

# **Board of Governors of Exhibition Place**

**Consolidated Financial Statements  
December 31, 2011 and  
December 31, 2010**

**DRAFT**

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

@@@, 2012

## **Independent Auditor's Report**

### **To the Members of Board of Governors of Exhibition Place**

We have audited the accompanying consolidated financial statements of the Board of Governors of Exhibition Place, which comprise the consolidated balance sheets as at December 31, 2011 and December 31, 2010 and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 of these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Board of Governors of Exhibition Place as at December 31, 2011 and December 31, 2010 and the results of its operations, changes in its net debt and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.

**Comparative information**

Without modifying our opinion, we draw attention to note 2 to the financial statements which describes that the Board of Governors of Exhibition Place adopted Canadian public sector accounting standards on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated balance sheet as at January 1, 2010 and related disclosures. We were not engaged to report on the restated consolidated balance sheet as at January 1, 2010, and as such, it is unaudited.

**Chartered Accountants, Licensed Public Accountants**

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## Board of Governors of Exhibition Place

## Consolidated Balance Sheets

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$ (Unaudited)
<b>Financial Assets</b>			
Cash	4,402,864	3,025,395	3,615,510
Accounts receivable			
Trade	5,609,396	4,846,595	5,966,749
City of Toronto (note 4(a))	7,879,623	11,007,219	732,959
Receivable from City of Toronto (note 4(b))	7,372,960	7,113,940	7,131,616
	<u>25,264,843</u>	<u>25,993,149</u>	<u>17,446,834</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities			
Trade	8,375,771	10,841,292	6,918,420
City of Toronto (note 4(a))	2,402,790	1,103,614	3,030,727
Employee future benefits payable (note 8)	8,741,002	8,460,831	8,262,154
Transfer payable to the City of Toronto (note 4)	3,049,605	1,262,726	1,974,051
Deferred revenue and contributions	6,686,485	7,909,251	4,625,308
Loans payable (notes 4(c) and 9)	47,141,151	47,730,780	44,162,008
Suite deposits payable	243,159	243,159	190,000
Other liabilities	484,454	484,454	-
Government assistance	1,794,962	1,340,423	1,054,438
	<u>78,919,379</u>	<u>79,376,530</u>	<u>70,217,106</u>
<b>Net Debt</b>	<u>(53,654,536)</u>	<u>(53,383,381)</u>	<u>(52,770,272)</u>
<b>Non-financial assets</b>			
Prepaid expenses and other	329,643	347,301	271,407
Step-up rent receivable (note 5)	2,566,039	2,577,722	2,498,889
Energy retrofit assets (note 6)	8,889,260	7,595,184	7,612,737
Building improvements (note 7)	39,206,424	41,250,085	42,387,239
	<u>50,991,366</u>	<u>51,770,292</u>	<u>52,770,272</u>
<b>Accumulated Conference Centre deficit</b>	<u>(2,663,170)</u>	<u>(1,613,089)</u>	<u>-</u>
<b>Contingencies (note 13)</b>			

## Approved by the Board of Directors

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the consolidated financial statements.

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# Board of Governors of Exhibition Place

