withdrawn from Exhibition Place CCRF, to pay the Board's loans to the City.

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Schedule 1 - Exhibition Place

Year ended December 31, 2020 with comparative information for 2019

	Budget	2020	2019
Revenue:			
Parking	\$ 8,323,000	\$ 2,381,245	\$ 8,828,987
Building rentals and concessions	9,352,194	4,398,512	9,948,211
Sales of services	6,358,611	1,821,514	9,758,027
Commissions, incentives, other income and realty tax recoveries	7,043,341	7,338,463	7,182,427
Naming rights	425,000	425,000	425,000
	31,502,146	16,364,734	36,142,652
Expenses:			
Maintenance, cleaning and security	12,974,267	10,431,934	12,748,537
Utilities	3,811,229	3,894,632	4,237,999
Cost of services	4,983,012	1,069,465	7,948,128
Administration	10,288,390	11,165,805	9,493,877
Parking attendants' wages and sundry costs	3,653,998	2,142,678	3,637,230
Amortization of energy retrofit assets and equipment	960,318	954,615	931,338
Contribution to the City - Exhibition Place			
Conference Centre Reserve Fund	382,500	382,500	382,500
City of Toronto Fleet and Equipment			
Reserve Funds	575,000	575,000	575,000
Interest	319,813	302,892	329,065
	37,948,527	30,919,521	40,283,674
Deficit before the following	(6,446,381)	(14,554,787)	(4,141,022)
Sick leave benefits recovery (expense)	—	573,867	(1,850)
Deficit for the year	\$ (6,446,381)	\$ (13,980,920)	\$ (4,142,872)

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Schedule 2 - Enercare Centre

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Revenue:			
Building rentals	\$ 8,585,274	\$ 3,281,478	\$ 9,628,540
Services	5,357,607	1,527,844	6,360,200
Catering commissions	872,500	197,062	1,040,840
Naming rights	750,000	750,000	750,000
Advertising, sponsorship, interest and recoveries	400,653	473,420	522,995
	15,966,034	6,229,804	18,302,575
Expenses:			
Administration	4,805,686	4,126,806	4,483,602
Cost of services	2,885,317	648,974	3,840,120
Maintenance, cleaning and security	705,650	524,611	2,572,858
Contribution to the City - Exhibition Place			
Conference Centre Reserve Fund	675,000	675,000	675,000
	9,071,653	5,975,391	11,571,580
Surplus for the year	\$ 6,894,381	\$ 254,413	\$ 6,730,995

BOARD OF GOVERNORS OF EXHIBITION PLACE

DRAFT Schedule 3 - Beanfield Centre

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Revenue:			
Building rentals	\$ 821,000	\$ 248,946	\$ 2,581,341
Services	1,868,000	159,387	2,304,809
Catering commissions	412,150	140,761	1,680,782
Parking	286,413	15,296	284,500
Contribution from the City - Exhibition Place			
Conference Centre Reserve Fund	1,057,500	1,048,930	1,057,500
	4,445,063	1,613,320	7,908,932
Expenses:			
Amortization of building improvements and equipment	953,623	1,647,204	1,851,815
Interest	1,499,517	1,499,517	1,542,530
Administration	1,884,160	1,470,824	1,721,013
Cost of services	1,467,876	123,652	1,656,811
Utilities	348,000	268,276	386,398
Maintenance, cleaning and security	626,890	70,585	882,282
	6,780,066	5,080,058	8,040,849
Deficit for the year	\$ (2,335,003)	\$ (3,466,738)	\$ (131,917)

