



# Exhibition Place

6

April 29, 2015

To: Board of Governors of Exhibition Place

**ACTION REQUIRED**

From: Finance and Audit Committee

Subject: **2014 Audit Results & Consolidated Financial Statements for  
The Board of Governors of Exhibition Place**

## Summary:

This report submits the following:

- a. Draft audited consolidated financial statements for the Board of Governors of Exhibition Place for the year ended December 31, 2014;
- b. Audit Results & Year-End report (Attachment 1)
- c. Report from PricewaterhouseCoopers LLP (PWC) for the Board related to the financial results (Attachment 2).

These financial statements reflect the consolidated financial position of Exhibition Place as at December 31, 2014. The auditor of record for Exhibition Place, PricewaterhouseCoopers LLP (PWC), audited the financial statements in accordance with Canadian public sector accounting standards. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit is planned to provide an opinion that the financial statements present fairly, in all material respects, the financial position of Exhibition Place as at December 31, 2014 and the results of its operations, changes in net debt and its cash flows for the year then ended December 31, 2014 in accordance with Canadian public sector accounting standards. The financial position includes results of operations for Direct Energy Centre, Exhibition Place and Allstream Centre for the year ended December 31, 2014.

The final result of this audit is an opinion from the auditors that the consolidated financial statements present fairly, in all material respects, the financial position of Exhibition Place as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The consolidated Operating Budget for Exhibition Place is set on a cash basis as per the City directive. The approved budget for 2014 was a net income of \$100,000. The 2014 consolidated net profit on a cash basis which will be transferred to the City is \$156,512 compared to a budgeted net income of \$100,000, for a favorable variance of \$56,512 or an achievement of 156.5%.

In accordance with the decision of City Council in December 2007, any surplus over budget target will be deposited in the Exhibition Place Conference Centre Reserve Fund (CCRF) to be held by the City of Toronto to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations for the purpose of guaranteeing the loan of \$35.6M (\$38.675M with accrued interest on cash advances during construction) from the City of Toronto for the renovations of the Conference Centre which reopened in October 2009. At its meeting on September 9, 2013 City Council recommended that Exhibition Place use its funds from the CCRF to fund the cost for the disposal of pre-existing contaminated soil dating from the early 1900's which expenditures are in keeping with Board's obligation and the terms of the lease agreement between Exhibition Place and Princes Gates Hotel LLP. As well City Council

recommended that Exhibition Place will arrange to replenish back this fund from any operating surplus.

### **Recommendations:**

**It is recommended that the Board approve:**

- 1) The Draft Consolidated Audited Financial Statements attached as Appendix “A” to this report pertaining to the consolidated operations of the Board of Governors of Exhibition Place for the year ended December 31, 2014; and**
- 2) That the total sum of \$156,512 be transferred to the Exhibition Place Conference Centre Reserve Fund.**

### **Financial Impact:**

There are no financial implications to this report.

### **Decision History:**

Audited consolidated financial statements for Exhibition Place are required to be submitted on an annual basis to the Finance & Audit Committee, the Board, City of Toronto Audit Committee, and ultimately to City Council.

At its meeting of December 2007, City Council approved of a recommendation to deposit any annual surplus over budget into the Exhibition Place Conference Centre Reserve Account to provide a source of funding for any cash shortfalls with respect to Allstream Centre loan repayment.

On November 5, 2012, City Council approved of a recommendation to expand the purpose of the Exhibition Place Conference Centre Reserve Fund to provide a source of funding for both Allstream Centre loan repayments and also maintaining Direct Energy Centre and Allstream Centre in a state of good repair.

At its meeting on September 9, 2013 City Council recommended that Exhibition Place use its funds from the Conference Centre reserve to fund the cost for the disposal of pre-existing contaminated soil dating from the early 1900's which expenditures are keeping with the terms of the lease agreement between Exhibition Place and Princes Gates Hotel LLP. As well City Council recommended that Exhibition Place will arrange to replenish back this fund from any operating surplus.

A meeting of the Finance & Audit Committee was held on April 29, 2015 wherein a briefing was conducted with those members in attendance, namely, Wayne Copeland, Connie Dejak, Mark Grimes (Acting Chair) and Jim Karygiannis, who were all in agreement with recommending this report be sent directly to the Board for approval as recommended by staff, at which the external auditor will be in attendance to respond to questions.

### **Issue Background:**

The Finance Department is responsible for the preparation of the annual consolidated financial statements for Exhibition Place. These financial statements reflect the financial position and include the results from operations for Direct Energy Centre, Exhibition Place and Allstream Centre for the year ended December 31, 2014.

### **Comments:**

The auditor of record for Exhibition Place, PWC, audits these statements in accordance with Canadian public sector accounting standards. These standards require that the audit is planned and carried out to provide an opinion that the consolidated financial statements presents fairly, in all material respects, the financial position of the Board of Governors of Exhibition Place as at December 31, 2014 and the results of its operations, changes in its net debt and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

The audit also examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made by management, as well as evaluating the overall financial statement presentation. The consolidated financial statements contain an auditor's report that states the opinion of PWC that the financial statements present fairly, in all material respects, the financial position of the Board of Governors of Exhibition Place as at December 31, 2014 and the results of its operations for the year then ended.

### Operating Results for 2014

The Consolidated Statement of Operations indicates on an accrual basis net profit (loss) for the year ended December 31, 2014 of (\$404,319) (2013 - \$827,782) and a net profit of \$156,512 (2013 - \$1,736,280) on a cash basis. The consolidated Operating Budget for Exhibition Place is set on a cash basis per the City directive; the approved budget amount for 2014 was a net income of \$100,000.

In 2014 BMO Field operations has not been consolidated as part of the Boards operations due to the amendment to BMO Field Management Agreement between the Board and MLSE. As approved by City Council on April 1, 2014 in relation to the renovation and expansion of BMO Field, the City approved an amendment to the MLSE management agreement on July 4, 2014 to reflect changes in the terms and working framework of MLSE in their management of the day-to-day operations of BMO Field. The term of the management agreement has been extended to December 31, 2037 and has given MLSE more autonomy in managing the day-to-day operations. Commencing on January 1, 2014 and throughout the remaining term of the agreement, the Board will no longer share in the profit of BMO Field, but rather will receive a guaranteed fee. In 2014, this fee amounted to \$450,000, which is included as revenue in the schedule of operations for Exhibition Place (Schedule 1). As a result of these changes, the Board is no longer consolidating the operations of BMO Field for the current year. The Boards 2014 Budget including BMO Field was approved by City Council prior to the agreement being amended therefore BMO's fields budget has been included in the Boards budgeted 2014 figures. The assets, liabilities, revenues and expenses relating to BMO Field, however, remain reflected also in the 2013 comparative figures.

The following are the results from the three programs that make up Exhibition Place:

	Net Income (Loss)		Net Income (Loss)	
	Accrual Basis		Cash Basis	
	2014	2013	2014	2013
	\$	\$	\$	\$
Exhibition Place ( <i>schedule 1</i> )	(4,529,342)	(4,904,440)	(4,882,486)	(4,973,413)
Direct Energy Centre ( <i>schedule 2</i> )	6,017,177	6,292,091	6,017,177	6,292,091
Allstream Centre ( <i>schedule 3</i> )	(1,892,154)	(962,759)	(978,179)	-
BMO Field	-	402,890	-	417,602
<b>Net Income</b>	<b>(404,319)</b>	<b>827,782</b>	<b>156,512</b>	<b>1,736,280</b>

The 2014 consolidated net profit on a cash basis is \$156,512 (2013 -\$1,736,280) compared to a budgeted net income of \$100,000 for a favorable variance of \$56,512 or an achievement of 156.5%.