## Consolidated Statements of Operations and Accumulated Deficit

For the years ended December 31, 2011 and December 31, 2010

	2011		2010
	Budget \$ (Unaudited)	Actual \$	Actual \$
<b>Revenue</b>			
Canadian National Exhibition Association (schedule 1)	24,714,972	25,910,870	24,414,204
Exhibition Place (schedule 2)	13,912,091	18,699,372	17,852,097
Direct Energy Centre (schedule 3)	15,467,331	15,354,367	17,194,496
National Soccer Stadium (BMO Field) (schedule 4)	7,767,071	10,576,746	9,964,522
Allstream Centre (schedule 5)	4,777,086	5,281,694	4,084,503
	<u>66,638,551</u>	<u>75,823,049</u>	<u>73,509,822</u>
<b>Expenses</b>			
Canadian National Exhibition Association (schedule 1)	23,914,972	23,840,533	24,386,161
Exhibition Place (schedule 2)	21,894,641	24,708,293	24,879,461
Direct Energy Centre (schedule 3)	8,548,025	9,122,068	9,218,709
National Soccer Stadium (BMO Field) (schedule 4)	7,550,602	10,079,877	9,660,586
Allstream Centre (schedule 5)	4,777,086	6,331,774	5,697,592
	<u>66,685,326</u>	<u>74,082,545</u>	<u>73,842,509</u>
<b>Surplus (deficit) before the following</b>	(46,775)	1,740,504	(332,687)
<b>Surplus transfer to the City of Toronto</b> (note 4)	-	(3,049,605)	(1,262,726)
<b>Amounts to be recovered from the City</b> (note 4(b))	-	259,020	(17,676)
<b>Deficit for the year</b>	(46,775)	(1,050,081)	(1,613,089)
<b>Accumulated Conference Centre deficit - Beginning of year</b>	-	(1,613,089)	-
<b>Accumulated Conference Centre deficit - End of year</b>	-	(2,663,170)	(1,613,089)

See accompanying notes to the consolidated financial statements.

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## Board of Governors of Exhibition Place

## Consolidated Statements of Changes in Net Debt

For the years ended December 31, 2011 and December 31, 2010

	2011 \$	2010 \$
<b>Operating transactions</b>		
Deficit for the year	(1,050,081)	(1,613,089)
<b>Tangible capital asset activities</b>		
Purchase of energy retrofit assets	(1,770,182)	(458,556)
Purchase of building improvements and equipment	(19,247)	(946,576)
Amortization of energy retrofit assets	476,106	476,109
Amortization of building improvements and equipment	2,062,908	2,083,730
	749,585	1,154,707
<b>Other non-financial activities</b>		
Use (acquisition) of prepaid expenses and other	17,658	(75,894)
Use (acquisition) of step-up rent receivable	11,683	(78,833)
	29,341	(154,727)
<b>Increase in net debt during the year</b>	(271,155)	(613,109)
<b>Net debt - Beginning of year</b>	(53,383,381)	(52,770,272)
<b>Net debt - End of year</b>	(53,654,536)	(53,383,381)

See accompanying notes to the consolidated financial statements.

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## Board of Governors of Exhibition Place

## Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and December 31, 2010

	2011 \$	2010 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficit for the year	(1,050,081)	(1,613,089)
Add (deduct): Non-cash items		
Employee future benefits expense	280,171	198,677
Amortization of energy retrofit assets	476,106	476,109
Amortization of building improvements and equipment	2,062,908	2,083,730
Increase in government assistance	454,539	285,985
Step-up rent receivable	11,683	(78,833)
Trade accounts receivable	(762,801)	1,120,154
Accounts receivable from the City of Toronto	3,127,596	(10,274,260)
Receivable due from City of Toronto	(259,020)	17,676
Prepaid expenses and other	17,658	(75,894)
Trade accounts payable and accrued liabilities	(2,465,521)	3,922,872
Accounts payable and accrued liabilities due to the City of Toronto	1,299,176	(1,927,113)
Deferred revenue and contributions	(1,222,766)	3,283,943
Suite deposits payable	-	53,159
Other liabilities	-	484,454
Surplus transfer payable to the City of Toronto	1,786,879	(711,325)
	<u>3,756,527</u>	<u>(2,753,755)</u>
<b>Capital activities</b>		
Purchase of energy retrofit assets	(1,770,182)	(458,556)
Purchase of building improvements and equipment	(19,247)	(946,576)
	<u>(1,789,429)</u>	<u>(1,405,132)</u>
<b>Financing activities</b>		
Proceeds from loans payable	2,918,850	4,697,251
Repayments of loans payable	(3,508,479)	(1,128,479)
	<u>(589,629)</u>	<u>3,568,772</u>
<b>Increase (decrease) in cash during the year</b>	<u>1,377,469</u>	<u>(590,115)</u>
<b>Cash - Beginning of year</b>	<u>3,025,395</u>	<u>3,615,510</u>
<b>Cash - End of year</b>	<u>4,402,864</u>	<u>3,025,395</u>

See accompanying notes to the consolidated financial statements.

