

**Board of Governors of
Exhibition Place**

Consolidated Financial Statements
December 31, 2010

DRAFT

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

@ @ @, 2011

Independent Auditor's Report

To the Members of the Board of Governors of Exhibition Place

We have audited the accompanying financial statements of the Board of Governors of Exhibition Place, which comprise the balance sheet as at December 31, 2010 and the statements of operations and changes in deficit and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 of 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board of Governors of Exhibition Place as at December 31, 2010 and the results of its operations and changes in deficit and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements of the Board of Governors of Exhibition Place for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2010.

Chartered Accountants, Licensed Public Accountants

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**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Consolidated Balance Sheet

As at December 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash	3,025,395	3,615,510
Accounts receivable		
Trade	4,846,595	5,966,749
City of Toronto (note 3(a))	11,007,219	732,959
Prepaid expenses and other	347,301	271,407
	<u>19,226,510</u>	<u>10,586,625</u>
Receivable from the City of Toronto (note 3(b))	6,346,520	5,709,592
Step-up rent receivable (note 4)	2,577,722	2,498,889
Energy retrofit assets (note 5)	6,228,183	6,549,764
Building improvements and equipment (note 6)	41,250,085	42,387,239
	<u>75,629,020</u>	<u>67,732,109</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		
Trade	10,841,292	6,918,420
City of Toronto (note 3(a))	1,103,614	3,030,727
Employee future benefits payable (note 7)	589,612	551,435
Transfer payable to the City of Toronto (note 1)	1,262,726	1,974,051
Deferred revenue and contributions (note 2)	6,841,696	4,096,975
Loans payable (notes 3(c) and 8)	1,277,235	577,036
	<u>21,916,175</u>	<u>17,148,644</u>
Deferred revenue	1,067,555	528,333
Suite deposits payable	243,159	190,000
Other long-term liabilities	484,454	-
Loans payable (notes 3(c) and 8)	46,453,545	43,584,972
Employee future benefits payable (note 7)	7,077,221	6,280,160
	<u>77,242,109</u>	<u>67,732,109</u>
Deficit		
Conference Centre (note 11)	(1,613,089)	-
	<u>75,629,020</u>	<u>67,732,109</u>

Contingencies (note 13)

Approved by the Board of Directors

Director

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT

NOT TO BE FURTHER COMMUNICATED

Board of Governors of Exhibition Place

Consolidated Statement of Operations and Changes in Deficit
For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Canadian National Exhibition Association (schedule 1)	24,414,204	28,596,778
Exhibition Place (schedule 2)	17,767,915	16,260,258
Direct Energy Centre (schedule 3)	17,194,496	16,369,135
National Soccer Stadium (BMO Field) (schedule 4)	7,518,482	8,035,306
Allstream Centre (schedule 5)	4,084,503	835,511
	<u>70,979,600</u>	<u>70,096,988</u>
Expenses		
Canadian National Exhibition Association (schedule 1)	24,376,156	27,718,775
Exhibition Place (schedule 2)	25,459,888	22,801,965
Direct Energy Centre (schedule 3)	9,218,709	8,648,714
National Soccer Stadium (BMO Field) (schedule 4)	7,214,546	7,657,438
Allstream Centre (schedule 5)	5,697,592	1,352,419
	<u>71,966,891</u>	<u>68,179,311</u>
(Loss) income before the following	(987,291)	1,917,677
Transfer to the City of Toronto (note 1)	(1,262,726)	(1,974,051)
Amounts to be recovered from the City (note 3(b))	636,928	56,374
Net loss for the year	(1,613,089)	-
Deficit - Beginning of year	-	-
Deficit - End of year	<u>(1,613,089)</u>	<u>-</u>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(1,613,089)	-
Add: Non-cash items		
Employee future benefits expense	835,238	(640,444)
Amortization of energy retrofit assets	409,970	386,093
Amortization of building improvements and equipment	2,083,730	511,103
Amounts to be received from the City	(636,928)	(56,385)
Changes in non-capital working capital balances related to operations		
Trade accounts receivable	1,120,154	(2,329,691)
Accounts receivable from the City of Toronto	(10,274,260)	14,207,476
Prepaid expenses and other	(75,894)	(40,012)
Step-up rent receivable	(78,833)	616,174
Trade accounts payable and accrued liabilities	3,922,872	(7,626,865)
Accounts payable and accrued liabilities due to the City of Toronto	(1,927,113)	1,248,159
Deferred revenue and contributions	3,283,943	(936,699)
Suite deposits payable	53,159	(28,125)
Other long-term liabilities	484,454	-
	<u>(2,412,597)</u>	<u>5,310,784</u>
Investing activities		
Purchase of energy retrofit assets - net	(88,389)	(954,993)
Purchase of building improvements and equipment - net	(946,576)	(42,755,536)
	<u>(1,034,965)</u>	<u>(43,710,529)</u>
Financing activities		
Proceeds from loans payable	4,697,251	38,457,048
Repayments of loans payable	(1,128,479)	(649,271)
Decrease in transfer payable to the City of Toronto	(711,325)	(445,273)
	<u>2,857,447</u>	<u>37,362,504</u>
Decrease in cash during the year	(590,115)	(1,037,241)
Cash - Beginning of year	3,615,510	4,652,751
Cash - End of year	<u>3,025,395</u>	<u>3,615,510</u>
Non-cash transactions		
Energy retrofit assets financed through loans payable	-	955,000
Capital contributions for Allstream Centre building improvements	-	5,880,000