A brief discussion of each program operations follows:

Exhibition Place (Schedule 1 of Auditors' Report)

Net Operating Loss for Exhibition Place on a cash basis for the year ended December 31, 2014 was (\$4,882,486) compared to a budgeted loss of (\$7,175,133) for a favourable variance of \$2,292,647.

	2014	2014	2014
	Actual	Budget	Variance
	\$	\$	\$
Revenue	26,368,897	19,401,519	6,967,378
Expenses	(31,251,383)	(26,576,652)	(4,674,731)
<b>Income (loss) before the following</b>	<b>(4,882,486)</b>	<b>(7,175,133)</b>	<b>2,292,647</b>
Employee benefits (expense) recovery	214,085	-	(214,085)
Vacation (pay) recovery	(84,883)	-	84,883
Amortization of equipment	(43,332)	-	43,332
Step-up lease	289,522	-	(289,522)
Purchase (disposal) of equipment	(22,248)	-	22,248
<b>Net Income (Loss)</b>	<b>(4,529,342)</b>	<b>(7,175,133)</b>	<b>1,939,503</b>

Revenues/Expenses

- Parking revenues at \$7,300,697 is favourable to budget by \$1,022,855 with a corresponding increase in parking expenses/rebates of \$512,199 for a net favourable variance of \$510,656. This is primarily due to higher than budgeted revenue from One of a Kind Spring Show offset by lower than budgeted revenue from the Home Show. In the spring of 2014 there was higher than budgeted parking revenues from Toronto Marlies games at Ricoh Coliseum due to the hockey play-offs. During August there were some high attendance concerts at Ontario Place resulting in additional parking revenue.
- Net tenant event services income of \$226,785 is favourable to budget by \$4,923 primarily due to higher than budgeted services income from tenants.
- Tenant revenue from rent is favorable to budget by \$388,681 primarily due to Princes' Gates Hotel. In accordance with Canadian public sector accounting standards revenue recognition of rent from the Princes' Gates Hotel is recognized on a straight-line basis over the 49 year term of the lease.
- Indirect departmental expenses at \$18,820,424 are favourable to budget by \$977,317 primarily due to lower utilities due to the energy savings initiatives and lower operational maintenance costs.
- Program recoveries at \$350,250 is unfavourable to budget by (\$5,927) primarily due to an unfavourable variance from BMO Field and Ricoh Coliseum recoveries due to lower level of labor services.
- Rental income from events at \$979,190 is favourable to budget by \$167,002 primarily due to new unbudgeted events from Exhibition Place grounds such as the Indoor Winter Carnival, Superfan Comicon, Psychic Fair and Antique Show.

Direct Energy Centre (Schedule 2 of Auditors' Report)

Net Operating Income for Direct Energy Centre on a cash basis for the year ended December 31, 2014 was \$6,017,177 compared to a budget net operating income of \$6,951,239 for an unfavourable variance of (\$934,062).

				2014	2014	2014
				Actual	Budget	Variance
				\$	\$	\$
Revenue				14,554,723	15,394,190	(839,467)
Expenses				(8,537,546)	(8,442,951)	(94,595)
<b>Net Income (Loss)</b>				<b>6,017,177</b>	<b>6,951,239</b>	<b>(934,062)</b>

#### Revenues/Expenses

- Rental income from events at \$7,266,740 is unfavourable to budget by (\$283,260) primarily due to higher than budgeted rental income from the Boat Show and Paralegal Exams offset by lower than budgeted rent from Green Living and IIDEX which did not return in 2014.
- Electrical net services of \$1,076,783 are unfavourable to budget by (\$78,652) primarily due to lower than budgeted net electrical services from the CRFA Show, One of A Kind Show, Sportsmen Show, Green Living and IIDEX which did not return in 2014 offset by higher than budgeted net electrical revenue from the Boat Show.
- Food & Beverage concessions of \$642,439 are unfavourable to budget by (\$127,561) primarily due to lower than budgeted corporate and catered events new business as well as lower than budgeted catering from the Boat Show, National Home Show and Motorcycle Show.
- Show services revenue from third-party billings at \$3,014,834 are unfavorable to budget by (\$405,469) with corresponding decrease in related show services expenses of \$119,369 for a net unfavourable variance of (\$286,100) primarily due to lower than budgeted new events.
- Advertising, sponsorship and interest revenue within the Direct Energy Centre at \$250,239 is unfavourable to budget by (\$29,545) primarily due to the interest revenue from term investments being lower than budget.

#### Allstream Centre (Schedule 3 of Auditors' Report)

Net Operating Profit (loss) for the Allstream Centre before interest on the City loan, amortization of building and contribution from naming fees is (\$25,712) compared to a budget profit of \$831,077 for an unfavourable variance of (\$856,789). The Allstream Centre commenced operations October 19, 2009. Since, there is little prior year history; the rental budget was based on the pro-forma information presented to the City for the year ended December 31, 2014.

	2014	2014	2014
	Actual	Budget	Variance
	\$	\$	\$
Building Rental	926,532	1,200,000	(273,468)
Net Show Services, Food and Beverage Commission and Parking	1,048,368	1,410,220	(361,852)
<b>Sub-total - Event Income</b>	1,974,900	2,610,220	(635,320)
Departmental; Overhead Expenses	(2,000,612)	(1,779,143)	(221,469)
<b>Net Profit (Loss) before Naming Fees, Interest and Amortization</b>	(25,712)	831,077	(856,789)
Naming Fees Revenue	1,021,609	1,143,000	(121,391)
Contribution from (to) Conference Reserve Fund - Cash Shortfall	823,536	823,536	-
<b>Net Profit (Loss) before Interest and Amortization</b>	1,819,433	2,797,613	(978,180)
Interest Expenses	(1,769,731)	(1,769,731)	-
Loan Principal Repayments	-	(1,027,882)	1,027,882
<b>Net Profit (Loss) before Amortization</b>	49,702	-	49,702
Amortization	(1,941,856)	-	(1,941,856)
<b>Net Income (Loss) per Financial Statements</b>	(1,892,154)	-	(1,892,154)

- Building rental income at \$926,532 is unfavourable to budget by (\$273,468) primarily due to lower than budgeted rent from Cerise contracted new events. Rental income has grown over 2013 by \$137,379 (17%).
- Food & Beverage concessions of \$700,937 are unfavourable to budget by (\$315,958) primarily due to lower than budgeted food and beverage provider Cerise contracted events. Food & Beverage has grown over 2013 by \$179,655 (34%).
- Show services from third party billings at \$781,471 are unfavourable to budget by (\$135,904) with corresponding reduction in related show expenses of (\$82,617) for a net unfavourable variance of (\$53,287) primarily due to lower than budgeted new events.
- Departmental indirect expenses at \$2,000,612 are unfavourable to budget by (\$221,469) primarily due to lower utilities from the energy savings initiatives offset by higher PMD show costs and maintenance costs. Indirect expenses include costs from various departments. These are Marketing, Event Services, Security, Concierge, Finance, Cleaning and Décor, House Technician, Operations, Utilities and wages & materials for base building upkeep and general maintenance of the buildings.
- Interest cost of \$1,769,731 and amortization cost of \$1,941,856 (a non-cash item) is related to the City loan financing and capitalization of asset for the new Allstream Centre building. Interest cost is reported on the accrual basis including the interest accrued on advances made by the City during the period of construction, under the loan agreement with the City and as per City Council directive actual loan repayment to the City commenced on November 1, 2010.

