Board of Governors of Exhibition Place

2012 Year-end report to the Finance and Audit Committee

Prepared as of April 29, 2013

pwc

April 29, 2013

Members of the Finance and Audit Committee
Board of Governors of Exhibition Place

Dear Members of the Finance and Audit Committee:

We have substantially completed our audit of the consolidated financial statements of Board of Governors of Exhibition Place (the Board) prepared in accordance with Public Sector Accounting Standards (PSAS) for the year ended December 31, 2012. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in Appendix A.

We have issued the accompanying report to assist you in your review of the consolidated financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting issues dealt with during the audit process.

We propose to review the key elements of this report at the upcoming meeting and discuss with you our key findings.

We would like to express our sincere thanks to the management and the staff of the Board who have assisted us in carrying out our work and we look forward to our meeting on May 6, 2013. Should you have any questions or concerns prior to the Finance and Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Audit and Assurance Group

c.c.: Dianne Young, Chief Executive Officer
Hardat Persaud, Chief Financial Officer

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1. Executive summary

a. Status of the audit

We have substantially completed our audit of the 2012 consolidated financial statements (the consolidated financial statements). Our auditor's report will be issued once we receive and have completed our audit work on the outstanding items noted below.

This document includes the required communications between an auditor and Finance and Audit Committee, as required by Canadian generally accepted auditing standards (Canadian GAAS).

Our audit has been performed substantially in accordance with the plan and timeline previously communicated to you.

The following items will need to be completed/received prior to the issuance of our opinion. We will provide an update on the status of these items at our upcoming meeting.

Outstanding item	Status as at April 29, 2013
i. Finalization of employee future benefits testing	Final assessment on actuarial assumptions to be provided by our internal expert
ii. Legal letters	Management is following up on this item
iii. Completion of subsequent events procedures	Discussion to be held with management prior to the finalization of our audit report
iv. Receipt of signed management representation letter	To be received prior to finalization
v. Approval of the consolidated financial statements by the Board of Governors	To be approved

b. Key issues for discussion

Discussion item	**Summary**	**For further reference**
Significant audit, accounting and financial reporting matters	• We discussed the following significant audit, accounting and financial reporting matters with management: - revenue recognition - completeness and accuracy of transactions recorded with the City - employee future benefits payable - management override of controls	Section 2
Summary of unadjusted items	• As a result of our audit, we identified unadjusted items that increase the deficit by approximately $38,000 for the year ended December 31, 2012. • Unadjusted and adjusted items, including disclosure exceptions or items not impacting net income can be found in section 3. • In our opinion, the consolidated financial statements, taken as a whole, are free of material misstatement.	Section 3
Fraud	• No instances of fraud were noted as part of our audit procedures. • We wish to reconfirm whether the Finance and Audit Committee is aware of any known, suspected or alleged incidents of fraud.	Section 4
Management representations	• Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the draft management representation letter is included in Appendix C.	Appendix C

2. *Significant audit, accounting and financial reporting matters*

Preparation of the consolidated financial statements requires management to select accounting policies, as well as make critical accounting estimates and disclosures that may involve significant judgment and measurement uncertainty. These matters can significantly impact the Board's reported results.

We are responsible for discussing with the Finance and Audit Committee our views about the significant qualitative aspects of the Board's accounting practices, including accounting policies, the accounting estimates, and financial statement disclosures in accordance with the requirements of PSAS.

Our comments and views included in this report should only be taken in the context of the consolidated financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate. We are sharing our views with you to facilitate an open dialogue of these matters.

a. Year-end issues

Issue	**Discussion**
Revenue recognition The Board has several significant revenue streams including (but not limited to): • Building rentals and concessions; • Admissions, midway and casino; • Services; and • Parking. We are not aware any significant changes to the revenue streams for the 2012 fiscal year.	We have performed, where possible, tests of controls and detailed testing over each of the different revenue streams as follows: Building rentals and concessions: • Detailed testing over a sample of tenants and exhibitors to agree amounts recorded to their respective agreements and/or cash settlement. • Testing to ensure appropriate lease accounting for step rents and revenue recognition in accordance with PSAS. • Controls over the reconciliation of concessionaire payments received by third party manager to bank deposits. • Recalculation of concession revenue for a sample of concessionaires based on established agreements. Admissions, midway and casino: • Reconciliation of amounts recognized as midway and concession revenues managed by North American Midway Entertainment (NAME) to final settlement report. • Reconciliation of amounts recognized as casino revenue to casino report and bank deposits. Parking: • Controls over the reconciliation of cash collected to amounts deposited for attended lots were tested with no exceptions noted. • Detailed testing over parking pass and pay and display lot revenues through reconciliations to third party service reports. All exceptions and/or control recommendations have been included in Sections 3 and 5, respectively.

Issue	Discussion
Completeness and accuracy of transactions recorded with the City The Board engages in many transactions with the City of Toronto and its various Agencies, Boards, and Commissions (the City).	We have obtained and tested management's reconciliation of amounts due to/from the City. We have confirmed loan balances as well as amounts due to and from the City, and have investigated all significant reconciling items. Confirmations have also been obtained in relation to the reserve balances that are disclosed in the notes to the consolidated financial statements.
Employee future benefits payable The Board sponsors a defined benefit plan, providing retirement and post-employment benefits to its employees, for which the City of Toronto funds the obligation.	We have obtained the actuarial report as of December 31, 2012 from the Board's external actuary, Buck Consultants. Using this report, we tested the accuracy of information provided by management to the actuary to use in their report. We also utilized our internal expert to assess the appropriateness of the assumptions and estimates used by the actuary in developing their conclusions. As noted on page 1 of our report, we are awaiting the final conclusions from our internal expert.
Management override of controls There is an inherent risk of misstatement due to management override of controls.	Using computer assisted auditing techniques, we have assessed significant and non-standard manual journal entries made in the year and selected a sample of items for testing to ensure that the entries represent valid and appropriately authorized transactions. In performing this test, we noted 2 journal entries posted by a system administrator within the Board. While the results of testing did not yield any transactions that were invalid or unsupported, we have included a control recommendation in Section 5 related to this finding. As an unpredictable procedure, we also examined a sample of vendors to ensure that they existed and were appropriately approved prior to being set up in the Board's system. No exceptions were noted as a result of this testing.

3. Summary of unadjusted and adjusted items

We have concluded that the consolidated financial statements taken as a whole are free of material misstatement and (pending the completion, to our satisfaction, of the outstanding matters identified in section 1), we are prepared to issue an unqualified opinion on the consolidated financial statements.

Our responsibility is to issue an opinion as to whether the consolidated financial statements are free of material misstatement.