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

1 Nature of operations

The Board of Governors of Exhibition Place (the Board) exists as a corporation without share capital by virtue of the City of Toronto Act, 1997 (No. 2) (the Act). The Board operates, manages and maintains Exhibition Place on behalf of the City of Toronto (the City) under the terms of an agreement between the Board and the City. As defined within the Act, the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs. The amount due to/from the City resulting from the Board's activities is shown on the consolidated balance sheet as a transfer payable to/receivable from the City.

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

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

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

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

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

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

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

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for profit-oriented organizations. The significant accounting policies are summarized as follows.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Basis of consolidation

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

Revenue recognition

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

Deferred revenue and contributions

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

Sponsorships

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

Energy retrofit assets

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

Trigeneration project	20 years
DEC Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Place project	20 years
Boilers replacement and various lighting retrofit projects	20 years
Back pressure steam turbine and LED pathway lighting projects	20 years

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Building improvements and equipment

Building improvements and equipment are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Motor vehicles	5 years
Computer equipment	3 years
Electrical equipment	5 years
Other equipment and furniture	2 to 15 years
Allstream Centre building improvements	25 years

Employee benefit plans

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

- The Board's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.
- The costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.
- The costs of other employee benefits are actuarially determined using the projected benefits method prorated 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 amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment.
- Net actuarial gains and losses are expensed in the period of revaluation.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the consolidated balance sheet date. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Gains or losses resulting from currency transactions are included in the consolidated statement of operations.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Financial instruments

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

Financial instrument	Category	Measurement
Cash	held-for-trading	fair value
Accounts receivable - current and long-term	loans and receivables	amortized cost
Accounts payable and accrued liabilities	other financial liabilities	amortized cost
Loans payable	other financial liabilities	amortized cost
Transfer payable to the City of Toronto	other financial liabilities	amortized cost

Use of estimates

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

Recent accounting pronouncements

In September 2009, the Public Sector Accounting Standards Board (PSAB) approved an amendment to the Introduction to Public Sector Accounting Standards. Under the amendment, government business enterprises will adhere to standards for publicly accountable profit-oriented enterprises, meaning the adoption of International Financial Reporting Standards (IFRS), for fiscal periods beginning on or after January 1, 2011. Government business-type organizations (GBTOs) classification in the Public Sector Accounting Handbook would be eliminated and government organizations currently classified as GBTOs may be categorized as other government organizations (OGOs) or government non-profit organizations (GNFPOs). The Board has been identified as a GBTO, which under these new rules is an OGO and as such will adopt Public Sector Accounting Standards or IFRS. Management is currently addressing which option to choose.

3 Related party balances and transactions

- a) 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.