#### Settlement with the City of Toronto

As in prior years, various adjustments have to be made to the reported consolidated net income to determine the amount payable to or receivable from the City of Toronto on a "cash" basis. Specifically the adjustments are as follows:

	<b>2014</b>	<b>2013</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Net Income (Loss) per Financial Statements</b>	(404,319)	827,782
Net change of Non- Cash Conference Centre Deficit	913,974	962,759
Amortization	43,332	70,911
(Purchase) disposal of Equipment	22,248	391,368
Employee Benefits	(129,202)	(426,181)
Net Step-up and Other	(289,521)	(90,359)
<b>Transfer Payable to the City</b>	<b>156,512</b>	<b>1,736,280</b>

Contact:

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Submitted by:

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 Finance & Audit Committee



## Attachment I

April 29, 2015

To: Board of Governors of Exhibition Place

FOR INFORMATION

From: Finance and Audit Committee

Subject: **Audit Results & Year End report for the Consolidated Financial Statements for Exhibition Place for the Year Ended December 31, 2014**

Summary:

This report presents for the information of the Finance & Audit Committee the audit results and Year End Report for the year ended December 31, 2014. The auditor of record for the Board, PricewaterhouseCoopers LLP (PWC), audits these statements in accordance with Canadian public sector accounting standards and summarizes issues of audit significance and provides the communications required by their professional standards. This is the section of the audit results where the auditors make their suggestions and recommendations, based on audit findings, to improve the accounting and internal control procedures. As noted in the full attached Audit Results, during the 2014 audit, the auditors did not find any significant weaknesses in the internal controls, but made one recommendation for improvement in the current control environment which management will implement. This report summarizes the auditor's comments which details can be found in full in the Attachment.

Financial Impact:

There are no financial implications to this report.

Decision History:

Audit Results for the Board of Governors of Exhibition Place are required to be submitted on an annual basis to the Finance & Audit Committee, the Board, and ultimately to the City of Toronto.

A meeting of the Finance & Audit Committee was held on April 29, 2015 wherein a briefing was conducted with those members in attendance, namely, Wayne Copeland, Connie Dejak, Mark Grimes (Acting Chair) and Jim Karygiannis, who were all in agreement with referring this report directly to the Board for information.

Issue Background:

As part of their audit engagement for the Board, PWC provides a report to the Finance & Audit Committee to assist in its review of the consolidated financial statements. This document is a direct communication from the auditors to the Committee and ultimately to the Board. It summarizes the scope of the audit work, describes the audit objectives, identifies issues of audit significance discussed with management and provides the communications required by Canadian Generally Accepted Auditing Standards and is designed to express an opinion on the consolidated financial statements of the Board.

Comments:

The Audit Results report from PWC is divided into various sections and these are described in the balance of this report.

Required Communications and Key Issues

This section covers a wide variety of topics such as the auditors' responsibilities under Generally Accepted Auditing Standards, internal control structure, accounting estimates, discussions with management, auditors' independence and fees charged on this engagement. Some of the key communications in this section are as follows:

- There were no significant changes in the 2014 overall audit approach compared to the one outlined in the audit planning document sent to the members of the Finance & Audit Committee dated January 6, 2015;
- There were no significant unusual transactions related to the current year;
- The quality of Exhibition Place's accounting principles as applied in its financial reporting are consistent, complete and reasonable in relation to industry practice;
- There were no audit adjustments for the Board this year;
- There were no disagreements with management on financial accounting and reporting matters; and
- There were no significant deficiencies in internal controls. There was one internal control recommendation identified for the current year as relating to the Positions Database automated vacation system which the Board will implement in 2015. The financial statements taken as a whole are free of material misstatement.

#### Items of Audit Significance Discussed with Management

The following accounting, auditing and reporting matters were discussed with management:

- a) Revenue Recognition - The auditors noted the significant revenue streams. They include Building rentals, Food concessions, show services and parking;
- b) Completeness and accuracy of transactions recorded with the City - The Board has many ongoing transactions with various City Departments such as trade receivables, trade payables, contribution to and from various reserve funds and loans payables. As is consistent in the prior year's audit, staff has provided a listing of all payables due to the City at year end for confirmation;
- c) Employee future benefits Payable - The auditors agree with the work of the outside specialists and noted that the accounting and recording approach used by management in presenting this information on the Exhibition Place financial statements as an expenditure and confirmed that the assumptions used by Buck in its evaluation is reasonable and all disclosures are appropriate for financial statement purposes. In addition, the auditors utilized their own internal expert to assess the appropriateness of the assumptions and estimates used by the actuary; and
- d) Management override of controls – The auditors used computer assisted audited techniques to review significant and non-standard entries. PWC noted that based on their testing all entries are valid and properly authorized. There were no exceptions noted.

#### Internal Control Recommendations (Appendix B to Attachment 2)

This is the section of the audit results where the auditors make their suggestions and recommendations, based on audit findings, to improve the accounting and internal control procedures. During the 2014 audit, the auditors did not discover any significant deficiencies in internal controls, but made one recommendation (page Appendix B) of the 2014 Year-End report) for improvement in the current control environment with our Positions Database for the automated vacation approval process. The Board is receptive to this suggestion and will ensure HR continues to review new employee additions ensuring accuracy. The auditors have also provided an update on the status of the 2013 prior year internal control recommendations for the benefit of the Finance & Audit Committee.

Summary of Adjusted and Unadjusted Audit Differences

There were no unrecorded audit differences for 2014 as such no Appendix is included.

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# *Board of Governors of Exhibition Place*

*2014 year-end report to  
the Audit Committee*

*Prepared as of  
April 22, 2015*





April 22, 2015

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

Dear Members of the Finance and Audit Committee:

We have substantially completed our audit of the 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, 2014. 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 prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

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

We would like to express our sincere thanks to the management and staff who have assisted us in carrying out our work, and we look forward to your meeting on April 29, 2015. If you have any questions or concerns prior to the Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

*PricewaterhouseCoopers LLP*

Terri McKinnon  
Partner  
Assurance

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

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

## *Communications to the Audit Committee*

<b>Key matters for discussion</b>	<b>Comments</b>
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> <li>• Comfort letter from Buck Consultants Limited</li> <li>• Management representation letter</li> <li>• Subsequent events procedures</li> <li>• Review of final financial statements and approval by the Board</li> </ul>
<b>Significant reporting matters</b>	<b>Our response</b>
<p><b>Revenue recognition</b></p> <p>The Board has several significant revenue streams including (but not limited to):</p> <ul style="list-style-type: none"> <li>• Building rentals;</li> <li>• Services; and</li> <li>• Parking</li> </ul>	<p>We have performed, where possible, tests of controls and detailed testing over each of the different revenue streams as follows:</p> <p><b>Building rentals:</b></p> <ul style="list-style-type: none"> <li>• Detailed testing over a sample of tenants and exhibitors to agree amounts recorded to their respective agreements and/or cash settlement.</li> <li>• Testing to ensure appropriate lease accounting for step rents and revenue recognition in accordance with PSAS.</li> </ul> <p><b>Services:</b></p> <ul style="list-style-type: none"> <li>• Detailed testing over a sample of services sold by agreeing amounts recorded to their respective agreement and/or cash settlement.</li> </ul> <p><b>Parking:</b></p> <ul style="list-style-type: none"> <li>• Controls over the reconciliation of cash collected to amounts deposited for attended lots were tested with no exceptions noted.</li> <li>• Detailed testing over parking lot revenues through reconciliations to cash deposited.</li> </ul>
<p><b>Completeness and accuracy of transactions recorded with the City</b></p> <p>The Board engages in many transactions with the City of Toronto and its various Agencies, Boards, and Commissions (the City).</p>	<p>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.</p> <p>Confirmations have also been obtained in relation to the reserve balances that are disclosed in the notes to the financial statements.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
<p><b>Employee future benefits payable</b></p> <p>The Board sponsors a defined benefit pension plan to its employees, for which the City fund this obligation.</p>	<p>We have obtained the actuarial report as of December 31, 2014 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.</p> <p>We also utilized our internal expert to assess the appropriateness of the assumptions and estimates used by the actuary in developing their conclusions.</p>
<p><b>Management override of controls</b></p> <p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>This represents the risk that internal controls of the Board may be circumvented to achieve desired financial results or gain inappropriate access to financial resources.</p>	<p>Using computer assisted auditing techniques, we have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of items for testing to ensure that the entries represent valid and appropriately authorized transactions. No exceptions were noted from our testing.</p> <p>We also incorporated unpredictable procedures into our audit by validating employee existence for a sample of employees and noted no exceptions.</p>
<p><b>Fraud and illegal acts</b></p>	<p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures.</p> <p>We wish to reconfirm that the Audit Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
<p><b>Summary of unadjusted items</b></p>	<p>As noted in our audit plan, materiality was calculated based on 3% of revenue for the year. Using the final revenue for the year, overall materiality was revised to \$1,300,000 with a threshold for reporting unadjusted and adjusted items of \$130,000.</p> <p>As a result of our audit, we did not identify any unadjusted items above our threshold.</p> <p>In our opinion, the financial statements, taken as a whole, are free of material misstatement.</p>
<p><b>Internal controls recommendations</b></p>	<p>We have noted one new internal control recommendation as a result of our audit and have included an update to prior year recommendations made, which are included in Appendix B.</p>
<p><b>Subsequent events</b></p>	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the Audit Committee is not aware of any other subsequent events that might affect the financial statements.</p>
<p><b>Management representations</b></p>	<p>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.</p>

