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EXHIBITION PLACE

April 23, 1999

To: The Finance Committee of the
Board of Governors of Exhibition Place

From: Robert Hicks
Director of Finance

Subject: **Statements of Annual Exhibition Place Operations
For the Year Ended December 31, 1998**

Recommendation:

It is recommended that the Audited Financial Statements pertaining to the operations of Exhibition Place for the year ended December 31, 1998, be approved.

Background:

The Finance Division of Exhibition Place is responsible for the generation of annual year-end financial statements for the consolidated operations of Exhibition Place.

Discussion:

These statements are reviewed by the Auditor in accordance with generally accepted auditing standards to obtain reasonable assurance that the financial statements are free of material misstatement. The audit of 1998 Exhibition Place financial statements was conducted by the firm of Ernst and Young under contract to the City of Toronto.

Quality assurance is achieved by examining, on a test basis, evidence suggesting the amounts and disclosures reflected in the financial statements. An assessment of the accounting principles utilized and significant estimates made by management is undertaken as well as an evaluation of the overall statement presentation.

The audited financial statements appended to this report will also be forwarded to the City of Toronto Audit Committee and ultimately to the City of Toronto Council for information, review and any required action.

Staff of both the City Auditor's Department and Ernst and Young have been requested to be present at the Finance Committee and Board of Governors meetings to respond to any questions/issues arising from the financial statements.

Conclusion:

This report submits the audited financial statements pertaining to operations of Exhibition Place for the year ended December 31, 1998.

A handwritten signature in cursive script that reads "Robert Hicks".

Robert Hicks

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The foregoing report was reviewed by the Finance Committee at its meeting of April 30, 1999 and is recommended to the Executive Committee for APPROVAL.

FINANCIAL STATEMENTS

**BOARD OF GOVERNORS OF
EXHIBITION PLACE**

December 31, 1998

May 13, 1999 10:49 AM

AUDITORS' REPORT

To the Board of Governors of
Exhibition Place

We have audited the balance sheet of **Board of Governors of Exhibition Place** as at December 31, 1998 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The financial statements for the preceding year were audited by other Chartered Accountants.

Toronto, Canada,
March 19, 1999.

Chartered Accountants

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Board of Governors of Exhibition Place

BALANCE SHEET

As at December 31

	1998 \$	1997 \$
ASSETS		
Cash in bank and on deposit with the City of Toronto	2,113,437	1,885,160
Accounts receivable		
Trade	3,963,582	6,322,471
City of Toronto	4,632,637	272,209
Inventories	218,481	229,372
Prepaid expenses	86,407	68,487
Net loss from operations, receivable from the Municipality of Metropolitan Toronto [note 1]	1,990,666	3,174,731
	13,005,210	11,952,430
LIABILITIES		
Advances from City of Toronto	4,855,890	1,097,937
Accounts payable and accrued liabilities		
Trade	4,147,527	7,251,032
City of Toronto	874,795	822,341
Deferred revenue [note 3]	3,126,998	2,781,120
	13,005,210	11,952,430

See accompanying notes

On behalf of the Board:

Director

Director

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Board of Governors of Exhibition Place

STATEMENT OF OPERATIONS

Year ended December 31

	1998 \$	1997 \$
REVENUE		
Annual Exhibition [schedule 1]	19,716,160	21,029,984
Exhibition Place [schedule 2]	9,093,086	15,533,699
National Trade Centre [schedule 3]	12,419,285	—
	41,228,531	36,563,683
EXPENDITURES		
Annual Exhibition [schedule 1]	21,895,625	19,350,387
Exhibition Place [schedule 2]	9,853,223	18,552,719
National Trade Centre [schedule 3]	11,412,363	—
	43,161,211	37,903,106
Loss before the following	(1,932,680)	(2,687,423)
Severance costs [note 4]	(772,667)	(1,434,045)
Contribution from Employee separation Reserve [note 4]	772,667	947,059
Contribution to Stadium Reserve Fund [note 5]	(57,986)	(322)
Loss before the following	(1,990,666)	3,174,731
Amount recoverable from the City of Toronto	1,990,666	3,174,731
Net loss for the year	—	—

See accompanying notes

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Board of Governors of Exhibition Place

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	1998 \$	1997 \$
OPERATING ACTIVITIES		
Loss before the amount recoverable from the City of Toronto	(1,932,680)	(2,687,423)
Severance costs	(772,667)	(1,434,045)
Contribution from Separation Reserve	772,667	947,059
Contribution to Stadium Reserve	(57,986)	(322)
	(1,990,666)	(3,174,731)
Changes in non-cash working capital balances		
Accounts receivable	(2,001,539)	15,505,261
Inventories	10,891	(44,505)
Prepaid expenses	(17,919)	151,890
Advance from City	3,757,953	1,097,937
Accounts payable and accrued liabilities	(3,041,052)	(16,859,714)
Deferred revenue	345,878	1,886,973
Cash used in operating activities	(2,936,454)	(1,436,889)
Receipt of prior year's loss from the City of Toronto	3,174,731	2,036,184
Increase in cash and deposits	228,277	599,296
Cash in bank and on deposit with the City of Toronto, beginning of year	1,885,160	1,285,864
Cash in bank and on deposit with the City of Toronto, end of year	2,113,437	1,885,160