Under Canadian GAAS, we are required to communicate to you the unadjusted items and the effect that they may have on our opinion and to request that unadjusted items be corrected. As a result of our audit, we identified certain items and have discussed these with management, and management adjusted the consolidated financial statements to reflect certain of these items. Management has concluded that the remaining unadjusted items, which are summarized in Appendix B, are immaterial individually and in the aggregate.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. We did not identify any such items.

a. Unadjusted items

Total unadjusted items have a net effect of increasing the deficit by approximately $38,000 for the year ended December 31, 2012 and are summarized in Appendix B.

The materiality level for December 31, 2012 was $1,137,000, with a threshold for reporting adjusted and unadjusted items in excess of $55,500. This is an increase of $137,000 and $5,000, respectively, from the materiality levels reported to you in our audit plan and is a result of actual revenues exceeding the forecasted results.

In addition, we did not note any exceptions in the disclosure of the consolidated financial statements.

b. Adjusted items

A summary of adjustments made by the Board as part of the audit process is also included in Appendix B.

4. Other required communications

Canadian GAAS requires that the external auditor communicate certain matters to the Finance and Audit Committee that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to you:

Matter to be communicated	PwC's response
Management's representations	• Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the draft management representation letter is included in Appendix C.
Significant deficiencies in internal control	• Recent changes to Canadian GAAS require us to communicate to the Finance and Audit Committee internal control weaknesses identified as part of our audit that are considered to be significant deficiencies. • A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Finance and Audit Committee. • We have none to report, but have included our recommendations on improvements to the Board's internal controls.
Significant difficulties or disagreements that occurred during the audit	• No difficulties or disagreements occurred while performing our audit that requires the attention of the Finance and Audit Committee.
Fraud and illegal acts	• No fraud involving senior management, employees with a significant role in internal control or that would cause a material misstatement of the consolidated financial statements, came to our attention as a result of our audit procedures.

5. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the consolidated financial statements. The audit included consideration of internal control relevant to the preparation of the consolidated 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 internal control.

During our audit, we identified the following control recommendations that we have discussed with management and wish to bring to your attention.

Current year recommendations

Item	Recommendation	Management's response
Authorization to post manual journal entries It was noted as part of our testing over manual journal entries that 2 payroll journal entries had been posted by an IT system administrator. Upon investigation, it was noted that this was a result of a system issue experienced by the Payroll Manager, whereby the payroll batch could not be posted to the general ledger. Authorization was then provided to the IT system administrator to post the entries on her behalf under the system administrator ID.	While the entries were validated against supporting documents and approved by the CFO, it is recommended that senior management review a log of user access on a periodic basis in order to detect any unauthorized entries that could have been made in a given period.	This instance was discussed with management who acknowledges that the granting of this type of access is not typical, but was required in the given circumstance. Furthermore, the manual journal entry was routed to the CFO as per the normal protocol for approval.

Update on prior year recommendations

Item	Recommendation	Management's response
Unrestricted access to staff members As part of our assessment over IT general controls, it was noted that members of the Finance department were granted "poweruser" roles which allowed them access to all areas in Great Plains (including payroll).	As a best practice, PwC recommends the following: • A specific role (access profile) be given to each employee to ensure segregation of duties. • In particular, access to the Payroll module should be restricted to only those who need to access the Payroll module. • Management level staff should have read-only access. • If needed, only one member of finance should be granted access.	Microsoft Great Plains has templates for various roles. Given the nature of Exhibition Place business, the staff may have tasks that overlap with these pre-packaged roles. Poweruser status is only provided over the payroll accounting for time entry and not to the actual posting of payroll to the Board's payroll service provider, ADP. Only approved time entry batches can be posted to ADP by the Payroll Manager and only payroll staff have control over final posting to ADP.

Item	Recommendation	Management's response
		The information in the payroll module is used for job costing of shows so individuals were granted access to payroll module. This approach was also taken to reduce downtime when a staff member is away, which can occur due to the small payroll team. Compensating controls are in place to mitigate risk primarily through detailed review of accounts against budgets and historical information. It should be noted that a change in user's permissions for a particular item may affect their ability to update information that IT staff are not aware of (i.e. restriction in a particular field or table may prevent updates in some of the over 800 back-end system tables in Great Plains. Absolute documentation of all the fields, tables and permission settings are not readily available in Great Plains to guarantee a change or restriction does not impact other accounting or reporting functions. Despite many of the challenges discussed above, management has made an overall effort to restrict employee access to only the modules and tables needed for their respective job role. Employees in the accounting function have had their access to the payroll module removed and management is finalizing the process of implementing additional controls over preventing cheque writing ability for the employees in the payroll function.
2012 Update Based on our testing over IT general controls for the current year and through discussions with management, there continues to be individuals with "poweruser" access; however, management has incorporated new user roles to better segregate access within the Finance and Payroll functions. For example, an "ASR" role has been created for members of Finance which does not allow for any payroll posting. Similarly, a "PSR" role was created for payroll personnel with the intention of providing access to the payroll modules while preventing access to cheque writing. However, after internal testing, it was noted that the program tables did not allow for this type of segregation. Management has reached out to their Great Plains support provider, TGO, who indicated that an upgrade to Great Plains 2013 may allow for the separation of these functions. An upgrade to this version is planned for later in the year. Until then, those having access to the payroll module continue to also have access to the accounts payable module (and cheque writing ability) and reliance is being place on the compensating controls surrounding journal entry approvals, cheque signing controls, and reconciliation processes.		

Item	Recommendation	Management's response
Review of census data submitted to actuary As part of our testing over the census data provided to Buck Consultants, it was noted that there were discrepancies in the data provided to Buck and the data returned to management. Differences in data can result in incorrect assumptions used by the actuary and hence a misstated employee future benefits payable.	We recommend that management check, on a sample basis, the data returned to them from Buck to ensure that the data used is accurate and matches that which was provided to them. It was noted through discussions with management that a check is performed to ensure the headcount matches to what was submitted (completeness); however, the accuracy of certain data (such as hire dates, salaries, or birth dates) should also be performed to ensure accuracy.	Management will consider this recommendation for future periods.
2012 Update In the current year, a new actuarial valuation was performed. As a result, we tested a sample of the data provided to Buck against employee records and did not note any exceptions. This control point is therefore deemed remediated and will not be carried forward.		