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***Appendix A: Draft auditor's report and financial statements***



**DRAFT**

**Board of Governors of  
Exhibition Place**

Financial Statements  
**December 31, 2014**

DRAFT

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

<https://wpo.pwcinternal.com/GTA/60000081-City-of/2014/FS028851/Official Documents/BOARD OF GOVERNORS OF EXHIBITION PLACE - 2014.docx> April 21, 2015 10:15 AM Version 7.0

**DRAFT**

@@, 2015

**Independent Auditor's Report****To the Members of  
Board of Governors of Exhibition Place**

We have audited the accompanying financial statements of Board of Governors of Exhibition Place, which comprise the balance sheet as at December 31, 2014 and the statements of operations and accumulated deficit, changes in net debt and cash flows, and schedules of operations 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 financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

**DRAFT****Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Board of Governors of Exhibition Place as at December 31, 2014 and the results of its operations, its remeasurement gains and losses, changes in its net debt and its cash flows, and schedules of operations for the year then ended in accordance with Canadian public sector accounting standards.

**Chartered Professional Accountants, Licensed Public Accountants**

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**DRAFT****Board of Governors of Exhibition Place**

## Balance Sheet

As at December 31, 2014

	2014 \$	2013 \$
<b>Financial Assets</b>		
Cash	2,221,737	3,162,645
Accounts receivable		
Trade (note 3(a))	5,103,585	8,633,973
City of Toronto	5,088,262	2,908,239
Receivable from the City of Toronto (note 3(b))	7,411,019	7,299,481
	<u>19,824,603</u>	<u>22,004,338</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
Trade	6,739,495	8,125,542
City of Toronto	251,681	213,150
Employee future benefits payable (note 7)	8,595,444	8,809,529
Payable to conference centre reserve fund (note 9)	621,193	1,633,675
Transfer payable to the City of Toronto (note 1)	-	102,605
Deferred revenue and contributions	7,603,916	6,585,788
Loans payable (note 8)	45,879,077	44,604,696
Suite deposits payable	-	204,704
Other liabilities	353,558	518,717
Government assistance	1,359,598	1,500,566
	<u>71,403,962</u>	<u>72,298,972</u>
<b>Net Debt</b>	<u>(51,579,359)</u>	<u>(50,294,634)</u>
<b>Non-financial Assets</b>		
Prepaid expenses and other	181,738	186,495
Step-up rent receivable (note 4)	2,754,831	2,503,687
Energy retrofit assets (note 5)	10,130,790	7,998,990
Building improvements (note 6)	32,964,563	34,971,999
	<u>46,031,922</u>	<u>45,661,171</u>
<b>Accumulated conference centre deficit (note 11)</b>	<u>(5,547,437)</u>	<u>(4,633,463)</u>
<b>Accumulated surplus</b>	<u>-</u>	<u>-</u>
<b>Contingencies (note 12)</b>		

**Approved by the Board of Directors**\_\_\_\_\_  
Director\_\_\_\_\_  
Director

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

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**DRAFT****Board of Governors of Exhibition Place**

## Statement of Operations and Accumulated Deficit

For the year ended December 31, 2014

	2014		2013
	Budget \$	Actual \$	Actual \$
<b>Revenue</b>			
Exhibition Place (schedule 1)	19,401,519	26,658,419	26,838,969
Direct Energy Centre (schedule 2)	15,394,190	14,554,723	14,169,918
Allstream Centre (schedule 3)	5,374,045	4,545,268	5,124,581
National Soccer Stadium (BMO Field) (note 14)	11,000,879	-	9,097,274
	<u>51,170,633</u>	<u>45,758,410</u>	<u>55,230,742</u>
<b>Expenses</b>			
Exhibition Place (schedule 1)	26,576,652	31,187,761	31,743,409
Direct Energy Centre (schedule 2)	8,442,951	8,537,546	7,877,827
Allstream Centre (schedule 3)	5,374,045	6,437,422	6,087,340
National Soccer Stadium (BMO Field) (note 14)	10,676,985	-	8,694,384
	<u>51,070,633</u>	<u>46,162,729</u>	<u>54,402,960</u>
<b>Surplus (deficit) before the following</b>	100,000	(404,319)	827,782
<b>Transfer to the City of Toronto</b>	-	(156,512)	(1,736,280)
<b>Decrease in amounts to be recovered from the City of Toronto</b>	-	(353,143)	(54,261)
<b>Deficit for the year</b>	100,000	(913,974)	(962,759)
<b>Accumulated conference centre deficit - Beginning of year</b>		(4,633,463)	(3,670,704)
<b>Accumulated conference centre deficit - End of year</b>		<u>(5,547,437)</u>	<u>(4,633,463)</u>

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

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**DRAFT****Board of Governors of Exhibition Place**

Statement of Changes in Net Debt

For the year ended December 31, 2014

	2014 \$	2013 \$
<b>Operating transactions</b>		
Deficit for the year	(913,974)	(962,759)
<b>Tangible capital asset activities</b>		
Purchase of energy retrofit assets	(2,719,390)	(284,000)
Disposal (purchase) of building improvements and equipment	22,248	(5,660)
Amortization of energy retrofit assets	587,590	587,590
Amortization of building improvements and equipment	1,985,188	2,004,713
	(124,364)	2,302,643
<b>Other non-financial activities</b>		
Prepaid expenses and other	4,757	41,022
Accretion of step-up rent receivable	(251,144)	33,071
	(246,387)	74,093
<b>Increase (decrease) in net debt during the year</b>	(1,284,725)	1,413,977
<b>Net debt - Beginning of year</b>	(50,294,634)	(52,124,293)
<b>Transfer of cash balances related to Canadian National Exhibition Association (CNEA)</b>	-	415,682
<b>Net debt - End of year</b>	(51,579,359)	(50,294,634)

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

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**DRAFT****Board of Governors of Exhibition Place**