See accompanying notes

ANNUAL EXHIBITION SCHEDULE OF OPERATIONS

Year ended December 31

	1998 \$	1997 \$
REVENUE		
Midway, concessions and casino	5,296,662	5,116,873
Ground admissions	8,975,893	10,560,311
Exhibit rentals	3,272,977	3,126,999
Sponsorships	961,436	881,043
Parking	1,045,302	1,035,924
Grandstand admissions	—	34,337
Other	163,890	224,497
	19,716,160	21,029,984
EXPENDITURES		
Operations	9,350,674	9,498,636
Attractions and casino	10,366,857	8,994,241
Marketing	1,894,034	1,977,208
Grandstand co-production cost	—	81,130
Major improvements	—	73,866
Parking attendants' wages and sundry costs	284,060	73,307
	21,895,625	20,698,388
Income (loss) from operations before the following	(2,179,465)	331,597
Separation costs	(271,320)	(626,104)
Contribution from Employee Separation Reserve	271,320	364,438
Net income (loss) for the year	(2,179,465)	69,931

See accompanying notes

EXHIBITION PLACE SCHEDULE OF OPERATIONS

Year ended December 31

	1998 \$	1997 \$
REVENUE <i>[note 13]</i>		
Building rentals	486,698	6,561,566
Sale of services	2,729,073	4,618,220
Parking	3,881,861	3,340,181
Other events	1,027,384	798,862
Miscellaneous	968,070	214,870
	9,093,086	15,533,699
EXPENDITURES <i>[note 13]</i>		
Maintenance, cleaning and security	3,445,504	6,790,807
Administration	1,759,930	4,616,026
Cost of sale of services	1,489,813	4,031,623
Utilities	1,936,609	2,104,592
Parking attendants' wages and sundry costs	968,542	921,283
Major improvements	228,858	70,769
Other	23,967	17,619
	9,853,223	18,552,719
Loss from operations before the following	(760,137)	(3,019,020)
Severance costs	(501,347)	(807,941)
Contribution from Employee Separation Reserve	501,347	582,621
Contribution to Stadium Reserve	(57,986)	—
Net loss for the year	(818,123)	(3,244,339)

See accompanying notes

**THE NATIONAL TRADE CENTRE
SCHEDULE OF OPERATIONS**

Year ended December 31

	1998 \$
REVENUE [note 13]	
Building rentals	5,560,702
Sale of services	3,634,523
Other events	2,124,009
Miscellaneous	1,100,051
	12,419,285
EXPENDITURES [note 13]	
Maintenance, cleaning and security	3,680,901
Administration	3,013,500
Cost of sale of services	3,041,520
Utilities	1,546,022
Other	130,420
	11,412,363
Net income for the year	1,006,922

See accompanying notes

Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

1. OPERATIONS OF EXHIBITION PLACE

The Board of Governors of Exhibition Place [the "Board"] was incorporated by a Special Act of the Province of Ontario. The Board operates and manages Exhibition Place on behalf of the City of Toronto under the terms of an agreement between the Board and City Council.

Under this operating agreement, the City of Toronto is responsible for any loss and is entitled to any income from operations.

The Canadian National Exhibition Association, under an agreement with the Board, manages and operates an annual exhibition [the "Canadian National Exhibition"]. These financial statements include the operations of the Canadian National Exhibition [schedule 1].

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assumed. Expenditure are recorded when incurred.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Inventories

Inventories of materials and supplies are valued at the lower of cost and replacement cost.

Fixed assets

Major capital facilities are financed by and are the property of the City of Toronto and consequently the historical cost and accumulated amortization for such fixed assets are not recorded in these accounts. Major capital expenditures are recorded in the accounts of the City of Toronto.

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Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

Capital expenditures, including major improvements, are charged to current operations in the year of acquisition. These assets are also the property of the City of Toronto.

Sponsors

Agreements were entered into with a number of corporate sponsors whereby these sponsors provided cash, products, advertising or entertainment support to the Annual Exhibition activities. In return, consideration was provided in a number of diverse ways including specific rights to selected attractions or advertising recognition. Only sponsorships received in cash have been recorded in the accounts.

