

"A"

FINANCIAL STATEMENTS

**BOARD OF GOVERNORS OF
EXHIBITION PLACE**

December 31, 1999

April 18, 2000 7:16 PM

DRAFT FOR DISCUSSION

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, 1999 and the statements of operations 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 auditing standards generally accepted in Canada. 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, 1999 and the results of its operations for the year then ended in accordance with the accounting principles as described in note 2.

Toronto, Canada,
March 3, 2000.

Chartered Accountants

April 18, 2000 7:16 PM

DRAFT FOR DISCUSSION

Board of Governors of Exhibition Place

BALANCE SHEET

As at December 31

	1999 \$	1998 \$
ASSETS		
Current		
Cash in bank and on deposit with the City of Toronto	4,056,658	2,113,437
Accounts receivable		
Trade	3,159,908	3,963,582
City of Toronto	3,250,825	4,632,637
Inventories	183,447	218,481
Prepaid expenses	198,349	86,407
Net loss recoverable from the City of Toronto <i>[note 1]</i>	—	1,990,666
Total current assets	10,849,187	13,005,210
Other Assets	170,214	—
	11,019,401	13,005,210
LIABILITIES		
Advances from the City of Toronto	1,490,493	4,855,890
Accounts payable and accrued liabilities		
Trade	3,232,988	4,147,527
City of Toronto	1,700,544	874,795
Deferred revenue <i>[note 3]</i>	4,240,868	3,126,998
Net income from operations, payable to the City of Toronto <i>[note 1]</i>	354,508	—
	11,019,401	13,005,210

See accompanying notes

On behalf of the Board:

Director

Director

Board of Governors of Exhibition Place

STATEMENT OF OPERATIONS

Year ended December 31

	1999	1998
	\$	\$
REVENUE		
Annual Exhibition [schedule 1]	15,530,210	19,716,160
The National Trade Centre [schedule 2]	13,405,457	12,419,285
Exhibition Place [schedule 3]	7,703,365	9,093,086
	36,639,032	41,228,531
EXPENDITURES		
Annual Exhibition [schedule 1]	15,921,437	21,895,625
The National Trade Centre [schedule 2]	11,522,233	11,412,363
Exhibition Place [schedule 3]	8,840,854	9,853,223
	36,284,524	43,161,211
Income (loss) before the following	354,508	(1,932,680)
Severance costs [note 4]	(312,421)	(772,667)
Contribution from Employee Separation Reserve [note 4]	312,421	772,667
Contribution to Stadium Reserve Fund [note 5]	—	(57,986)
Income (loss) before the following	354,508	(1,990,666)
Amount recoverable from (payable to) the City of Toronto	(354,508)	1,990,666
Net income for the year	—	—

See accompanying notes

**ANNUAL EXHIBITION
SCHEDULE OF OPERATIONS**

Year ended December 31

	1999 \$	1998 \$
REVENUE		
Midway, concessions and casino	6,116,621	5,296,662
Ground admissions	4,832,950	8,975,893
Exhibit rentals	3,013,172	3,272,977
Parking	1,104,956	1,045,302
Sponsorships	302,700	961,436
Other	159,811	163,890
	15,530,210	19,716,160
EXPENDITURES		
Operations	7,795,882	9,350,674
Attractions and casino	6,330,031	10,366,857
Marketing	1,700,014	1,894,034
Parking attendants' wages and sundry costs	95,510	284,060
	15,921,437	21,895,625
Loss from operations before the following	(391,227)	(2,179,465)
Severance costs	—	(271,320)
Contribution from Employee Separation Reserve	—	271,320
Net loss for the year	(391,227)	(2,179,465)

See accompanying notes

**THE NATIONAL TRADE CENTRE
SCHEDULE OF OPERATIONS**

Year ended December 31

	1999 \$	1998 \$
REVENUE		
Building rentals	6,786,755	5,560,702
Sale of services	3,237,462	3,634,523
Other events	2,392,264	2,124,009
Miscellaneous	988,976	1,100,051
	13,405,457	12,419,285
EXPENDITURES		
Maintenance, cleaning and security	3,660,191	3,680,901
Administration	3,386,376	3,013,500
Cost of sale of services	2,565,574	3,041,520
Utilities	1,829,233	1,546,022
Other	80,859	130,420
	11,522,233	11,412,363
Net income for the year	1,883,224	1,006,922