## Statement of Cash Flows

For the year ended December 31, 2014

	2014 \$	2013 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficit for the year	(913,974)	(962,759)
Add (deduct): Non-cash items		
Employee future benefits expense	(214,085)	(194,741)
Amortization of energy retrofit assets	587,590	587,590
Amortization of building improvements and equipment	1,985,188	2,004,713
Government assistance	(140,968)	(145,283)
Accretion of step-up receivable	(251,144)	33,071
Deferred revenue and contributions	(38,379)	(126,260)
Interest accrued on loans payable	2,102,469	2,144,820
	<u>3,116,697</u>	<u>3,341,151</u>
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	3,530,388	(4,852,750)
Accounts receivable from the City of Toronto	(2,180,023)	(1,262,604)
Receivable due from the City of Toronto	(111,538)	54,563
Prepaid expenses and other	4,757	41,022
Trade accounts payable and accrued liabilities	(1,386,047)	2,313,563
Accounts payable and accrued liabilities due to the City of Toronto	38,531	(405,032)
Deferred revenue and contributions	1,056,507	608,261
Suite deposits payable	(204,704)	(36,000)
Other liabilities	(165,159)	-
Payable to conference centre reserve fund	(1,012,482)	1,633,675
Transfer payable to the City of Toronto	(102,605)	(1,713,471)
	<u>2,584,322</u>	<u>(277,622)</u>
<b>Capital activities</b>		
Purchase of energy retrofit assets	(2,719,390)	(284,000)
Purchase of building improvements and equipment	-	(5,660)
Disposal of building improvements and equipment	22,248	-
	<u>(2,697,142)</u>	<u>(289,660)</u>
<b>Financing activities</b>		
Repayments of loans payable	(3,597,478)	(3,597,482)
Increase in loans payable	2,769,390	284,000
	<u>(828,088)</u>	<u>(3,313,482)</u>
<b>Increase (decrease) in cash during the year</b>	<b>(940,908)</b>	<b>(3,880,764)</b>
<b>Cash - Beginning of year</b>	<b>3,162,645</b>	<b>10,450,118</b>
<b>Transfer of cash balances related to CNEA</b>	<b>-</b>	<b>(3,406,709)</b>
<b>Cash - End of year</b>	<b><u>2,221,737</u></b>	<b><u>3,162,645</u></b>
<b>Non-cash transactions</b>		
Loan payable for purchase of energy retrofit assets	2,719,390	284,000

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## Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

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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 balance sheet as a transfer payable to/receivable from the City.

Major capital facilities, excluding certain building improvements, are the property of the City and therefore the cost for such assets is recorded in the accounts of the City and not the Board. To assist with major capital expenditures related to Exhibition Place, various reserves and reserve funds have been established and recorded within the City's accounts (note 9).

These financial statements include the operations of Exhibition Place (schedule 1), Direct Energy Centre (schedule 2) and Allstream Centre (schedule 3).

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 2).

Effective August 1, 2009, the Board entered into a ten-year naming right sponsorship agreement with MTS Allstream for the Allstream Centre (schedule 3). The Allstream Centre commenced its operations on October 19, 2009 (schedule 3).

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 (note 14).

The Board is a municipal government entity under the Income Tax Act and accordingly is exempt from income taxes.

### 2 Summary of significant accounting policies

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

#### Revenue recognition

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

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## Board of Governors of Exhibition Place

**DRAFT**

Notes to Financial Statements

December 31, 2014

### 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, 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 measurable.

### 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 statement of operations and accumulated deficit.

### Energy retrofit assets

Energy retrofit assets are recorded at cost less accumulated amortization. Amortization is calculated when the project is fully commissioned on a straight-line basis over the estimated useful lives of the assets as follows:

Trigeneration project	20 years
DEC Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Palace project	20 years
Boiler replacements and various and lighting retrofit projects	20 years
Back pressure steam turbine and LED pathway lighting projects	20 years
Horse Palace, East Annex Photovoltaic and multiple energy projects	20 years
District Energy System project	20 years

### 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

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(2)

## Board of Governors of Exhibition Place

**DRAFT**

Notes to Financial Statements

December 31, 2014

### 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 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 statement of operations and accumulated deficit.

### Financial instruments

The Board's financial assets include cash, trade accounts receivable and accounts receivable from the City, and its financial liabilities include accounts payable and accrued liabilities, suite deposits payable, loans payable, payable to conference centre reserve fund, transfer payable to the City and other liabilities. It measures its financial assets and liabilities at amortized cost, except for cash, which is measured at fair value.

### Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The employee future benefits liability and related costs charged to the statement of operations and accumulated deficit depend on certain actuarial and economic assumptions and on current information available to the Board, the City and the consultants retained to develop the actuarial projections. Actual results could differ from those estimates.

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

(3)

## Board of Governors of Exhibition Place

**DRAFT**

Notes to Financial Statements

December 31, 2014

### Budgeted figures

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

### 3 Related party balances and transactions

The Board is related to the City and its agencies, boards and commissions in terms of the City's ability to affect the operating, investing and financing policies of these entities. The Board enters into transactions with these related parties in the normal course of business at the agreed 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 \$nil (2013 - \$1,590,576) is included in trade accounts receivable.
- b) The Board has a long-term, non-interest bearing receivable from the City, which relates to the funding of the following items:

	2014 \$	2013 \$
Employee future benefits payable	8,595,444	8,809,529
Vacation and lieu time	672,237	587,354
Less: Net book value of certain equipment	(418,891)	(484,471)
Other	243,227	243,227
	<u>9,092,017</u>	<u>9,155,639</u>
Receivable from the City before the following	9,092,017	9,155,639
Less: Net step-up rent receivable on certain building and signage	(2,145,680)	(1,856,158)
	<u>6,946,337</u>	<u>7,299,481</u>
Receivable from the City	6,946,337	7,299,481

- c) The Board has several agreements with the City for the establishment of various reserve funds that are recorded within the City's accounts (note 9).
- d) The Board contributes to a fund of the City that provides funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. The fund is established for insurance claim costs below deductible levels and for payments that exceed insurance coverage levels. Contributions are paid to the City and the City makes insurance premium payments on behalf of the Board. During the year, the Board made \$399,077 (2013 - \$399,077) in contributions for insurance premium payments.

### 4 Step-up rent receivable

The Board has numerous long-term tenants on the grounds that pay annual rents based on the stipulated contract amount indicated in the lease for that year. Many of these leases have step-up provisions so that the annual lease amount changes during the term of the lease. The Board recognizes lease revenues over the term of the lease on a straight-line basis. The amount will be included in surplus at various amounts over time up to 2061.

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(4)

## Board of Governors of Exhibition Place

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Notes to Financial Statements

December 31, 2014

### 5 Energy retrofit assets

	2014		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration project	4,400,000	1,682,083	2,717,917
DEC Halls lighting retrofit project	800,000	455,460	344,540
Five Exhibition Buildings improvement project	1,500,365	682,990	817,375
Photovoltaic Horse Palace project	1,100,000	440,000	660,000
Boiler replacements and various and lighting retrofit projects	955,000	262,625	692,375
Back pressure steam turbine and LED pathway lighting projects	1,345,000	201,750	1,143,250
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	132,696	751,943
District Energy System project (i)	3,003,390	-	3,003,390
	<u>13,988,394</u>	<u>3,857,604</u>	<u>10,130,790</u>
	2013		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration project	4,400,000	1,462,083	2,937,917
DEC Halls lighting retrofit project	800,000	402,129	397,871
Five Exhibition Buildings improvement project	1,500,365	582,972	917,393
Photovoltaic Horse Palace project	1,100,000	385,000	715,000
Boiler replacements and various and lighting retrofit projects	955,000	214,875	740,125
Back pressure steam turbine and LED pathway lighting projects	1,345,000	134,500	1,210,500
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,648	88,464	796,184
District Energy System project (i)	284,000	-	284,000
	<u>11,269,013</u>	<u>3,270,023</u>	<u>7,998,990</u>

- i) The District Energy System project will be completed and ready for use in October 2016. No amortization has been taken to date.