Included in trade accounts payable and accrued liabilities at December 31, 2010 is \$204,357 (2009 - \$737,050) related to amounts owing to the City.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

- b) In addition to the current receivables and payables with the City, the Board has a long-term, non-interest bearing receivable from the City, which relates to the funding of the following items:

	2010 \$	2009 \$
Employee future benefits payable (note 7(a))	7,666,833	6,831,595
Vacation and lieu time	698,845	689,453
Less: Net book value of certain equipment	(931,048)	(126,747)
Other	245,205	245,205
	<hr/>	<hr/>
Receivable from the City of Toronto before the following	7,679,835	7,639,506
Less: Net step-up lease revenue receivable on building and signage	(1,333,315)	(1,929,914)
	<hr/>	<hr/>
Receivable from the City of Toronto	6,346,520	5,709,592

- c) The Board has arrangements with the City and another lender to make future payments as described in note 8 for the financing of energy retrofit assets as described in note 5 related to buildings at Exhibition Place for energy retrofit projects. The energy retrofit projects include the Trigeration project, DEC Halls lighting retrofit project, Five Exhibition Buildings improvement project, Photovoltaic Horse Palace project and boiler replacements, various lighting retrofit projects, back pressure steam turbine and LED pathway lighting project. The payments from the Board are determined based on the terms of the loans. Estimated savings in connection with the energy retrofit projects are utilized for the repayment of principal and interest on these loans.
- d) The Board has several agreements with the City for the establishment of various reserve funds that are recorded within the City's accounts (note 9).
- e) The Board has an economic interest in the Canadian National Exhibition Foundation (the Foundation) and is therefore considered to be a related party. The Foundation is an independent corporation, without share capital and has an independent board of directors.

The Board donated \$146,100 (2009 - \$215,600) to the Foundation, which is included in operations expense on schedule 1. The Board also provides administrative services to the Foundation at no cost.

- f) The Board contributes to a self-funded fund at the City that provides funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. The fund is established for insurance claim costs below deductible levels and for payments that exceed insurance coverage levels. Contributions are paid to the City, which makes insurance premium payments on behalf of the Board. During the year, the Board made \$570,886 (2009 - \$561,765).

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

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

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. Canadian generally accepted accounting principles require the recognition of lease revenues over the term of the lease on a straight-line basis. The amount will be included in net income at various amounts over time up to 2026.

5 Energy retrofit assets

Energy retrofit assets consist of the following projects:

	2010		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Trigeneration	4,144,000	755,417	3,388,583
DEC Halls lighting retrofit project	722,880	218,788	504,092
Five Exhibition Buildings improvement	1,353,692	255,243	1,098,449
Photovoltaic Horse Palace	331,619	66,324	265,295
Boiler replacements and various lighting retrofit projects	955,000	71,625	883,375
Back pressure steam turbine and LED pathway lighting projects	88,389	-	88,389
	7,595,580	1,367,397	6,228,183
	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Trigeneration	4,144,000	548,217	3,595,783
DEC Halls lighting retrofit project	722,880	170,596	552,284
Five Exhibition Buildings improvement	1,353,692	164,997	1,188,695
Photovoltaic Horse Palace	331,619	49,742	281,877
Boiler replacements and various lighting retrofit projects	955,000	23,875	931,125
	7,507,191	957,427	6,549,764

During the year, the Board received government assistance in the form of an interest free loan. The discount on the loan was calculated as \$370,167 and has been netted against the assets purchased..

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

6 Building improvements and equipment

Building improvements and equipment consist of the following:

	2010		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Motor vehicles	261,634	261,634	-
Computer equipment	251,511	251,511	-
Electrical equipment	384,775	338,819	45,956
Other equipment and furniture	5,691,728	1,457,248	4,234,480
Allstream Centre building improvements	38,764,844	1,795,195	36,969,649
	<u>45,354,492</u>	<u>4,104,407</u>	<u>41,250,085</u>
	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Motor vehicles	261,634	261,634	-
Computer equipment	251,508	248,302	3,206
Electrical equipment	384,775	326,502	58,273
Other equipment and furniture	4,745,155	939,640	3,805,515
Allstream Centre building improvements	38,764,844	244,599	38,520,245
	<u>44,407,916</u>	<u>2,020,677</u>	<u>42,387,239</u>

During the year, the Board received \$nil (2009 - \$5,880,000) of capital contributions from the City, which have been credited to the cost of the Allstream Centre building improvements.