Item	Recommendation	Management's response
Management oversight of financial processes managed by third parties The Board utilizes the services of a variety of third parties to manage various aspects of their operations. More notably, Maple Leafs Sports and Entertainment (MLSE) manages the operations of BMO Field on behalf of the Board. While management does perform some checks over the operations of BMO Field (through discussions of management reports, and site visits to view operating activities), random checks into the financial management of the field should be undertaken.	We recommend that the Board periodically review BMO Field to ensure that their financial and accounting practices coincide with the Board's policies and that MLSE is maintaining complete and accurate information.	Management believes that sufficient oversight is provided through periodic walkthroughs and the review of the budget, monthly financial reports and financial analysis of key areas, and analytical comparisons to prior year results. On the expenditure side, BMO Field receives payroll services directly from the Board, which forms a major portion of the expenditures; other major expenditures are contractual in nature and the Board is privy to such agreements and ensures to that they are properly reflected within the consolidated financial statements.
2012 Update There are no updates to provide on this recommendation.		

Appendix A: Draft financial statements

Board of Governors of Exhibition Place

Consolidated Financial Statements
December 31, 2012

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Independent Auditor's Report

To the Members of
Board of Governors of Exhibition Place

We have audited the accompanying consolidated financial statements of Board of Governors of Exhibition Place, which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Board of Governors of Exhibition Place as at December 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

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Board of Governors of Exhibition Place

Consolidated Balance Sheet

As at December 31, 2012

	2012 $	2011 $
Financial Assets		
Cash	10,450,118	4,402,864
Accounts receivable		
Trade (note 4(a))	4,111,943	5,609,396
City of Toronto (note 4(a))	1,645,635	7,879,623
Receivable from City of Toronto (note 4(b))	7,353,742	7,372,960
	23,561,438	25,264,843
Liabilities		
Accounts payable and accrued liabilities		
Trade	6,767,773	8,375,771
City of Toronto (notes 4(a) and (b))	618,182	2,402,790
Employee future benefits payable (note 8)	9,004,270	8,741,002
Transfer payable to the City of Toronto (note 1)	4,618,811	3,049,605
Deferred revenue and contributions	6,498,067	6,686,485
Loans payable (note 9)	45,773,358	47,141,151
Suite deposits payable	240,704	243,159
Other liabilities	518,717	484,454
Government assistance	1,645,849	1,794,962
	75,685,731	78,919,379
Net Debt	(52,124,293)	(53,654,536)
Non-financial assets		
Prepaid expenses and other	236,099	329,643
Step-up rent receivable (note 5)	2,536,758	2,566,039
Energy retrofit assets (note 6)	8,302,580	8,889,260
Building improvements (note 7)	37,378,152	39,206,424
	48,453,589	50,991,366
Accumulated conference centre deficit (note 11)	3,670,704	2,663,170
	-	-

Contingencies (note 13)

Subsequent event (note 14)

Approved by the Board of Directors

______________________________ Director ______________________________ Director

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

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Board of Governors of Exhibition Place

Consolidated Statement of Operations and Accumulated Deficit

For the year ended December 31, 2012

	2012		2011
	Budget $ (Unaudited)	**Actual** $	**Actual** $
Revenue			
Canadian National Exhibition Association (schedule 1)	25,292,046	27,216,809	25,910,870
Exhibition Place (schedule 2)	14,230,661	18,638,293	18,699,372
Direct Energy Centre (schedule 3)	15,261,379	15,219,771	15,354,367
National Soccer Stadium (BMO Field) (schedule 4)	8,313,209	9,628,859	10,576,746
Allstream Centre (schedule 5)	5,354,066	5,222,163	5,281,694
	68,451,361	75,925,895	75,823,049
Expenses			
Canadian National Exhibition Association (schedule 1)	24,492,046	24,414,075	23,840,533
Exhibition Place (schedule 2)	22,311,011	23,591,722	24,708,293
Direct Energy Centre (schedule 3)	8,233,753	8,773,275	9,122,067
National Soccer Stadium (BMO Field) (schedule 4)	8,062,874	9,286,631	10,079,877
Allstream Centre (schedule 5)	5,354,066	6,229,697	6,331,775
	68,453,750	72,295,400	74,082,545
Surplus (deficit) before the following	(2,389)	3,630,495	1,740,504
Surplus transfer to the City of Toronto	2,389	(4,618,811)	(3,049,605)
Increase (decrease) in amounts to be recovered from the City	-	(19,218)	259,020
Deficit for the year	-	(1,007,534)	(1,050,081)
Accumulated conference centre deficit - Beginning of year	-	(2,663,170)	(1,613,089)
Accumulated conference centre deficit - End of year	-	(3,670,704)	(2,663,170)

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

Board of Governors of Exhibition Place

Consolidated Statement of Changes in Net Debt

For the year ended December 31, 2012

	2012 $	2011 $
Operating transactions		
Deficit for the year	(1,007,534)	(1,050,081)
Tangible capital asset activities		
Purchase of energy retrofit assets	(910)	(1,770,182)
Purchase of building improvements and equipment	(195,865)	(19,247)
Amortization of energy retrofit assets	587,590	476,106
Amortization of building improvements and equipment	2,024,137	2,062,908
	2,414,952	749,585
Other non-financial activities		
Acquisition of prepaid expenses and other	93,544	17,658
Accretion of step-up rent receivable	29,281	11,683
	122,825	29,341
Decrease (increase) in net debt during the year	1,530,243	(271,155)
Net debt - Beginning of year	(53,654,536)	(53,383,381)
Net debt - End of year	(52,124,293)	(53,654,536)

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

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Board of Governors of Exhibition Place

Consolidated Statement of Cash Flows

For the year ended December 31, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Deficit for the year	(1,007,534)	(1,050,081)
Add (deduct): Non-cash items		
Employee future benefits expense	263,268	280,171
Amortization of energy retrofit assets	587,590	476,106
Amortization of building improvements and equipment	2,024,137	2,062,908
Government assistance	(149,113)	454,539
Accretion of step-up receivable	29,281	11,683
Interest accrued on loans payable	2,207,436	2,918,850
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	1,497,453	(762,801)
Accounts receivable from the City of Toronto	6,233,988	3,127,596
Receivable due from City of Toronto	19,218	(259,020)
Prepaid expenses and other	93,544	17,658
Trade accounts payable and accrued liabilities	(1,607,998)	(2,465,521)
Accounts payable and accrued liabilities due to the City of Toronto	(1,784,608)	1,299,176
Deferred revenue and contributions	(188,418)	(1,222,766)
Suite deposits payable	(2,455)	-
Other liabilities	34,263	-
Surplus transfer payable to the City of Toronto	1,569,206	1,786,879
	9,819,258	6,675,377
Capital activities		
Purchase of energy retrofit assets	(910)	(1,770,182)
Purchase of building improvements and equipment	(195,865)	(19,247)
	(196,775)	(1,789,429)
Financing activities		
Repayments of loans payable	(3,575,229)	(3,508,479)
Increase in cash during the year	6,047,254	1,377,469
Cash - Beginning of year	4,402,864	3,025,395
Cash - End of year	10,450,118	4,402,864

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

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 consolidated 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 10).