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**Board of Governors of Exhibition Place****Notes to Consolidated Financial Statements****December 31, 2011 and December 31, 2010**

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**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 sheets 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 Transition to Canadian public sector accounting standards**

Commencing with the 2011 fiscal year, the Board has adopted Canadian public sector accounting standards (PSAS). These consolidated financial statements are the first consolidated financial statements for which the Board has applied PSAS.

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

The impact of the transition to PSAS on the accumulated deficit at the date of transition, January 1, 2010, and the comparative annual deficit is presented below. These accounting changes have been applied retroactively with restatement of prior periods. The following changes have been implemented to comply with PSAS:

a) Consolidated balance sheet

	Previously stated \$	Adjustment \$	Restated \$
Receivable from City of Toronto	5,709,592	1,422,024	7,131,616
Energy retrofit assets	6,549,764	1,062,973	7,612,737
Employee future benefits payable	6,831,595	1,430,559	8,262,154
Government assistance	-	1,054,438	1,054,438

b) Consolidated statement of operations

	2011 \$	2010 \$
Deficit for the year - as originally reported	(2,663,170)	(1,613,089)
Adjustments to the deficit for the year		
Conversion to PSAS		
Employee future benefits		
Discount rate (i)	-	2,372
Initial recognition of unamortized gains/losses (ii)	-	634,198
Amortization of energy retrofit assets	-	(66,139)
Amortization of government assistance	-	84,182
Transfer to City of Toronto	-	(654,613)
Deficit for the year - as restated	<u>(2,663,170)</u>	<u>(1,613,089)</u>

- i) The Board has revalued its pension benefit obligations using a discount rate referencing the City of Toronto's cost of borrowing.
- ii) The Board has retroactively recognized unamortized gains and losses on the date of transition. Accumulated actuarial gains and losses are amortized over the remaining service life of the employees.

c) Exemptions

The Board has elected to use the following exemptions:

- Retirement and post-employment benefits - The Board has elected to recognize all cumulative actuarial gains and losses as at the date of transition to PSAS directly in deficit for the year.
- Tangible capital asset impairment - The Board has elected to apply the conditions for a writedown of a tangible capital asset on a prospective basis from the date of transition, January 1, 2010.

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**Board of Governors of Exhibition Place****Notes to Consolidated Financial Statements****December 31, 2011 and December 31, 2010**

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- Business combinations - The Board has elected to apply the requirements of Section PS 2510 prospectively from the date of transition, January 1, 2010.

**3 Summary of significant accounting policies**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants (CICA). 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. 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 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.

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

### 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 Place project	20 years
Boilers replacement 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	3 years
Electrical equipment	5 years
Other equipment and furniture	2 to 15 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, defined benefit pension plan are expensed when contributions are due.
- 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.

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

### 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 consolidated 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 - current and long-term	amortized cost
Accounts payable and accrued liabilities	amortized cost
Loans payable	fair value
Transfer payable to the City of Toronto	amortized cost

### Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian PSA standards 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.

## 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 \$1,065,707 (2010 - \$369,707) is included in trade accounts receivable.

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

The Board is also billed by the City for items such as hydro, insurance and contributions to various reserve funds. Included in trade accounts payable is \$429,564 (2010 - \$574,064) related to amounts owing to the City.

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

	2011 \$	2010 \$
Employee future benefits payable (note 8(a))	8,741,002	8,460,831
Vacation and lieu time	776,869	698,845
Less: Net book value of certain equipment	(831,220)	(931,048)
Other	218,628	218,627
	<hr/>	<hr/>
Receivable from the City of Toronto before the following	8,905,279	8,447,255
Less: Net step-up lease revenue receivable on building and signage	(1,532,319)	(1,333,315)
	<hr/>	<hr/>
Receivable from the City of Toronto	7,372,960	7,113,940

The increase of \$259,020 (2010 - decrease of \$17,676) in the receivable 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 9 for the financing of energy retrofit assets as described in 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 project. 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.