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

7 Employee future benefits payable

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

Sick leave

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

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

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

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

Workplace Safety Insurance Board (WSIB)

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

Post-retirement and post-employment benefits

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

The disclosures relating to these benefits are as follows:

- a) The employee future benefits payable recorded in the consolidated financial statements, which is equal to the Board's accrued benefit obligation, consists of the following:

	2010 \$	2009 \$
Sick leave	1,160,933	1,078,653
WSIB	2,760,651	2,648,736
Other post-employment and post-retirement benefits	3,745,249	3,104,206
	<u>7,666,833</u>	<u>6,831,595</u>
Less: Current portion	589,612	551,435
	<u>7,077,221</u>	<u>6,280,160</u>

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

	2010 \$	2009 \$
Balance - Beginning of year	6,831,595	7,472,039
Current service cost	436,319	416,836
Interest cost	389,649	418,832
Benefits paid	(579,677)	(560,244)
Actuarial loss (gain)	588,947	(915,868)
	<u>7,666,833</u>	<u>6,831,595</u>

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

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

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

	2010 \$	2009 \$
Current service cost	436,319	416,836
Interest cost	389,649	418,832
Actuarial loss (gain)	588,947	(915,868)
	1,414,915	(80,200)

- d) There was \$63,715 in cash payments made in 2010 (2009 - \$72,125) with respect to the sick leave plan.

The benefit plans as noted above are all unfunded; however, the Board participates in reserve funds established by the City for sick leave and health care benefits. The contributions to these reserves during the year totalled \$979,951 (2009 - \$962,912) and are included in expenses on the consolidated statement of operations.

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

	2010 %	2009 %
Discount rate for accrued benefit obligation		
Sick leave	5.00	5.30
Post-employment benefits	4.50	5.30
Post-retirement benefits	5.10	6.10
Discount rate at preceding year-end used to determine benefit costs		
Sick leave	5.30	7.00
Post-employment benefits	5.30	6.50
Post-retirement benefits	6.10	7.00
Health-care inflation - hospital, dental care and other medical	4.00 - 8.00	4.00 - 8.00
Health-care inflation - drugs	8.00	8.00
Rate of compensation increase	3.00	3.00

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

- g) In addition to the above-noted plans, the Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Total employer contributions for the year ended

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

December 31, 2010 amounted to \$836,844 (2009 - \$770,899) and are included in the consolidated statement of operations.

In addition to contributions for employees who participate in the OMERS plan, the Board has arrangements with bargaining units to make contributions to various pension plans and registered retirement savings plans on behalf of its employees. Contributions expensed under these plans for 2010 amounted to \$944,977 (2009 - \$1,017,160) and are included in the consolidated statement of operations.

8 Loans payable

Loans payable consist of the following:

	2010 \$	2009 \$
Loans payable to the City of Toronto		
Allstream Centre building improvements, bearing interest at 5% and due on October 1, 2035, interest owing on the loan is added to the principal until the first repayment date of December 1, 2010	38,386,677	37,130,316
Allstream Centre building improvements, bearing interest at 2.375%, due on January 29, 2030	1,980,207	-
Trigeneration, bearing interest at 5%, due on December 31, 2032	2,696,154	2,644,483
Trigeneration, bearing interest at 2.34%, due on July 31, 2017	752,500	860,000
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5%, due on October 1, 2030	312,185	317,411
Five Exhibition buildings improvement retrofit, bearing interest at 5%, due on December 31, 2016	585,011	672,919
Five Exhibition buildings improvement retrofit, bearing interest at an average rate of 2.56%, due on December 31, 2018	407,462	460,046
DEC Halls lighting retrofit, bearing interest at 5%, due on December 31, 2016	348,887	396,762
DEC Halls lighting retrofit, bearing interest at 2.51%, due on December 31, 2017	124,918	142,764
Boiler replacements and various lighting retrofit, bearing interest at 4.5%, due on December 31, 2037	782,163	748,481
Boiler replacements and various lighting retrofit, bearing interest at 2.0%, due on December 31, 2021	246,764	241,925
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	620,521	-
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06%, due on January 3, 2017	487,331	546,901
	47,730,780	44,162,008
Less: Current portion	1,277,235	577,036
	<u>46,453,545</u>	<u>43,584,972</u>

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

(10)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

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

	\$
2011	1,277,235
2012	1,334,417
2013	1,394,588
2014	1,457,590
2015	1,523,485
2016 and thereafter	<u>40,743,465</u>
	<u>47,730,780</u>

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, 2010 was \$80,626 (2009 - \$80,325) and there were no withdrawals of funds (2009 - \$nil). In addition, there was interest earned in the amount of \$281 (2009 - \$400).