These consolidated financial statements include the operations of the Canadian National Exhibition Association (CNEA) (schedule 1), Exhibition Place (schedule 2), Direct Energy Centre (schedule 3), National Soccer Stadium (BMO Field) (schedule 4) and Allstream Centre (schedule 5).

The CNEA operates under a memorandum of understanding with the Board and is the only separate operating unit that is incorporated and as such produces separate audited financial statements for its members. The CNEA, under an agreement with the Board, manages and operates an annual fair (the Canadian National Exhibition) (note 14).

Effective December 31, 2005, the Board entered into a ten-year naming right sponsorship agreement with Direct Energy Marketing Limited for the Direct Energy Centre (schedule 3).

Effective August 1, 2009, the Board entered into a ten-year naming right sponsorship agreement with MTS Allstream for the Allstream Centre (schedule 2). The Allstream Centre commenced its operations on October 19, 2009 (schedule 5).

The National Soccer Stadium (BMO Field) is used to accommodate various sports functions throughout the year. The operation of BMO Field is governed by the terms of a management agreement that was entered into between the Board, the City and Maple Leaf Sports and Entertainment Ltd. (MLSE), whereby MLSE will manage the day-to-day operations of the stadium. The agreement was entered into in January 2007 and continues through to December 31, 2027.

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 consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for local governments established by the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows.

Basis of consolidation

The consolidated financial statements include the accounts of the Board and its wholly owned subsidiary, Canadian National Exhibition Association (note 14). Intercompany transactions have been eliminated.

Revenue recognition

The majority of the revenue in these consolidated financial statements is related to sales, service revenue (including suite sales and ticket rebates) and rent, and is recognized at the point of sale or when the service has been provided.

Deferred revenue and contributions

Deferred revenue and contributions consist of monies received for naming rights, rentals for space in trade shows and other events that have been paid in advance and are attributable to a future period.

Sponsorships

Agreements are entered into with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to Exhibition Place, CNEA, Direct Energy Centre, BMO Field and Allstream Centre activities. In return, consideration is provided in a number of diverse ways including specific rights to selected attractions or advertising recognition. Sponsorships received in cash and/or other consideration are recorded in the accounts at the amount of consideration received or given at either the fair value of the amount received or the fair value of the benefit given up, less any cash consideration, whichever is more reliably measureable.

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 consolidated balance sheet and amortized into income on the same basis as the capital asset to which the funds related. Government assistance for non-capital expenditures is included in the consolidated statement of operations.

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 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

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's contributions to a multi-employer with the City of Toronto and Ontario Municipal Employees Retirement System (OMERS), defined benefit pension plan are expensed when contributions are due as the plan is accounted for as a defined contribution plan.
- The costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.
- The costs of other employee benefits are actuarially determined using the projected benefits method 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.

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 consolidated statement of operations.

Financial instruments

The Board classifies its financial instruments into one of the following categories based on the purpose for which the assets were acquired. The Board's accounting policy for each category is as follows:

Financial instrument	Measurement category
Cash	fair value
Accounts receivable	amortized cost
Accounts receivable - City of Toronto	amortized cost
Receivable from City of Toronto	amortized cost
Accounts payable and accrued liabilities - trade	amortized cost
Accounts payable and accrued liabilities - City of Toronto	amortized cost
Suite deposits payable	amortized cost
Loans payable	amortized cost
Transfer payable to the City of Toronto	amortized cost
Other liabilities	amortized cost

Measurement uncertainty

The preparation of consolidated financial statements in conformity 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 consolidated 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 consolidated statement of operations 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 estimates approved by the City of Toronto.

3 Future accounting pronouncements

The following accounting pronouncements have been issued by the Public Sector Accounting Board (PSAB), effective for fiscal years beginning on or after April 1, 2012:

Financial statement presentation

In June 2011, PSAB approved section PS 1201 which replaces PS 1200, Financial Statement Presentation. The new standard requires remeasurement gains/losses to be reported on a new statement: statement of remeasurement gains/losses. The accumulated surplus or deficit is presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses.

Government transfers

In March 2011, PSAB revised PS 3410, Government Transfers which requires a transferring organization to recognize an expense when the transfer is authorized and recipients have met the eligibility criteria. The standard also revises the definition of a liability and when it could be recognized.

Financial Instruments

In June 2011, PSAB approved section PS 3450, Financial Instruments which provides guidance on the recognition, measurement, presentation and disclosure of financial instruments. Financial assets and/or financial liabilities are to be recognized when the entity becomes a party to a financial instrument contract. Derivatives and portfolio investments that are equity instruments quoted in an active market are to be measured at fair value. The entity may report non-derivative financial assets and/or financial liabilities on a fair value basis if it manages and reports performance of these items on a fair value basis. The change in fair value of the items is recognized in the statement of re-measurement gains and losses until settlement and measurement provisions would be applied on a prospective basis.

Foreign currency translation

In June 2011, PSAB approved PS 2601, Foreign Currency translation. The standard aligns the definition of currency risk with the definitions in PS 3450, Financial Instruments. In addition, subsequent to initial recognition, (1) monetary items and (2) non-monetary items denominated in a foreign currency that are measured at fair value should be adjusted to reflect the exchange rate in effect on the financial statement date; foreign exchange gains or losses that arise prior to settlement are recognized in a new financial statement, the statement of remeasurement gains and losses; and in the period of settlement, the cumulative amount of remeasurement gains or losses is recycled to the statement of operations.

Management is currently in the process of assessing the impact of the adoption of these standards on its consolidated financial for the year ending December 31, 2013.

4 Related party balances and transactions

The Board is related to the City and its agencies, boards and commissions in terms of the City’s ability to affect the operating, investing and financing policies of these entities. The Board enters into transactions with these related parties in the normal course of business at the agreed upon exchange amount.

a) Accounts receivable include amounts owing from the City as a source of funding from the Conference Centre Reserve Fund with respect to the Allstream Centre’s operating deficit, of which $777,855 (2011 - $1,065,707) is included in trade accounts receivable.

   Included in trade accounts payable and accrued liabilities is $nil (2011 - $170,358) related to amounts owing to the City as part of the normal course of operations.