The Board donated \$12,000 (2010 - \$146,100) 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 \$593,025 (2010 - \$570,886) in contributions for insurance premium payments.

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

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### 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 the lease on a straight-line basis. The amount will be included in net income at various amounts over time up to 2026.

### 6 Energy retrofit assets

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration	4,400,000	1,022,083	3,377,917
DEC Halls lighting retrofit project	800,000	295,462	504,538
Five Exhibition Buildings improvement	1,500,365	382,923	1,117,442
Photovoltaic Horse Palace	1,100,000	275,000	825,000
Boiler replacements and various lighting retrofit projects	955,000	119,375	835,625
Back pressure steam turbine and LED pathway lighting projects	1,345,000	-	1,345,000
Horse palace, east annex photovoltaic and multiple energy projects	883,738	-	883,738
	<b>10,984,103</b>	<b>2,094,843</b>	<b>8,889,260</b>
	2010		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration	4,400,000	802,083	3,597,917
DEC Halls lighting retrofit project	800,000	242,129	557,871
Five Exhibition Buildings improvement	1,500,365	282,900	1,217,465
Photovoltaic Horse Palace	1,100,000	220,000	880,000
Boiler replacements and various lighting retrofit projects	955,000	71,625	883,375
Back pressure steam turbine and LED pathway lighting projects	458,556	-	458,556
	<b>9,213,921</b>	<b>1,618,737</b>	<b>7,595,184</b>

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

### 7 Building improvements and equipment

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Motor vehicles	261,634	261,634	-
Computer equipment	251,511	251,511	-
Electrical equipment	384,775	351,133	33,642
Other equipment and furniture	5,710,975	1,957,251	3,753,724
Allstream Centre building improvements	38,764,844	3,345,786	35,419,058
	<u>45,373,739</u>	<u>6,167,315</u>	<u>39,206,424</u>
	2010		
	Cost \$	Accumulated amortization \$	Net \$
Motor vehicles	261,634	261,634	-
Computer equipment	251,511	251,511	-
Electrical equipment	384,775	338,819	45,956
Other equipment and furniture	5,691,728	1,457,248	4,234,480
Allstream Centre building improvements	38,764,844	1,795,195	36,969,649
	<u>45,354,492</u>	<u>4,104,407</u>	<u>41,250,085</u>

The Board received \$nil (2010 - \$750,000) in funding from the Marquee Tourism Event Program of the Government of Canada and \$nil (2010 - \$250,000) from the Board's Fleet Reserve Fund to assist in the purchase of trams in fiscal 2011.

### 8 Employee future benefits payable

The employee future benefits for employees of the Board, the cost of which is reported in these consolidated financial statements, have the following characteristics.

#### 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. 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.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

### 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 that 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:

	2011 \$	2010 \$
Accrued benefit obligation	8,752,280	7,826,633
Net unamortized actuarial (loss) gain	(11,278)	634,198
Total employee future benefits payable	8,741,002	8,460,831

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

	2011 \$	2010 \$
Sick leave	1,337,908	1,224,299
WSIB	3,281,450	3,025,937
Other post-employment and post-retirement benefits	4,132,922	3,576,397
	8,752,280	7,826,633

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

	2011 \$	2010 \$
Balance - Beginning of year	7,826,633	7,104,169
Current service cost	504,172	470,060
Interest cost	340,095	343,011
Benefits paid	(551,274)	(579,677)
Actuarial loss	632,654	489,070
Total accrued benefit obligation	8,752,280	7,826,633

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

	2011 \$	2010 \$
Current service cost	504,172	470,060
Interest cost	340,095	343,011
Amortization of net actuarial (loss) gain	(12,824)	(34,717)
	831,443	778,354

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NOT TO BE FURTHER COMMUNICATED**

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

- d) There was \$26,418 in cash payments made in 2011 (2010 - \$63,715) with respect to the sick leave plan.

The benefit plans as noted above 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 \$1,087,216 (2010 - \$979,951) and are included in expenses on the consolidated statements of operations.