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, 2010 was \$nil (2009 - \$nil).

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

Exhibition Place Conference Centre Reserve Fund

The purpose of this fund is to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations. The contributions to the fund include the net revenue derived from the Direct Energy Centre and Allstream Centre naming rights and the surplus payable to the City. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2010 was \$2,267,061 (2009 - \$1,834,343).

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

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

City of Toronto Fleet Reserve Fund

The purpose of this fund is to provide funding to the City for acquiring or purchasing fleet and motorized vehicles for the Board's operations. Annual funding promotes efficiencies and budget stabilization by moderating large fluctuations in annual replacement of vehicles. Contributions made during the year amounted to \$350,000 (2009 - \$350,000), which are expensed in the year incurred.

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. Contributions made in the year amounted to \$400,000 (2009 - \$400,000) and are included in expenses in the year incurred (schedule 4). Withdrawals in the year amounted to \$327,579 (2009 - \$385,876) and the balance as at December 31, 2010 was \$530,555 (2009 - \$456,822).

10 Financial instruments

a) Fair value

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

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

b) Risk management

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

- Credit risk

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

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact that management believes the Board has thorough and rigorous credit approval procedures. As at December 31, 2010, two customers represented 10% of the Board's trade accounts receivable balance (2009 - two customers represented 10%).

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

(12)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Management believes the Board's credit risk is low.

- Foreign currency risk

The Board has limited foreign currency risk with respect to its financial instruments, as substantially all of the Board's financial assets and financial liabilities are denominated in Canadian dollars.

- Market risk

The Board is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Board has addressed the commodity price risk exposure associated with changes in the wholesale prices of electricity by entering into energy related purchase and sales contracts, through an agreement with the City and with an external party, which fixes a portion of the wholesale price over the term of the contract. All contracts entered into by the City in 2010 expired on December 31, 2010.

- Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. The Board has \$14,484,867 (2009 - \$12,500,234) of accounts payable and accrued liabilities, loans payable, and transfer payable to the City that are due within one year. The Board has cash and accounts receivable from the City that will be sufficient to satisfy these liabilities.

- Interest rate risk

The Board is exposed to interest rate risk on its loans payable. The Board is not exposed to significant interest rate risk on its monetary current assets and current liabilities due to their short-term maturities.

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 5). This is the Allstream Centre's first full year of operations in which loan payments commenced November 1, 2010, one year after operations commenced. The loss for the period is represented by the amortization of the Centre's building improvements offset by the principal loan repayments. The accumulated loss will reverse over 25 years, as this is the term of loan repayment and amortization period of the building improvements. The accumulated deficit balance as at December 31, 2010 is \$1,613,089 (2009 - \$nil).

12 Capital management

In managing capital, the Board focuses on liquid resources available for operations. The Board's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. Excess funds are advanced to the City to be invested to earn a rate of

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

(13)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

return for the benefit of the Board. These funds can be withdrawn on demand. As at December 31, 2010, the Board has met its objective of having sufficient liquid resources to meet its current obligations.

13 Contingencies

In the normal course of operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during when the liability is able to be estimated.

14 Comparative figures

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

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Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Canadian National Exhibition Association

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Midway, concessions and casino	10,326,114	10,500,584
Ground admissions	7,050,396	7,553,167
Entry fees and exhibit rentals	3,949,671	3,769,705
Parking	1,281,453	1,327,923
Sponsorships	1,046,957	1,393,385
Marquee Tourism Event Program	759,613	4,052,014
	24,414,204	28,596,778
Expenses		
Operations	11,938,533	11,882,260
Attractions and casino	9,029,059	9,077,213
Marketing	2,348,412	2,554,460
Marquee Tourism Event Program	768,681	3,900,590
Parking attendants' wages and sundry costs	282,270	300,455
Amortization of equipment	9,636	11,142
	24,376,591	27,726,120
Income before the following	37,613	870,658
Vacation and sick leave benefits recovery	435	7,345
Net income for the year	38,048	878,003

See accompanying notes to the consolidated financial statements.