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

	2012 $	2011 $
Employee future benefits payable	9,004,270	8,741,002
Vacation and lieu time	840,601	776,869
Less: Net book value of certain equipment	(946,787)	(831,219)
Other	218,627	218,627
Receivable from the City of Toronto before the following	9,116,711	8,905,279
Less: Net step-up lease revenue receivable on building and signage	(1,762,969)	(1,532,319)
Receivable from the City of Toronto	7,353,742	7,372,960

The decrease of $19,218 (2011 - increase of $259,020) in the receivable from the City of Toronto balance has been reflected in the consolidated statement of operations and accumulated deficit.

c) The Board has arrangements with the City and another lender to make future payments as described in note 8 for the financing of energy retrofit assets (note 6) related to buildings at Exhibition Place for energy retrofit projects. The energy retrofit projects include the Trigeneration project, DEC Halls lighting retrofit project, Five Exhibition Buildings improvement project, Photovoltaic Horse Palace project and boiler replacements, various lighting retrofit projects, back pressure steam turbine and LED pathway lighting projects. The payments made by the Board are determined based on the terms of the loans. Estimated savings in connection with the energy retrofit projects are utilized for the repayment of principal and interest on these loans.

d) The Board has several agreements with the City for the establishment of various reserve funds that are recorded within the City's accounts (note 10).

e) The Board has an economic interest in the Canadian National Exhibition Foundation (the Foundation) and is therefore considered to be a related party. The Foundation is an independent, charitable not-for-profit corporation, without share capital and has an independent board of directors (note 14).

The Board donated $20,700 (2011 - $12,000) to the Foundation, which is included in operations expense on schedule 1. The Board also provides administrative services to the Foundation at no cost.

f) The Board contributes to a fund at 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 $600,692 (2011 - $593,025) in contributions for insurance premium payments.

5 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

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the lease on a straight-line basis. The amount will be included in surplus at various amounts over time up to 2025.

6 Energy retrofit assets

			2012	2011
	Cost $	Accumulated amortization $	Net $	Net $
Trigeneration	4,400,000	1,242,083	3,157,917	3,377,917
DEC Halls lighting retrofit project	800,000	348,796	451,204	504,538
Five Exhibition Buildings improvement project	1,500,365	482,947	1,017,418	1,117,442
Photovoltaic Horse Palace project	1,100,000	330,000	770,000	825,000
Boiler replacements and various lighting retrofit projects	955,000	167,125	787,875	835,625
Back pressure steam turbine and LED pathway lighting projects	1,345,000	67,250	1,277,750	1,345,000
Horse Palace, east annex photovoltaic and multiple energy projects	884,648	44,232	840,416	883,738
	10,985,013	2,682,433	8,302,580	8,889,260

7 Building improvements and equipment

			2012	2011
	Cost $	Accumulated amortization $	Net $	Net $
Motor vehicles	261,634	261,634	-	-
Computer equipment	323,818	251,511	72,307	-
Electrical equipment	384,775	363,006	21,769	33,642
Other equipment and furniture	5,834,533	2,418,921	3,415,612	3,753,724
Allstream Centre building improvements	38,764,844	4,896,380	33,868,464	35,419,058
	45,569,604	8,191,452	37,378,152	39,206,424

8 Employee future benefits payable

The employee future benefits are for employees of the Board, the cost of which is reported in these consolidated 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 $1,072,518 (2011 - $1,087,216) and are included in expenses on the consolidated statement of operations.

The Board has the following benefit plans:

Sick leave

The Board's short-term disability plan, for non-unionized employees, provides salary protection at 100% or 75% based on an employee's benefit eligibility date for up to 26 weeks per illness or per calendar year. Absences greater than 26 weeks duration are covered under the Board's long-term disability plan.

Under the sick leave benefit plan, for unionized employees, employees are credited with a maximum of 18 days sick time per annum. Previously unused sick leave could accumulate and employees may become eligible for a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they leave the Board's employment. Effective February 28, 2008, employees are unable to accumulate unused sick leave credits. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could then be taken in cash by employees on termination of employment.

Workplace Safety Insurance Board (WSIB)

The Board is a Schedule 2 employer and as such pays the full cost of all medical and all other benefits for its employees who sustain injuries at the workplace plus the administration cost as determined by the WSIB.

Post-retirement and post-employment benefits

The Board provides health, dental, life insurance and long-term disability benefits to certain employees.

The disclosures relating to these benefits are as follows:

	2012 $	2011 $
Accrued benefit obligation	7,096,922	8,752,280
Net unamortized actuarial gain (loss)	1,907,348	(11,278)
Total employee future benefits payable	9,004,270	8,741,002

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

	2012 $	2011 $
Sick leave	1,230,988	1,337,908
WSIB	2,186,378	3,281,450
Other post-employment and post-retirement benefits	3,679,556	4,132,922
	7,096,922	8,752,280

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

	2012 $	2011 $
Balance - Beginning of year	8,752,280	7,826,633
Current service cost	555,165	504,172
Interest cost	303,781	340,095
Benefits paid	(622,395)	(551,274)
Actuarial (gain) loss	(1,891,909)	632,654
Total accrued benefit obligation	7,096,922	8,752,280

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

	2012 $	2011 $
Current service cost	555,165	504,172
Interest cost	303,781	340,095
Amortization of net actuarial gain (loss)	26,717	(12,824)
	885,663	831,443

d) There was $48,425 (2011 - $26,418) in cash payments made in 2012 with respect to the sick leave plan.

e) Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2012. The next actuarial valuation is expected to be completed in 2015.

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

	2012 %	2011 %
Discount rate		
Sick leave	3.50	3.50
Post-employment benefits	3.10	3.10
Post-retirement benefits	3.80	3.80
WSIB	3.10	3.10
Health-care inflation - hospital, dental care and other medical	3.40 - 6.80	4.00 - 8.00
Health-care inflation - drugs	6.80	8.00
Rate of compensation increase	3.00	3.00

The health-care rate for medical and drugs is assumed to be reduced to 4% by 2020. The health-care rate for dental is assumed to be reduced to 3% by 2015.

g) In addition to the above-noted plans, the Board makes contributions to OMERS, which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. However, it is accounted for as a defined contribution plan as it is a multi-employer plan. Total employer contributions for the year ended December 31, 2012 amounted to $1,140,895 (2011 - $997,158) and are included in the consolidated statement of operations.

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 2012 amounted to $978,503 (2011 - $1,031,757) and are included in the consolidated statement of operations.