- e) Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2009. The next actuarial valuation is expected to be completed in 2012.
- f) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employee future benefits are as follows:

	2011 %	2010 %
Discount rate		
Sick leave	3.50	4.40
Post-employment benefits	3.10	4.00
Post-retirement benefits	3.80	4.70
WSIB	3.10	4.00
Health-care inflation - hospital, dental care and other		
medical	4.00 - 8.00	4.00 - 8.00
Health-care inflation - drugs	8.00	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 the Ontario Municipal Employees Retirement Fund (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. Total employer contributions for the year ended December 31, 2011 amounted to \$997,158 (2010 - \$836,844) and are included in the consolidated statements 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 2011 amounted to \$1,031,757 (2010 - \$944,977) and are included in the consolidated statements of operations.

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

### 9 Loans payable

	2011 \$	2010 \$
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	37,573,031	38,386,677
Allstream Centre building improvements, bearing interest at 2.375%, due on January 29, 2030	1,899,288	1,980,207
Trigeneration, bearing interest at 5%, due on December 31, 2032	2,747,893	2,696,154
Trigeneration, bearing interest at 2.34%, due on July 31, 2017	645,000	752,500
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5%, due on October 1, 2030	306,692	312,185
Five Exhibition buildings improvement retrofit, bearing interest at 5%, due on December 31, 2016	491,361	585,011
Five Exhibition buildings improvement retrofit, bearing interest at an average rate of 2.56%, due on December 31, 2018	354,879	407,462
DEC Halls lighting retrofit, bearing interest at 5%, due on December 31, 2016	298,170	348,887
DEC Halls lighting retrofit, bearing interest at 2.51%, due on December 31, 2017	107,072	124,918
Boiler replacements and various lighting retrofit, bearing interest at 4.5%, due on December 31, 2037	781,172	782,163
Boiler replacements and various lighting retrofit, bearing interest at 2.0%, due on December 31, 2021	222,888	246,764
Back pressure steam turbine and LED pathway lighting retrofit, a non-interest bearing loan of \$1,000,000 discounted at an imputed interest rate of 5%, due on April 1, 2030	601,189	620,521
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	688,419	-
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06%, due on January 3, 2017	424,097	487,331
	<u>47,141,151</u>	<u>47,730,780</u>

There is no security provided for the loans payable listed above.

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

	\$
2012	1,366,933
2013	1,451,855
2014	1,517,775
2015	1,586,736
2016	1,586,224
2017 and thereafter	39,631,628
	<u>47,141,151</u>

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**Board of Governors of Exhibition Place****Notes to Consolidated Financial Statements****December 31, 2011 and December 31, 2010**

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**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, 2011 was \$81,363 (2010 - \$80,626).

**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, 2011 was \$1,320,262 (2010 - \$nil).

At its meetings with respect to the independence of the CNEA on March 6, 2012, Toronto City Council approved the placement of any surplus increase of the Council's approved budget for 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.

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 of the most appropriate course of action.

**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, 2011 was \$2,670,967 (2010 - \$2,267,061).

**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 annual replacement of vehicles. The balance in the City of Toronto Fleet Reserve Fund is \$260,324 (2010 - \$160,988).

**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, 2011 was \$787,370 (2010 - \$530,555).

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# Board of Governors of Exhibition Place

## Notes to Consolidated Financial Statements

December 31, 2011 and December 31, 2010

### 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 sheets 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, 2011, two customers represented 10% of the Board's trade accounts receivable balance (2010 - two customers represented 10%).

At December 31, 2011, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	1,161,932	393,965	109,528	185,851

Management believes the Board's credit risk is low.

- 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.

- 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 the City and with an external party, which fixes a portion of the

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**Board of Governors of Exhibition Place****Notes to Consolidated Financial Statements****December 31, 2011 and December 31, 2010**

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wholesale price over the term of the contract. All contracts entered into by the City in 2011 expired on December 31, 2011.

- **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.

- **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 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, 2011 is \$2,663,170 (2010 - \$1,613,089).