Employee related costs

- [a] Employee related costs for vested sick leave benefits are only partially provided for in these financial statements.
- [b] Employee related costs for Workers' Compensation obligations and retiree benefits are expensed when payments are made. A partial provision has been made for the future liability of such obligations and benefits.
- [c] Employee related costs for vacation pay are expensed when the vacation is taken and the entitlement is paid. No provision has been made for the accrued vacation pay liability.
- [d] Employee related costs for health, dental, life insurance and long-term disability benefits are only partially provided for in these financial statements.

3. DEFERRED REVENUE

Deferred revenue consists of rentals for space in trade shows and other events paid in advance.

4. SEVERANCE COSTS

During the year, the Board expended \$772,667 to fund the pension and separation costs of employees who elected to retire under the board's early retirement program. \$772,667 was received from the City's Employee Separation Reserve which is used to fund up front costs related to the Workforce Transition Program.

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Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

5. CONTRIBUTION TO STADIUM RESERVE FUND

The City of Toronto established and maintains the Exhibition Stadium Corporation Capital Improvement Reserve Fund. The purpose of this fund is to assist in the financing of major repair costs related to Exhibition Stadium. In 1998 City Council approved the demolition of the stadium. The net proceeds from the sale of stadium assets is reflected as a contribution to the Stadium Reserve Fund. The 1997 amount is actual user fees collected from a stadium event. The amount contributed to the Reserve Fund during the year was \$57,986 [1997 - \$322]. The balance of the Reserve Fund at December 31, 1998 was \$3,442,530 [1997 - \$4,017,000].

6. PENSION AGREEMENT

The Board contributes to the Ontario Municipal Employees Retirement Fund ["OMERS"], a multi-employee plan. This defined benefit plan specifies the amount of the retirement benefit to be received by an employee based on length of service and final average earnings.

The amount contributed to OMERS in 1998 was \$139,953 [1997 - \$359,000] and is included as an expenditure on the statement of operations.

The latest actuarial valuation, conducted at December 31, 1995, indicates the current member and employer contribution rates appear sufficient to fund future benefits. Effective August 1, 1998, the contribution rate has been reduced to 0%. This premium holiday is scheduled to expire on July 31, 1999. Notwithstanding the premium holiday, the City has issued a directive that all Boards and Agencies continue to accrue the amount payable to OMERS and remit same to the City.

7. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Board's employment. The liability for these accumulated days, to the extent that they have vested, could be taken in cash by an employee on terminating amounted to \$796,000 [1997 - \$819,000] at the year end.

In order to provide for these vested sick leave benefits, the Board participates in a Corporate Sick Pay Reserve Fund established by the City of Toronto. Contributions by the Board to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments. Contributions to the reserve fund by the Board amounted to \$54,000 [1997 - \$54,000].

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Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

8. LIABILITY FOR VACATION PAY

Under its vacation policy, permanent employees of the Board may accrue up to two times their annual vacation entitlement. This expense is recorded in the accounts when the vacation is taken and the entitlement is paid.

As at December 31, 1998, the liability for vacation pay amounted to \$386,000 [1997 - \$430,000]. No provision has been made for this amount in the financial statements.

9. WORKERS' COMPENSATION OBLIGATIONS

Under the Workers' Compensation Act, the Board of Governors follows a policy of self-insurance for all of its employees.

According to the latest actuarial valuation conducted as of January 1, 1996, the estimated present value of the liability for active claims that occurred prior to that date has been determined to be \$1,762,000, such sum including the liability for existing pensions, future awards on existing claims and administration expenses. A partial provision of \$280,000 has been made for this liability in the financial statements.

10. OTHER POST-EMPLOYMENT AND POST-RETIREMENT BENEFITS

The Board of Governors provides health, dental, life insurance and long-term disability benefits to employees. The Board also provides the same health, dental and life insurance benefits to retirees until age 65 and reduced benefits thereafter.

A Payroll Benefits Plan Reserve Fund was established at the City of Toronto to provide for future benefits for all its employees and retirees, including those of the Board of Governors. The Board participates and contributes to this reserve fund.

According to an actuarial valuation as at January 1, 1996, the estimated present value of the post-employment and post-retirement benefits for employees and retirees has been determined to be approximately \$270,000,000 of which the Board's liability has been determined to be \$1,079,000. The balance of the Fund at December 31, 1998 was \$80,244,300 [1997 - \$69,563,000].

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Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

11. PUBLIC SECTOR SALARY DISCLOSURE ACT

As required under the Public Sector Salary Disclosure Act, 1996, the following employee was paid \$100,000 or more in 1998: Dianne Young, Interim General Manager, \$106,538.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. COMPARATIVE FINANCIAL INFORMATION

The 1997 revenues and expenses associated with the National Trade Centre have not been presented since the information is not readily available. The National Trade Centre opened in April 1997 and its operations for that year were reported as part of Exhibition Place Operations. Parking revenues and expenses relating to Trade and Consumer shows in the current year are reported by Exhibition Place. The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 1998 financial statements.

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