9 Loans payable

	2012 $	2011 $
Loans payable to the City of Toronto		
Allstream Centre building improvements, bearing interest at 5% and due on October 1, 2035, interest owing on the loan is added to the principal until the first repayment date of December 1, 2010	36,718,703	37,573,031
Allstream Centre building improvements, bearing interest at 2.375%, due on January 29, 2030	1,816,460	1,899,288
Trigeneration, bearing interest at 5%, due on December 31, 2032	2,799,721	2,747,893
Trigeneration, bearing interest at 2.34%, due on July 31, 2017	537,500	645,000
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5%, due on October 1, 2030	300,920	306,692
Five Exhibition Buildings improvement retrofit, bearing interest at 5%, due on December 31, 2016	391,644	491,361
Five Exhibition Buildings improvement retrofit, bearing interest at an average rate of 2.56%, due on December 31, 2018	302,296	354,879
DEC Halls lighting retrofit, bearing interest at 5%, due on December 31, 2016	244,471	298,170
DEC Halls lighting retrofit, bearing interest at 2.51%, due on December 31, 2017	89,227	107,072
Boiler replacements and various lighting retrofit, bearing interest at 4.5%, due on December 31, 2037	779,656	781,172
Boiler replacements and various lighting retrofit, bearing interest at 2.0%, due on December 31, 2021	199,014	222,888
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	580,871	601,189
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	655,903	688,419
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06%, due on January 3, 2017	356,972	424,097
	45,773,358	47,141,151

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

	$
2013	1,451,855
2014	1,517,775
2015	1,586,736
2016	1,586,224
2017	1,533,773
2018 and thereafter	38,096,995
	45,773,358

10 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, 2012 was $82,029 (2011 - $81,363).

Stabilization Fund

The purpose of this fund is to put income aside in profitable years in order to offset deficits in other years. This reserve is funded by any surplus generated by the operations of Exhibition Place greater than the approved annual budget up to a maximum accumulated balance of $2,000,000 with the residual, if any, being contributed to the Capital Improvement Fund. The balance of the Stabilization Fund as at December 31, 2012 was $3,174,925 (2011 - $1,320,262).

At its meetings with respect to the independence of the CNEA on March 6, 2012, (note 14), Toronto City Council approved the placement of any surplus increase of the Council's approved budget for the CNEA for 2011 and 2012 to the Stabilization Fund for the sole purpose of assisting the CNEA to become independent from the Board and the City in 2013. Subsequent to the year-end, the balance in this fund will be transferred to the CNEA.

The disposition of any future Exhibition Place annual surpluses is subject to the City Council contribution policy and a determination by the Chief Financial Officer of the City.

Exhibition Place Conference Centre Reserve Fund

The purpose of this fund is to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations. The contributions to the fund include the net revenue derived from the Direct Energy Centre and Allstream Centre naming rights and the surplus payable to the City. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2012 was $4,611,897 (2011 - $2,711,866).

City of Toronto Fleet Reserve Fund

The purpose of this fund is to provide funding to the City for acquiring or purchasing fleet and motorized vehicles for the Board's operations. Annual funding promotes efficiencies and budget stabilization by moderating large fluctuations in the annual replacement of vehicles. The balance in the City of Toronto Fleet Reserve Fund is $294,627 (2011 - $260,324).

Soccer Stadium Capital Maintenance Fund

The purpose of this fund is to provide funding for capital expenditures for BMO Field. Under the terms of the management agreement for the operation of BMO Field, the Board is to make annual contributions to this reserve. The balance as at December 31, 2012 was $672,659 (2011 - $787,370).

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 of Toronto 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, foreign currency risk, market risk, liquidity 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 consolidated balance sheet represents the maximum credit risk exposure at the date of the consolidated 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, 2012, two customers have a balance greater than 10% of the Board's trade accounts receivable balance (2011 - two customers).

At December 31, 2012, the following accounts receivable were past due but not impaired:

	30 days $	60 days $	90 days $	Over 120 days $
Accounts receivable	1,158,088	150,471	66,407	280,214

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	4,596,321	263,804	520,429	63,843	5,444,397
Loans payable	562,109	889,747	6,224,508	38,096,995	45,773,358
	5,158,430	1,153,551	6,744,937	38,160,838	51,217,755

- 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 2012 expired on December 31, 2012.

- 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 5). 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, 2012 is $3,670,704 (2011 - $2,663,170).

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.

14 Subsequent event

On January 27, 2012, the Board of Governors of Exhibition Place and the Board of Directors of the CNEA approved the terms of a Master Agreement that calls for the CNEA to become independent from both the Board and the City of Toronto, effective April 1, 2013. On March 6, 2012, Toronto City Council approved the terms and conditions associated with this agreement and has permitted the Board to execute the Master Agreement with the CNEA. Sick leave benefits of $130,048 relating to CNEA employees have been excluded from the determination of employee future benefits payable for the year ended December 31, 2012. As these amounts will be paid upon separation on April 1, 2013, they have been included within accounts payable and accrued liabilities for the current year.

15 Comparative figures

Certain amounts within the comparative consolidated financial statements have been reclassified to conform to the current year presentation.

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Schedule 1

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Canadian National Exhibition Association

For the year ended December 31, 2012 and December 31, 2011

	2012		2011
	Budget $ (Unaudited)	**Actual** $	**Actual** $
Revenue			
Midway, concessions and casino	10,812,025	11,330,869	11,313,229
Ground admissions	7,978,075	8,935,769	7,864,051
Entry fees and exhibit rentals	4,057,942	4,152,529	4,094,056
Parking	1,434,003	1,607,615	1,580,923
Sponsorships	1,010,001	1,190,027	1,058,611
	25,292,046	27,216,809	25,910,870
Expenses			
Operations	12,458,590	12,386,402	11,958,542
Attractions and casino	9,191,859	9,161,600	9,025,057
Marketing	2,523,052	2,557,480	2,572,484
Parking attendants' wages and sundry costs	300,219	294,063	257,069
Amortization of equipment	18,326	18,439	16,006
	24,492,046	24,417,984	23,829,158
Income before the following	800,000	2,798,825	2,081,712
Sick leave benefits recovery (expense)	-	3,909	(11,375)
Net income for the year	800,000	2,802,734	2,070,337