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(5)

## Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

**DRAFT**

### 6 Building improvements and equipment

	2014		
	Cost \$	Accumulated amortization \$	Net \$
Motor vehicles	261,634	261,634	-
Computer equipment	215,712	215,712	-
Electrical equipment	384,775	384,775	-
Other equipment and furniture	4,920,315	2,723,031	2,197,284
Allstream Centre building improvements	38,764,844	7,997,565	30,767,279
	<u>44,547,280</u>	<u>11,582,717</u>	<u>32,964,563</u>
	2013		
	Cost \$	Accumulated amortization \$	Net \$
Motor vehicles	261,634	261,634	-
Computer equipment	215,712	215,712	-
Electrical equipment	384,775	374,877	9,898
Other equipment and furniture	5,254,608	2,610,378	2,644,230
Allstream Centre building improvements	38,764,844	6,446,973	32,317,871
	<u>44,881,573</u>	<u>9,909,574</u>	<u>34,971,999</u>

### 7 Employee future benefits payable

The employee future benefits are for employees of the Board, the cost of which is reported in these financial statements.

The benefit plans as noted below are all unfunded; however, the Board participates in reserve funds established by the City for sick leave and health-care benefits. The contributions to these reserves during the year totalled \$911,387 (2013 - \$1,008,717) and are included in expenses on the statement of operations and accumulated deficit.

The Board has the following benefit plans:

#### Sick leave

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

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(6)

## Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

**DRAFT**

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:

	2014 \$	2013 \$
Accrued benefit obligation	7,626,057	7,026,656
Net unamortized actuarial gains	969,387	1,782,873
	<hr/>	<hr/>
Total employee future benefits payable	8,595,444	8,809,529

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

	2014 \$	2013 \$
Sick leave	1,180,509	1,187,201
WSIB	2,039,269	2,018,638
Other post-employment and post-retirement benefits	4,406,279	3,820,817
	<hr/>	<hr/>
	7,626,057	7,026,656

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

	2014 \$	2013 \$
Balance - Beginning of year	7,026,656	7,096,922
Current service cost	270,136	270,857
Interest cost	282,294	244,653
Benefits paid	(669,655)	(611,675)
Actuarial loss	716,626	25,899
	<hr/>	<hr/>
Total accrued benefit obligation	7,626,057	7,026,656

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(7)



**Board of Governors of Exhibition Place****DRAFT**

Notes to Financial Statements

December 31, 2014

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

	2014 \$	2013 \$
Current service cost	270,136	270,857
Interest cost	282,294	244,653
Amortization of net actuarial gain	(96,860)	(98,576)
	455,570	416,934

- d) There was \$23,239 (2013 - \$194,752) in cash payments made in 2014 with respect to the sick leave plan.
- e) Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 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:

	2014 %	2013 %
Discount rate		
Sick leave	3.20	4.10
Post-employment benefits	2.80	3.60
Post-retirement benefits	3.40	4.40
WSIB	2.80	3.60
Health-care inflation - hospital, dental care and other medical	3.00 - 6.00	3.20 - 6.40
Health-care inflation - drugs	6.00	6.40
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, 2014 amounted to \$1,083,769 (2013 - \$1,137,798) and are included in the statement of operations and accumulated deficit.

In addition to contributions for employees who participate in the OMERS plan, the Board has arrangements with bargaining units to make contributions to various pension plans and registered retirement savings plans on behalf of its employees. Contributions expensed under these plans for 2014 amounted to \$1,300,591 (2013 - \$1,166,662) and are included in the statement of operations and accumulated deficit.

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

(8)

## Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

**DRAFT**

### 8 Loans payable

	2014 \$	2013 \$
Loans payable to the City		
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	34,879,761	35,821,658
Allstream Centre building improvements, bearing interest at 2.375%, due on January 29, 2030	1,644,777	1,731,627
Trigeneration, bearing interest at 5%, due on December 31, 2032	2,903,558	2,851,593
Trigeneration, bearing interest at 2.34%, due on July 31, 2017	322,500	430,000
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5%, due on October 1, 2030	288,478	294,853
Five Exhibition Buildings improvement retrofit, bearing interest at 5%, due on December 31, 2016	172,967	285,629
Five Exhibition Buildings improvement retrofit, bearing interest at an average rate of 2.56%, due on December 31, 2018	197,129	249,713
DEC Halls lighting retrofit, bearing interest at 5%, due on December 31, 2016	127,512	187,635
DEC Halls lighting retrofit, bearing interest at 2.51%, due on December 31, 2017	53,536	71,382
Boiler replacements and various lighting retrofit, bearing interest at 4.5%, due on December 31, 2037	774,965	777,596
Boiler replacements and various lighting retrofit, bearing interest at 2.0%, due on December 31, 2021	151,264	175,139
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	537,078	559,519
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	538,450	598,635
District Energy project, bearing interest at 5%, due on January 1, 2025	3,026,931	284,000
DEC Halls LED lighting retrofit, bearing interest at 4.10%, due on October 1, 2025	50,090	-
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06%, due on January 3, 2017	210,081	285,717
	<u>45,879,077</u>	<u>44,604,696</u>

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

	\$
2015	1,387,614
2016	2,026,576
2017	1,995,551
2018	2,053,311
2019	2,110,883
Thereafter	<u>36,305,142</u>
	<u>45,879,077</u>

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(9)



## Board of Governors of Exhibition Place

**DRAFT**

Notes to Financial Statements

December 31, 2014

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### 9 City of Toronto reserve funds

The City maintains a number of reserve funds on behalf of the Board. These reserve funds are established by the City's Council and are detailed in the City's Municipal Code.

#### Capital Improvement Fund

The purpose of this fund is to assist in the financing of major capital costs related to all of the buildings at Exhibition Place. Contributions are no longer being made to this fund. The balance of the Capital Improvement Fund as at December 31, 2014 was \$83,502 (2013 - \$82,029).

#### 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, 2014 was \$nil (2013 - \$nil).

The disposition of any future Exhibition Place annual surpluses is subject to the City Council's 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, 2014 was \$1,414,987 (2013 - \$3,156,187).

#### 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 \$109,180 (2013 - \$620,407).

#### 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, 2014 was \$400,000 (2013 - \$741,264).

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NOT TO BE FURTHER COMMUNICATED**

(10)

## Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

**DRAFT**

### 10 Financial instruments

#### a) Fair value

The carrying values of the Board's financial instruments approximate their fair values unless otherwise noted.

The fair value of the long-term receivable from the City is not determinable since there are no fixed terms of repayment.

#### b) Risk management

The Board's investment activities expose it to a range of financial risks. These risks include credit risk, liquidity risk, market risk, foreign currency risk and interest rate risk, which are as follows:

##### • Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the balance sheet represents the maximum credit risk exposure at the date of the financial statements.

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact that management believes the Board has thorough and rigorous credit approval procedures. As at December 31, 2014, two customers have a balance greater than 10% of the Board's trade accounts receivable balance (2013 - two customers).

At December 31, 2014, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	3,453,294	1,089,688	158,329	402,274

Management believes the Board's credit risk is low.

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NOT TO BE FURTHER COMMUNICATED**

(11)

## Board of Governors of Exhibition Place

**DRAFT**

Notes to Financial Statements

December 31, 2014

- 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 - trade	6,334,207	137,743	267,545	-	6,739,495
Loans payable	617,801	769,813	8,186,321	36,305,142	45,879,077
	<u>6,952,008</u>	<u>907,556</u>	<u>8,453,866</u>	<u>36,305,142</u>	<u>52,618,572</u>

- 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 2014 expired on or before December 31, 2014.

- 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.

### 11 Conference centre deficit

The conference centre accumulated deficit results from the non-cash expenditures that are not funded by the Exhibition Place Conference Centre Reserve Fund (schedule 3). The loss for the period is represented by the amortization of the conference centre's building improvements offset by the principal loan repayments. The accumulated loss will reverse over 25 years, as this is the term of the loan repayment and amortization period of the building improvements. The accumulated deficit balance as at December 31, 2014 is \$5,547,437 (2013 - \$4,663,463).