**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 when 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 Canadian National Exhibition Association (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 have permitted the Board to execute the Master Agreement with the CNEA.

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**Board of Governors of Exhibition Place****Consolidated Schedule of Operations - Canadian National Exhibition Association****For the years ended December 31, 2011 and December 31, 2010**

	<b>2011</b>		<b>2010</b>
	<b>Budget</b> \$ (Unaudited)	<b>Actual</b> \$	<b>Actual</b> \$
<b>Revenue</b>			
Midway, concessions and casino	10,395,413	11,313,228	10,326,114
Ground admissions	8,103,437	7,864,052	7,050,397
Entry fees and exhibit rentals	3,919,041	4,094,056	3,949,670
Parking	1,287,080	1,580,923	1,281,453
Sponsorships	1,010,001	1,058,611	1,046,957
Marquee Tourism Event Program	-	-	759,613
	<b>24,714,972</b>	<b>25,910,870</b>	<b>24,414,204</b>
<b>Expenses</b>			
Operations	12,054,674	11,958,542	11,943,101
Attractions and casino	9,126,159	9,025,057	9,029,059
Marketing	2,380,704	2,572,484	2,348,412
Marquee Tourism Event Program	-	-	768,681
Parking attendants' wages and sundry costs	293,110	257,069	282,270
Amortization of equipment	38,625	16,006	9,636
	<b>23,893,272</b>	<b>23,829,158</b>	<b>24,381,159</b>
<b>Surplus before the following</b>	<b>821,700</b>	<b>2,081,712</b>	<b>33,045</b>
<b>Sick leave benefits expense</b>	<b>(21,700)</b>	<b>(11,375)</b>	<b>(5,002)</b>
<b>Surplus for the year</b>	<b>800,000</b>	<b>2,070,337</b>	<b>28,043</b>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
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**Board of Governors of Exhibition Place****Consolidated Schedule of Operations - Exhibition Place****For the years ended December 31, 2011 and December 31, 2010**

	<b>2011</b>		<b>2010</b>
	<b>Budget</b> \$ (Unaudited)	<b>Actual</b> \$	<b>Actual</b> \$
<b>Revenue</b>			
Parking	6,273,150	6,680,228	6,645,284
Building rentals and concessions	3,456,237	3,910,351	3,542,884
Sales of services	2,678,789	4,979,511	4,081,115
Discounts, commissions, incentives, other income and realty tax recoveries	683,915	2,309,282	2,590,314
Contribution from the City of Toronto - Exhibition Place - Conference Centre Reserve Fund	300,000	300,000	472,500
Naming rights	520,000	520,000	520,000
	<b>13,912,091</b>	<b>18,699,372</b>	<b>17,852,097</b>
<b>Expenses</b>			
Maintenance, cleaning and security	10,339,134	9,767,425	10,434,859
Utilities	2,910,476	2,665,755	2,702,179
Cost of services	2,288,949	4,433,694	3,749,475
Administration	2,338,520	3,183,340	3,789,806
Parking attendants' wages and sundry costs	2,347,297	2,734,586	2,381,455
Amortization of energy retrofit assets and equipment	526,636	523,926	549,857
Contribution to City of Toronto - Exhibition Place Conference Centre Reserve Fund	468,000	467,601	405,784
City of Toronto Vehicle Reserve	329,780	329,800	350,000
Interest	345,849	333,369	322,371
	<b>21,894,641</b>	<b>24,439,496</b>	<b>24,685,786</b>
<b>Deficit before the following</b>	<b>(7,982,550)</b>	<b>(5,740,124)</b>	<b>(6,833,689)</b>
<b>Sick leave benefits expense</b>	<b>-</b>	<b>(268,797)</b>	<b>(193,675)</b>
<b>Deficit for the year</b>	<b>(7,982,550)</b>	<b>(6,008,921)</b>	<b>(7,027,364)</b>

See accompanying notes to the consolidated financial statements.