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Exhibition Place

For the year ended December 31, 2012 and December 31, 2011

	2012		2011
	Budget $ (Unaudited)	**Actual** $	**Actual** $
Revenue			
Parking	6,572,605	6,734,923	6,680,228
Building rentals and concessions	3,484,185	3,819,202	3,910,351
Sales of services	2,851,871	4,386,684	4,979,511
Discounts, commissions, incentives, other income and realty tax recoveries	702,000	3,077,484	2,309,282
Contribution from the City of Toronto - Exhibition Place - Conference Centre Reserve Fund	100,000	100,000	300,000
Naming rights	520,000	520,000	520,000
	14,230,661	18,638,293	18,699,372
Expenses			
Maintenance, cleaning and security	10,626,450	9,422,120	9,767,425
Utilities	2,810,567	1,870,571	2,465,615
Cost of services	2,500,292	3,885,208	4,433,694
Administration	2,308,583	3,526,739	3,383,480
Parking attendants' wages and sundry costs	2,394,499	2,715,008	2,734,586
Amortization of energy retrofit assets and equipment	535,960	630,940	523,926
Contribution to City of Toronto - Exhibition Place Conference Centre Reserve Fund	468,000	468,000	467,601
City of Toronto Vehicle Reserve	329,780	329,800	329,800
Interest	336,880	346,113	333,369
	22,311,011	23,194,499	24,439,496
Deficit before the following	(8,080,350)	(4,556,206)	(5,740,124)
Sick leave benefits expense	-	(397,223)	(268,797)
Deficit for the year	(8,080,350)	(4,953,429)	(6,008,921)

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Direct Energy Centre

For the year ended December 31, 2012 and December 31, 2011

	2012		2011
	Budget $ (Unaudited)	**Actual** $	**Actual** $
Revenue			
Building rentals	7,444,433	7,454,623	7,339,037
Services	5,640,516	5,775,031	5,994,847
Catering commissions	893,311	781,740	777,844
Naming rights	700,000	700,000	700,000
Advertising, sponsorship, interest and recoveries	583,119	508,377	542,639
	15,261,379	15,219,771	15,354,367
Expenses			
Administration	4,043,166	4,228,759	4,347,806
Cost of services	3,014,328	3,306,073	3,423,317
Maintenance, cleaning and security	475,259	548,443	673,886
Contribution to the City of Toronto - Exhibition Place Conference Centre Reserve Fund	700,000	690,000	675,000
Amortization of equipment	1,000	-	2,059
	8,233,753	8,773,275	9,122,067
Surplus for the year	7,027,626	6,446,496	6,232,300

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Schedule 4

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - National Soccer Stadium (BMO Field)

For the year ended December 31, 2012 and December 31, 2011

	2012		2011
	Budget **$** (Unaudited)	**Actual** **$**	**Actual** **$**
Revenue			
Food and beverage	4,560,571	4,305,971	4,615,135
Usage fees and merchandise	1,191,004	1,254,397	1,202,738
Suite and ticket rebates	1,629,261	1,542,391	1,576,218
Sponsorships	862,373	869,451	836,994
Cost recoveries and other revenue	70,000	1,656,649	2,345,661
	8,313,209	9,628,859	10,576,746
Expenses			
Salaries, wages and benefits	1,919,264	1,747,669	1,889,054
Cost of goods sold - food and beverage	1,496,175	1,424,266	1,509,366
Royalty	1,684,991	1,590,940	1,610,566
Supplies and services	1,254,950	2,669,196	3,032,182
Utilities, insurance and other	799,740	812,159	799,422
Contribution to the City of Toronto Capital Reserve	407,200	411,556	400,000
Incentives and rebates	238,577	387,943	568,043
Management fee	221,977	224,376	218,052
Amortization of equipment	40,000	18,526	53,192
	8,062,874	9,286,631	10,079,877
Surplus for the year	250,335	342,228	496,869

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Allstream Centre

For the year ended December 31, 2012 and December 31, 2011

	2012		2011
	Budget **$** (Unaudited)	**Actual** **$**	**Actual** **$**
Revenue			
Building rentals	945,926	1,434,090	1,099,570
Services	1,340,091	1,010,972	1,045,548
Catering commissions	710,000	665,344	769,750
Parking	110,000	175,904	158,517
Contribution from the City of Toronto - Exhibition Place Conference Centre Reserve Fund	2,248,049	1,935,853	2,208,309
	5,354,066	5,222,163	5,281,694
Expenses			
Amortization of building improvements and equipment	936,298	1,943,832	1,943,831
Interest	1,862,182	1,861,322	1,903,913
Administration	1,121,065	1,103,823	1,043,530
Cost of services	951,153	778,449	831,273
Utilities	333,825	232,374	263,235
Maintenance, cleaning and security	149,543	309,897	345,993
	5,354,066	6,229,697	6,331,775
Deficit for the year	-	(1,007,534)	(1,050,081)

Appendix B: Summary of unadjusted and adjusted items

SUMMARY OF UNADJUSTED ITEMS

		BALANCE SHEET - Debit (Credit)				DEFICIT
SUM #	Description	Financial Assets	Non-financial Assets	Financial Liabilities	Accumulated Deficit	Deficit
1	To reverse deferred revenue on cancelled events					
	DR. Deferred revenue			179,230		
	CR. Event Rental Sales					(38,329)
	CR. Accounts Receivable - Trade	(140,901)				
2	Elimination of interco revenue markup charged by BOG to BMOF					
	DR. Sales					129,676
	CR. Expenses					(129,676)
3	Interdivisional revenue elimination (CNEA) Exhibit rent transferred from sponsorship					
	DR. Exhibit Rental Revenue					87,140
	CR. Sponsorship / Marketing expense					(87,140)
	Total current year unadjusted items	(140,901)		179,230	-	(38,329)

SUMMARY OF ADJUSTED ITEMS

		BALANCE SHEET - Debit (Credit)				DEFICIT
SAM #	Description	Financial Assets	Non-financial Assets	Financial Liabilities	Accumulated Deficit	Deficit
1	Reclass elimination of sick benefits cost (recovery) (CNEA)					
	DR. Sick benefits cost (recovery)					130,048
	DR. Operations expense					6,643
	CR. Attraction and casino expense					(136,691)
	Total current year adjusted items	-		-	-	-

Appendix C: Draft management representation letter

[Date]

PricewaterhouseCoopers LLP
North American Centre
5700 Yonge Street, Suite 1900
North York ON M2M 4K7

Dear Sirs:

We are providing this letter in connection with your audit of the consolidated financial statements of the Board of Governors of Exhibition Place and its subsidiaries (together the Board) as of December 31, 2012 and for the year then ended (the consolidated financial statements) for the purpose of expressing an opinion as to whether such consolidated financial statements present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with Canadian public sector accounting standards.

Management's responsibilities
We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 1, 2010. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards;
- We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information in accordance with Canadian public sector accounting standards;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

We confirm the following representations:

Preparation of consolidated financial statements
The consolidated financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards and disclosures otherwise required to be included therein by the laws and regulations to which we are subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the consolidated financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the consolidated financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an operations account and vice versa. All consolidating entries have been properly recorded. All inter-governmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the consolidated financial statements.

Accounting policies
We confirm that we have reviewed our accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the consolidated financial statements is appropriate in our particular circumstances to present fairly in all material respects its financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.