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

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Exhibition Place

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Parking	6,645,284	6,393,673
Building rentals and concessions	3,542,884	2,609,857
Services	4,081,115	4,567,265
Discounts, commissions, incentives, other income and realty tax recoveries	2,506,132	2,466,547
Contribution from the City of Toronto - Exhibition Place Conference Centre Reserve Fund	472,500	114,583
Naming rights	520,000	108,333
	<u>17,767,915</u>	<u>16,260,258</u>
Expenses		
Maintenance, cleaning and security	10,430,034	9,806,540
Utilities	2,702,179	2,395,612
Cost of services	3,749,475	4,330,624
Administration	3,789,806	3,379,781
Parking attendants' wages and sundry costs	2,381,455	2,436,823
Amortization of energy retrofit assets and equipment	483,718	416,845
Contribution to City of Toronto - Exhibition Place Conference Centre Reserve Fund	405,784	-
City of Toronto Vehicle Reserve	350,000	350,000
Interest	322,371	290,636
	<u>24,614,822</u>	<u>23,406,861</u>
Loss before the following	(6,846,907)	(7,146,603)
Vacation and sick leave benefit recovery (expense)	(845,066)	604,896
Net loss for the year	<u>(7,691,973)</u>	<u>(6,541,707)</u>

See accompanying notes to the consolidated financial statements.

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

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Direct Energy Centre

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Building rentals	8,456,148	7,873,212
Services	6,462,402	6,003,026
Catering commissions	1,002,957	998,959
Naming rights	700,000	700,000
Advertising, sponsorship, interest and recoveries	572,989	793,938
	<u>17,194,496</u>	<u>16,369,135</u>
Expenses		
Administration	3,875,239	3,808,718
Cost of services	3,936,482	3,551,404
Maintenance, cleaning and security	730,912	589,418
Contribution to the City of Toronto - Exhibition Place Conference Centre Reserve Fund	667,358	690,000
Amortization of equipment	8,718	9,174
	<u>9,218,709</u>	<u>8,648,714</u>
Net income for the year	<u>7,975,787</u>	<u>7,720,421</u>

See accompanying notes to the consolidated financial statements.

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

Board of Governors of Exhibition Place

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

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Food and beverage	4,416,723	4,412,113
Usage fees and merchandise	1,193,467	1,642,475
Suite and ticket rebates	1,011,320	928,699
Sponsorships	821,908	874,583
Other	75,064	177,436
	<u>7,518,482</u>	<u>8,035,306</u>
Expenses		
Salaries, wages and benefits	1,898,971	1,832,227
Cost of goods sold - food and beverage	1,518,864	1,574,412
Royalty	1,068,462	1,056,517
Supplies and services	945,857	1,335,086
Utilities, insurance and other	776,388	776,863
Contribution to the City of Toronto Capital Reserve	400,000	400,000
Incentives and rebates	344,819	386,778
Management fee	211,200	210,555
Amortization of equipment	49,985	85,000
	<u>7,214,546</u>	<u>7,657,438</u>
Net income for the year	<u>303,936</u>	<u>377,868</u>

See accompanying notes to the consolidated financial statements.

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

Board of Governors of Exhibition Place
 Consolidated Schedule of Operations - Allstream Centre
 For the year ended December 31, 2010

	Year ended December 31, 2010 \$	Period from October 19, 2009 to December 31, 2009 \$
Revenue		
Building rentals	1,028,333	25,557
Services	1,018,411	185,441
Catering commissions	499,999	17,880
Sponsorship	-	22,000
Parking	94,912	9,216
Contribution from the City of Toronto - Exhibition Place Conference Centre Reserve Fund	1,442,848	575,417
	<u>4,084,503</u>	<u>835,511</u>
Expenses		
Amortization of building improvements and equipment	1,943,841	375,035
Interest	1,745,048	365,472
Administration	839,659	328,556
Cost of services	729,060	119,035
Utilities	265,920	129,138
Maintenance, cleaning and security	174,064	35,183
	<u>5,697,592</u>	<u>1,352,419</u>
Net loss for the period	<u>(1,613,089)</u>	<u>(516,908)</u>

See accompanying notes to the consolidated financial statements.

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