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**Board of Governors of Exhibition Place**

Consolidated Schedule of Operations - Direct Energy Centre

For the years ended December 31, 2011 and December 31, 2010

	<b>2011</b>		<b>2010</b>
	<b>Budget</b> \$ (Unaudited)	<b>Actual</b> \$	<b>Actual</b> \$
<b>Revenue</b>			
Building rentals	7,360,530	7,339,037	8,456,148
Services	5,975,451	5,994,847	6,462,402
Catering commissions	843,376	777,844	1,002,957
Naming rights	700,000	700,000	700,000
Advertising, sponsorship, interest and recoveries	587,974	542,639	572,989
	<b>15,467,331</b>	<b>15,354,367</b>	<b>17,194,496</b>
<b>Expenses</b>			
Administration	3,882,760	4,347,806	3,875,239
Cost of services	3,445,710	3,423,317	3,936,482
Maintenance, cleaning and security	513,555	673,886	730,912
Contribution to the City of Toronto - Exhibition Place			
Conference Centre Reserve Fund	700,000	675,000	667,358
Amortization of equipment	6,000	2,059	8,718
	<b>8,548,025</b>	<b>9,122,068</b>	<b>9,218,709</b>
<b>Surplus for the year</b>	<b>6,919,306</b>	<b>6,232,299</b>	<b>7,975,787</b>

See accompanying notes to the consolidated financial statements.

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**Board of Governors of Exhibition Place**

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

For the years ended December 31, 2011 and December 31, 2010

	<b>2011</b>		<b>2010</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	(Unaudited)		
<b>Revenue</b>			
Food and beverage	4,554,675	4,615,135	4,416,723
Usage fees and merchandise	1,267,787	1,202,738	1,193,467
Suite and ticket rebates	1,036,818	1,576,218	1,610,062
Sponsorships	837,791	836,994	821,908
Cost recoveries and other revenue	70,000	2,345,661	1,922,362
	<b>7,767,071</b>	<b>10,576,746</b>	<b>9,964,522</b>
<b>Expenses</b>			
Salaries, wages and benefits	2,058,313	1,889,054	1,914,584
Cost of goods sold - food and beverage	1,143,243	1,286,744	1,518,864
Royalty	1,141,076	1,610,566	1,667,204
Supplies and services	1,556,350	3,254,804	2,777,542
Utilities, insurance and other	769,727	799,422	776,388
Contribution to the City of Toronto Capital Reserve	400,000	400,000	400,000
Incentives and rebates	226,469	568,043	344,819
Management fee	215,424	218,052	211,200
Amortization of equipment	40,000	53,192	49,985
	<b>7,550,602</b>	<b>10,079,877</b>	<b>9,660,586</b>
<b>Surplus for the year</b>	<b>216,469</b>	<b>496,869</b>	<b>303,936</b>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

**Board of Governors of Exhibition Place**  
**Consolidated Schedule of Operations - Allstream Centre**

	<b>Year ended December 31, 2011</b>		<b>Year ended December 31, 2010</b>
	<b>Budget \$ (Unaudited)</b>	<b>Actual \$</b>	<b>Actual \$</b>
<b>Revenue</b>			
Building rentals	854,676	1,099,570	1,028,333
Services	847,581	1,045,548	1,018,411
Catering commissions	700,000	769,750	499,999
Parking	77,000	158,517	94,912
Contribution from the City of Toronto - Exhibition Place Conference Centre Reserve Fund	2,297,829	2,208,309	1,442,848
	<b>4,777,086</b>	<b>5,281,694</b>	<b>4,084,503</b>
<b>Expenses</b>			
Amortization of building improvements and equipment	893,751	1,943,831	1,943,841
Interest	1,904,728	1,903,913	1,745,048
Administration	959,808	1,043,529	839,659
Cost of services	543,389	831,273	729,060
Utilities	342,500	263,235	265,920
Maintenance, cleaning and security	132,910	345,993	174,064
	<b>4,777,086</b>	<b>6,331,774</b>	<b>5,697,592</b>
<b>Deficit for the year</b>	<b>-</b>	<b>(1,050,080)</b>	<b>(1,613,089)</b>

See accompanying notes to the consolidated financial statements.

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