See accompanying notes

**EXHIBITION PLACE
SCHEDULE OF OPERATIONS**

Year ended December 31

	1999 \$	1998 \$
REVENUE		
Parking	3,874,947	3,881,861
Sale of services	1,474,721	2,729,073
Miscellaneous	997,747	968,070
Other events	953,384	1,027,384
Building rentals	402,566	486,698
	7,703,365	9,093,086
EXPENDITURES		
Maintenance, cleaning and security	3,010,753	3,445,504
Administration	2,221,238	1,759,930
Utilities	1,138,926	1,936,609
Cost of sale of services	1,120,767	1,489,813
Parking attendants' wages and sundry costs	1,054,137	968,542
Major improvements	268,000	228,858
Other	27,033	23,967
	8,840,854	9,853,223
Loss from operations before the following	(1,137,489)	(760,137)
Severance costs	(312,421)	(501,347)
Contribution from Employee Separation Reserve	312,421	501,347
Contribution to Stadium Reserve Fund	—	(57,986)
Net loss for the year	(1,137,489)	(818,123)

See accompanying notes

Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

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

These financial statements have been prepared in accordance with the accounting principles prescribed for Ontario municipalities and their local boards by the Ministry of Municipal Affairs and Housing.

Revenue recognition

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

Use of estimates

The preparation of the financial statements in conformity with the prescribed basis of accounting 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.

Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

Capital 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 capital assets are not recorded in these accounts. Major capital expenditures are recorded in the accounts of the City of Toronto.

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. Included in sponsorship revenues for 1998 is an amount of approximately \$254,000 for group sales. Group sales are classified as admission revenues in 1999.

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 which have been paid in advance.

April 18, 2000 7:16 PM

DRAFT FOR DISCUSSION

Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

4. SEVERANCE COSTS

During the year, the Board expended \$312,421 [1998 - \$772,667] to fund the pension and separation costs of employees who elected to retire under the Board's early retirement program. \$312,421 was received from the City of Toronto's Employee Separation Reserve which is used to fund up-front costs related to the Workforce Transition Program.

5. CONTRIBUTION TO STADIUM RESERVE FUND

The City of Toronto established and maintains the Exhibition Stadium Corporation Capital Improvement Reserve Fund [the "Stadium 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 amount contributed to the Stadium Reserve Fund during the year was nil [1998 - \$57,986]. The balance of the Stadium Reserve Fund at December 31, 1999 was \$638,293 [1998 - \$3,442,530]. Major expenditures during the year from the Stadium Reserve Fund include \$2,400,000 for the demolition of the Stadium and \$450,000 for site remediation roads and buildings.

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 during the year ended December 31, 1999 was nil [1998 - \$139,953] and is included as an expenditure on the statement of operations.

The latest actuarial valuation, conducted at December 31, 1997, 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 nil. This premium holiday is scheduled to expire on December 31, 2001. Notwithstanding the premium holiday, the City of Toronto has issued a directive that all Boards and Agencies continue to accrue the amount payable of \$188,193 [1998 - \$95,860] to OMERS and remit same to the City of Toronto as a contribution to the employee benefit reserve fund.

Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

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, which could be taken in cash by an employee on terminating amounted to \$909,021 [1998 - \$796,000] at December 31, 1999.

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 \$53,100 [1998 - \$54,000].

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, 1999, the liability for vacation pay amounted to \$449,000 [1998 - \$386,000]. No provision has been made for this amount in the financial statements.

9. WORKPLACE SAFETY AND INSURANCE OBLIGATIONS

Under the Workplace Safety and Insurance Board 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.

April 18, 2000 7:16 PM

DRAFT FOR DISCUSSION

Board of Governors of Exhibition Place

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

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 \$1,709,000.

11. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 1999 financial statements.