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NOT TO BE FURTHER COMMUNICATED**

(12)

## Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2014

**DRAFT**

### 12 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.

### 13 Expenses by object

	2014	2013
	Actual \$	Actual \$
Salaries and benefits	29,836,986	28,920,496
Trade labour recoveries	(12,479,630)	(11,209,641)
Net salary and benefits	17,357,356	17,710,855
Direct overhead and event/tenant labour costs	12,479,630	11,209,641
Utilities	2,599,844	2,606,363
Supplies and equipment	494,062	948,050
Contribution to reserve funds	1,800,464	2,323,811
Amortization of ERP, equipment and building improvements	2,572,778	2,592,295
Interest	2,102,468	2,144,817
Other indirect costs and recoverable services	6,756,126	14,867,128
	<u>46,162,728</u>	<u>54,402,960</u>

### 14 BMO Field Management Agreement

As approved by City Council on April 1, 2014 in relation to the renovation and expansion of BMO Field, the Board and MLSE approved an amendment to their management agreement on July 4, 2014 to reflect changes in the terms and working framework of MLSE in their management of the day-to-day operations of BMO Field. The term of the management agreement has been extended to December 31, 2037 and has given MLSE more autonomy in managing the day-to-day operations. Commencing on January 1, 2014 and throughout the remaining term of the agreement, the Board will no longer share in the profit of BMO Field, but rather will receive a guaranteed commission. In 2014, this commission amounted to \$450,000, which is included as revenue in the schedule of operations for Exhibition Place (Schedule 1). As a result of these changes, the Board is no longer recording the operations of BMO Field for the current year. The Board's 2014 budget, including BMO Field, was approved by City Council prior to the management agreement being amended; therefore, BMO Field's budget has been included in the Board's 2014 budgeted figures.

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(13)

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Schedule 1

**Board of Governors of Exhibition Place**

Schedule of Operations - Exhibition Place

For the year ended December 31, 2014

	2014		2013
	Budget \$ (Unaudited)	Actual \$	Actual \$
<b>Revenue</b>			
Parking	6,277,842	7,300,697	6,959,538
Building rentals and concessions	7,285,134	7,653,089	7,266,601
Sales of services	2,783,768	7,976,246	7,795,868
Discounts, commissions, incentives, other income and realty tax recoveries	2,034,775	2,740,138	2,727,009
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	500,000	621,193	1,633,678
Naming rights	520,000	367,056	456,275
	<u>19,401,519</u>	<u>26,658,419</u>	<u>26,838,969</u>
<b>Expenses</b>			
Maintenance, cleaning and security	12,309,188	15,578,689	16,396,380
Utilities	2,630,677	2,516,620	2,103,010
Cost of services	2,299,455	3,589,952	3,656,306
Administration	5,324,454	5,007,934	5,625,121
Parking attendants' wages and sundry costs	2,275,070	2,998,120	2,476,996
Amortization of energy retrofit assets and equipment	630,922	630,922	630,921
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	468,000	332,209	367,870
City of Toronto Fleet Reserve Fund	329,780	329,780	329,780
Interest	309,106	332,737	328,216
	<u>26,576,652</u>	<u>31,316,963</u>	<u>31,934,600</u>
<b>Deficit before the following</b>	<b>(7,175,133)</b>	<b>(4,658,544)</b>	<b>(5,095,631)</b>
<b>Sick leave benefits recovery</b>	<b>-</b>	<b>129,202</b>	<b>191,191</b>
<b>Deficit for the year</b>	<b>(7,175,133)</b>	<b>(4,529,342)</b>	<b>(4,904,440)</b>

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## Board of Governors of Exhibition Place

Schedule of Operations - Direct Energy Centre

For the year ended December 31, 2014

## DRAFT

Schedule 2

	2014	2013
	Budget \$ (Unaudited)	Actual \$ Actual \$
<b>Revenue</b>		
Building rentals	7,550,000	7,266,740
Services	5,846,406	5,324,958
Catering commissions	770,000	642,439
Naming rights	700,000	700,000
Advertising, sponsorship, interest and recoveries	527,784	620,586
	<u>15,394,190</u>	<u>14,554,723</u>
<b>Expenses</b>		
Administration	4,089,987	4,171,871
Cost of services	3,173,168	3,065,283
Maintenance, cleaning and security	504,796	610,992
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	675,000	689,400
	<u>8,442,951</u>	<u>8,537,546</u>
<b>Surplus for the year</b>	<u>6,951,239</u>	<u>6,017,177</u>

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
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**Board of Governors of Exhibition Place**  
 Schedule of Operations - Allstream Centre  
 For the year ended December 31, 2014

**DRAFT**  
 Schedule 3

	2014	2013
	Budget \$ (Unaudited)	Actual \$ Actual \$
<b>Revenue</b>		
Building rentals	1,200,000	826,532
Services	1,030,615	952,134
Catering commissions	1,016,894	700,937
Parking	160,000	120,522
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	1,966,536	1,845,143
	<u>5,374,045</u>	<u>5,124,581</u>
<b>Expenses</b>		
Amortization of building improvements and equipment	1,027,882	1,941,856
Interest	1,769,731	1,769,731
Administration	1,222,564	1,315,133
Cost of services	797,290	725,240
Utilities	285,000	251,900
Maintenance, cleaning and security	271,578	433,562
	<u>5,374,045</u>	<u>6,087,340</u>
<b>Deficit for the year</b>	<u>-</u>	<u>(962,759)</u>

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*Appendix B: Internal control recommendations*



**Current year observations - 2014**

Item	Recommendation	Management's response
<p><b>Accuracy of employee data in Position Database</b></p> <p>The Board uses a Positions Database for the purposes of tracking employee vacation entitlement. This database includes information such as job class code which serves to automatically calculate vacation entitlement based on the Board's vacation policy as well as route vacation approvals to the employee's supervisor.</p> <p>In performing procedures over the vacation accrual, we noted that there was a credit vacation balance. Upon further investigation, we noted that upon the conversion to the automated vacation approval process that one employee was classified under the wrong job class code in the Positions Database, resulting in inaccurate vacation information. When HR found this in 2014, they corrected the employee vacation entitlement resulting in the credit vacation balance to this employee.</p> <p>This increases the risk that employees are potentially accruing vacation days at the incorrect rate or that vacation usage is potentially not being approved by the appropriate individual, which in turn increases the risk that vacation accruals are misstated. We noted this to be an isolated incident no other errors were noted in our expanded sample.</p>	<p>We recommend that HR perform regular checks over newly hired employees and employees with salary changes to ensure that their job class in the Positions Databases is in line with their job title.</p>	<p>We discussed this item with both the Board's HR and Finance staff. They have noted this as an exception. Annually, all new hires have their information in the employee Positions Database reviewed for accuracy by HR staff.</p>

**Update on prior year observations - 2013**

Item	Recommendation	Management's response
<p><b>Unrestricted access to staff members</b></p> <p>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).</p>	<p>As a best practice, we recommend the following:</p> <ul style="list-style-type: none"> <li>• A specific role (access profile) is given to each employee to ensure segregation of duties.</li> <li>• In particular, access to the Payroll module should be restricted to only those who need to access the Payroll module.</li> <li>• Management level staff should have read-only access.</li> <li>• If needed, only one member of finance should be granted access.</li> </ul>	<p>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.</p> <p>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.</p> <p>Compensating controls are in place to mitigate risk primarily through detailed review of accounts against budgets and historical information.</p> <p>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.</p> <p>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.</p>
<p><b>2014 Update</b></p> <p>Based on our testing over IT general controls and through discussions with management, there continues to be individuals with "poweruser" access. In 2012, management incorporated new user roles to better segregate access within the Finance and Payroll functions. For example, an "ASR" role was 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. In 2014, Finance and IT staff worked with the Board's service provider, TGO, to restrict employee access to only the modules and tables needed for their respective job role. TGO was able to streamline the security settings of each role with the back end tables and as such, did not require the use of any audit tool function. Poweruser access has been limited to an as required basis for trouble shooting issues as approved by the CFO's office. To address the risk of poweruser access, there are compensating controls surrounding journal entry approvals, cheque signing controls, and reconciliation processes.</p>		

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*Appendix C: Draft management representation letter*

[Client letterhead]

[Date]

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

**Attn: Ms. Terri McKinnon**

Dear Ms. McKinnon:

We are providing this letter in connection with your audit of the financial statements of the Board of Governors of Exhibition Place and its subsidiaries (together the Board) as of December 31, 2014 and for the year then ended (the financial statements) for the purpose of expressing an opinion as to whether such 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 (PSAS).