Internal controls over financial reporting
We have designed disclosure controls and procedures to provide reasonable assurance that material information relating to us is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have not identified any deficiency in the design or operation of disclosure controls and procedures and internal control over financial reporting identified as part of our assessment as of December 31, 2012.

Disclosure of information
We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters including:
    - Contracts and related data;
    - Information regarding significant transactions and arrangements that are outside of the normal course of business;
    - Minutes of the meetings of management, directors and committees of directors. The most recent meetings held by:
        - Board of Governors of Exhibition Place - May 24, 2013;
        - Finance and Audit Committee of the Board of Governors of Exhibition Place – May 6, 2013;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions
All contractual arrangements entered into by us with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance.

Fraud
We have disclosed to you:

- The results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting us involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the consolidated financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting the consolidated financial statements, communicated by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations
We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the consolidated financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.

We are not aware of any illegal or possibly illegal acts committed by our directors, officers or employees acting on our behalf.

Accounting estimates and fair value measurements
Significant assumptions used by us in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the consolidated financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the consolidated financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with our planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with The Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook Section PS 2130, Measurement Uncertainty have been appropriately disclosed.

Related parties
We confirm the completeness of information provided to you regarding the identification of related parties as defined by CAS 550 – Related Parties. We also confirm the completeness of information provided to you regarding the nature of our relationships with and transactions involving those entities.

The list of related parties attached to this letter as Appendix A accurately and completely describes our related parties and the relationships with such parties.

Going concern
We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the consolidated financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities
We have satisfactory title or control over all assets. All liens or encumbrances on our assets and assets pledged as collateral, to the extent material, have been disclosed in the consolidated financial statements.

Receivables recorded in the consolidated financial statements represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet date and is not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

Cash and banks
The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Board.

All cash balances are under the control of the Board, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts which are not the property of the Board.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Board of which we are aware are included in the consolidated financial statements at December 31, 2012.

Accounts receivable
All amounts receivable by the Board were recorded in the books and records.

Amounts receivable are considered to be fully collectible, except to the extent for which full allowance has been made in the accounts.

All receivables were free from hypothecation or assignment as security for advances to the Board, except as hereunder stated.

Tangible capital assets (including energy retrofit assets and building improvements)
All charges to tangible capital asset accounts represented the actual cost of additions to tangible capital assets.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant tangible capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of tangible capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Tangible capital assets owned by the Board are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering assets leased by or from the Board have been disclosed to you and classified as leased tangible capital assets or operating leases.

Leased tangible capital assets are being amortized on a systematic basis over the period of expected use.

There have been no events, conditions or changes in circumstances that indicate that a tangible capital asset no longer contributes to the Board's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of the Board's long-lived tangible capital assets is fully recoverable in accordance with PS 3150.

Deferred revenue
All material amounts of deferred revenue meet the definition of a liability and were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences and termination benefits
All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The details of all pension plan amendments since the date of the last actuarial valuation, have been identified to you.

The actuarial valuation completed as of December 31, 2012 incorporates management's best estimates, detailed as follows:
- post-retirement health benefits are covered to age 65; post age 65 coverage for non-union grandfathered employees only are 100% employer paid
- post-retirement drugs are covered to age 65 which is 100% employer paid
- post-retirement dental is covered to age 65; post age 65 for non-union grandfathered employees only are 100% employer paid
- post-retirement life is 2 times the final earnings pre-age 65 and $5,000 post age 65
- cumulative sick leave benefits are paid out 50% at termination, death or retirement to a maximum of 3 months for 10-14 years of service, 4 months for 15-19 years of service, 5 months for 20-24 year of service, and 6 months for 25 or more years service
- the Association continues to pay life, health, and dental premiums for disabled employees on long-term disability to age 65
- the City is liable for future WSIB claims
- 174 employees under the plan, of which 149 are active, 21 are retired, and 4 are on long-term disability

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

The Board does not plan to make frequent amendments to the pension or other post-retirement benefit plans

All changes to the plan and the employee group and the fund's performance since the last actuarial valuation have been reviewed and considered in determining the pension plan expense and the estimated actuarial present value of accrued pension benefits and value of pension fund assets.

The Board's actuaries have been provided with all information required to complete their valuation as at December 31, 2012.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with PS 3250 – Retirement Benefits and PS 3255 – Post-employment Benefits, Compensated Absences and Termination Benefits. In particular:
- The significant accounting policies that the Board has adopted in applying PS 3250 and PS 3255 are accurately and completely disclosed in the notes to the consolidated financial statements.
- Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.

- The discount rate used to determine the accrued benefit obligation was determined by reference to the Board's borrowing rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.
- The assumptions included in the actuarial valuation are those that management instructed Buck Consultants to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named consolidated financial statements, in accordance with PS 3250.
- In arriving at these assumptions, management has obtained the advice of Buck Consultants who assisted in reaching best estimates, but has retained the final responsibility for them.
- The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- The percentage of the market value of total plan assets represented by each major category held at the measurement date is not disclosed because it is not expected to be useful in understanding the risks and expected long-term rate of return for the plan assets.
- All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

Consolidated Statement of operations and net debt
All transactions entered into by the Board have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the statement of operations and net debt.

The accounting principles and policies followed throughout the period were consistent with prior period practices (except as disclosed in the consolidated financial statements)

Government transfers
Transfers without eligibility criteria or stipulations have been recognized as revenue once the transfer has been authorized.

Transfers with eligibility criteria but without stipulations have been recognized as revenue once the transfer has been authorized and all eligibility criteria have been met.

Transfers with or without eligibility criteria but with stipulations have been recognized as revenue in the period the transfer has been authorized and all eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with PS 3200, Liabilities.

The major kinds of transfers recognized have all been disclosed in the consolidated financial statements as well as the nature and terms of liabilities arising from government transfers received.

Budgetary data
We have included budgetary data in our consolidated financial statements which is relevant to the users of consolidated financial statements. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results. The budgetary information used in the consolidated financial statements is equivalent to the budget approved by Toronto City Council.

Litigation and claims
All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit
Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the consolidated financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the consolidated financial statements, as summarized in the accompanying schedule (Appendix B), are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix B.

The adjusted misstatements identified during your audit and summarized in the attached table (Appendix C) have been approved by us and adjusted in the financial statements.

Events after balance sheet date
We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the consolidated financial statements, and have effected such adjustment or disclosure.

Yours truly,

Board of Governors of Exhibition Place

____
Dianne Young, Chief Executive Officer

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Hardat Persaud, Chief Financial Officer