**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 financial statements in accordance with PSAS;
- we are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and the fair presentation of the 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 the reporting of financial information in accordance with PSAS;
- 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 financial statements.

We confirm the following representations:

**Preparation of the financial statements**

The financial statements include all disclosures necessary for fair presentation in accordance with PSAS 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 financial statements to their related supporting information (e.g. subledger 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 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 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 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 PSAS.

**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 the financial statements for external purposes in accordance with PSAS

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, 2014.

**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 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:
    - o Board of Governors of Exhibition Place;
    - o Finance and Audit Committee of the Board of Governors of Exhibition Place;
- 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 financial statements in the event of non-compliance.

**Fraud**

We have disclosed to you:

- the results of our assessment of the risk that the 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 financial statements; and
- all information in relation to any allegations of fraud, or suspected fraud, affecting the 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 financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the 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 the Board in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the 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 financial statements; and
- the significant assumptions used in determining fair value measurements are consistent with the Board's 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 CPA Canada 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 the Board's 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 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 financial statements.

Receivables recorded in the 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 PSAS. All liabilities and contingencies, including those associated with guarantees, have been disclosed to you and are appropriately reflected in the 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 financial statements at December 31, 2014.

**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, 2014 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, 2014.

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 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 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.

#### **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 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 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 financial statements which is relevant to the users of 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 financial statements is equivalent to the budget approved by Toronto City Council.

#### **Long-term debt**

All borrowings and financial obligations of The Board's of which we are aware are included in the financial statements as at December 31, 2014, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

The Board has appropriately classified as current and non-current its loans with the City of Toronto, Federation of Canadian Municipalities and Toronto Atmospheric Fund in The Board's classified balance sheet as at balance sheet date in accordance with the appropriate authoritative guidance. In evaluating the appropriate classification of its borrowings, The Board considered all relevant facts and circumstances, for example, contractual terms, the existence of call options, subjective acceleration clauses, material adverse changes clauses, lock-box arrangements, covenant violations, renewal features, conversion features, redemption features and ability and intent to refinance.

The Board has not violated any covenants on loans with the City of Toronto, Federation of Canadian Municipalities and Toronto Atmospheric Fund during any of the periods reported. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

**Litigation and claims**

All known actual or possible litigation and claims, which existed at December 31, 2014 or exist now, have been disclosed to you and accounted for and disclosed in accordance with PSAS, 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 financial statements are free of material misstatements, including omissions.

We confirm there are no uncorrected misstatements in the financial statements.

**Events after balance sheet date**

We have identified all events that occurred between December 31, 2014 and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Yours truly,

Board of Governors of Exhibition Place

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Dianne Young, Chief Executive Officer

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Hardat Persaud, Chief Financial Officer

## Appendix A - List of related parties

### Consolidated entities:

#### Agencies, Boards and Commissions:

- ◊ Board of Governors of Exhibition Place
- ◊ Board of Management of the Toronto Zoo
- ◊ Heritage Toronto
- ◊ Toronto Licensing Commission
- ◊ Toronto Police Services Board
- ◊ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC" previously "TEDCO") after November 13, 2008
- ◊ Toronto Public Library Board
- ◊ The North York Performing Arts Centre Corporation
- ◊ The Sony Centre for the Performing Arts
- ◊ St. Lawrence Centre for the Arts
- ◊ Toronto Transit Commission ("TTC")
- ◊ Toronto Waterfront Revitalization Corporation ("TWRC") (1/3<sup>rd</sup> proportionately)
- ◊ Toronto Atmospheric Fund ("TAF")
- ◊ Yonge-Dundas Square
- ◊ Toronto Board of Health
- ◊ Build Toronto Inc. (Incorporated November 13, 2008)
- ◊ Toronto Community Housing Corporation ("TCHC")
- ◊ Invest Toronto Inc. (Incorporated November 13, 2008)

#### Arenas:

- ◊ Forest Hill Memorial
- ◊ George Bell
- ◊ Leaside Memorial Community Gardens
- ◊ McCormick Playground
- ◊ Moss Park
- ◊ North Toronto Memorial
- ◊ Ted Reave Community
- ◊ William H. Bollen

#### Community Centres:

- ◊ 519 Church Street
- ◊ Applegrove
- ◊ Cecil Street
- ◊ Central Eglinton
- ◊ Community Centre 55
- ◊ Eastview Neighbourhood
- ◊ Harbourfront
- ◊ Ralph Thornton
- ◊ Scadding Court
- ◊ Swansea Town Hall

#### Business Improvement Areas:

- ◊ Albion/Islington Square
- ◊ Annex-Dupont
- ◊ Bloor Annex
- ◊ Bloor by the Park
- ◊ Bloorcourt Village
- ◊ Bloordale Village
- ◊ Bloor Street
- ◊ Bloor West Village
- ◊ Bloor-Yorkville
- ◊ Cabbagetown
- ◊ Chinatown
- ◊ Church-Wellesley Village
- ◊ College Promenade
- ◊ Corso Italia
- ◊ Crossroads of the Danforth
- ◊ Danforth Mosaic
- ◊ Danforth Village
- ◊ Dundas West
- ◊ Dovercourt Village
- ◊ Downtown Yonge
- ◊ Eglinton Hill
- ◊ Emery Village
- ◊ Fairbank Village
- ◊ Forest Hill Village
- ◊ Gerrard India Bazaar
- ◊ Greektown on the Danforth
- ◊ Harbord Street
- ◊ Hillcrest Village
- ◊ Historic Queen East
- ◊ Junction Gardens
- ◊ Kennedy Road
- ◊ Kensington Market
- ◊ Kingsway
- ◊ Knob Hill Plaza
- ◊ Korea Town
- ◊ Lakeshore Village
- ◊ Liberty Village
- ◊ Little Italy
- ◊ Little Portugal
- ◊ Long Branch
- ◊ Mimico by the Lake
- ◊ Mimico Village
- ◊ Mirvish Village
- ◊ Mount Dennis
- ◊ Mount Pleasant
- ◊ Oakwood Village
- ◊ Pape Village
- ◊ Parkdale Village
- ◊ Queen Street West
- ◊ Regal Heights Village
- ◊ Riverside
- ◊ Roncesvalles Village
- ◊ Rosedale Main Street
- ◊ Sheppard East Village
- ◊ St. Clair Gardens
- ◊ St. Lawrence Market Neighbourhood
- ◊ The Beach
- ◊ The Danforth
- ◊ The Eglinton Way
- ◊ The Waterfront
- ◊ Toronto Entertainment District
- ◊ Trinity Bellwoods
- ◊ Upper Village
- ◊ Uptown Yonge
- ◊ Village of Islington
- ◊ Weston Village
- ◊ West Queen West
- ◊ Wexford Heights
- ◊ Wychwood Heights
- ◊ Yonge-Lawrence Village
- ◊ York-Eglinton

- ◊ Enwave Energy Corporation ("Enwave")
- ◊ TEDCO (prior to November 14, 2008)
- ◊ Toronto Hydro Corporation
- ◊ Toronto Parking Authority

