

The following report was reviewed by the Finance & Audit Committee at its meeting of April 19, 2002 and is recommended to the Board of Governors for APPROVAL.

6



April 16, 2002

## EXHIBITION PLACE

To: Finance Committee & Audit Committee  
Board of Governors of Exhibition Place

From: Dianne Young  
General Manager & CEO

Subject: 2001 Consolidated Financial Statements for Exhibition Place

### Recommendation:

**It is recommended that the draft audited financial statements pertaining to the operations of Exhibition Place for the twelve-month period ending December 31, 2001 be approved.**

### Background/Discussion:

The Finance Division of Exhibition Place is responsible for the preparation of the annual financial statements for Exhibition Place. These financial statements reflect the financial position and include the results from operations for the Canadian National Exhibition Association, the National Trade Centre and Exhibition Place operations for the twelve month period ending December 31, 2001.

The auditor of record for Exhibition Place, Ernst & Young LLP, review these statements in accordance with generally accepted auditing standards. These standards require that the audit is planned and carried out to obtain reasonable assurance that the financial statements are free of material misstatement.

The audit also examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assesses the accounting principles used, significant estimates made by management, and evaluates the overall statement presentation.

The financial statements contain an auditor's report that states the opinion of Ernst & Young LLP that the financial statements present fairly, in all material respects, the financial position of the Board of Governors as of December 31, 2001.

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 its information and review.

### Operating Results for 2001

The Statement of Operations indicates consolidated net income for the twelve month period ending December 31, 2001 of \$775,614.



THE BOARD OF GOVERNORS OF EXHIBITION PLACE

Exhibition Place, Toronto, Ontario M6K 3C3 Tel: (416) 263-3600

This represents the following results from the three entities that make up Exhibition Place:

Canadian National Exhibition Association	\$	241,065
Exhibition Place Operations		(1,277,360)
National Trade Centre		<u>1,811,909</u>
Consolidated Net Income	\$	775,614

This calculation of net income includes charges for future employee benefit liabilities and adjustments in expenses with respect to fixed assets that were acquired throughout the year in keeping with the accounting standards that were adopted in 2000 for municipal governments and related organizations such as Exhibition Place.

Exhibition Place pays the City of Toronto its net income exclusive of these employee benefit and fixed asset items and settles on a "cash" basis. Therefore the amount to be remitted to the City of Toronto is calculated in the following manner:

Reported 2001 Net Income	\$	775,614
Add Employee Benefit & Fixed Asset Adjustments		<u>67,370</u>
Payment to City of Toronto (on a "Cash" basis)	\$	842,984

Since the 2001 budget approved by City Council for Exhibition Place was income of \$773,000, the payment to the City of Toronto will exceed the budget target and show a positive variance of \$69,984. This result was obtained despite the fact that during the last six months of 2001, various general economic factors were impacting negatively on the consolidated Exhibition Place operations.

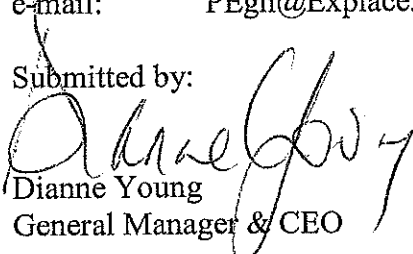
Conclusions:

This report submits the draft audited financial statements for Exhibition Place for the twelve-month period ending December 31, 2001.

Contact:

Paul Egli, Director of Finance  
 Telephone: 416 263-3612  
 Fax: 416 263-3690  
 e-mail: PEGli@Explace.on.ca

Submitted by:

  
 Dianne Young  
 General Manager & CEO

Consolidated Financial Statements

**Board of Governors of Exhibition Place**  
December 31, 2001

April 18, 2002 4:38 PM

***DRAFT FOR DISCUSSION***

## AUDITORS' REPORT

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

We have audited the consolidated balance sheet of the **Board of Governors of Exhibition Place** as at December 31, 2001 and the consolidated statements of operations and cash flows 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 Canadian 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 consolidated financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
April 9, 2002.

Chartered Accountants

April 18, 2002 4:38 PM

***DRAFT FOR DISCUSSION***

Board of Governors of Exhibition Place

**CONSOLIDATED BALANCE SHEET**

As at December 31

	2001 \$	2000 \$
		<i>[restated - note 3]</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	5,434,494	5,990,356
Accounts receivable		
Trade	3,200,899	3,122,803
City of Toronto	593,198	2,166,993
Inventories	167,641	186,118
Prepaid expenses	98,945	137,814
<b>Total current assets</b>	<b>9,495,177</b>	<b>11,604,084</b>
Receivable from the City of Toronto <i>[note 3]</i>	4,105,878	4,038,507
Capital assets, net <i>[note 4]</i>	382,096	407,546
	<b>13,983,151</b>	<b>16,050,137</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Trade	3,082,289	5,127,294
Employee benefits <i>[note 5]</i>	779,206	789,379
City of Toronto	898,446	1,702,010
Deferred revenue <i>[note 6]</i>	4,074,226	3,489,633
Obligation under capital lease <i>[note 7]</i>	—	50,000
Transfer payable to the City of Toronto <i>[note 1]</i>	842,984	886,821
<b>Total current liabilities</b>	<b>9,677,151</b>	<b>12,045,137</b>
Employee benefits payable <i>[note 5]</i>	4,306,000	4,005,000
<b>Total liabilities</b>	<b>13,983,151</b>	<b>16,050,137</b>

*See accompanying notes*

Board of Governors of Exhibition Place

**CONSOLIDATED STATEMENT OF OPERATIONS**

Year ended December 31

	2001 \$	2000 \$
		<i>[restated - note 3]</i>
<b>REVENUE</b>		
Annual Exhibition <i>[schedule 1]</i>	16,046,342	15,881,511
Exhibition Place <i>[schedule 2]</i>	9,237,349	9,976,913
National Trade Centre <i>[schedule 3]</i>	12,458,103	14,596,211
	<b>37,741,794</b>	<b>40,454,635</b>
<b>EXPENSES</b>		
Annual Exhibition <i>[schedule 1]</i>	15,805,277	15,826,658
Exhibition Place <i>[schedule 2]</i>	10,514,709	11,188,232
National Trade Centre <i>[schedule 3]</i>	10,646,194	12,386,362
	<b>36,966,180</b>	<b>39,401,252</b>
Income before the following	775,614	1,053,383
Severance costs	—	(233,034)
Contribution from City of Toronto Employee Separation Reserve	—	233,034
Transfer to City of Toronto <i>[notes 1 and 3]</i>	(775,614)	(1,053,383)
<b>Net income for the year</b>	<b>—</b>	<b>—</b>

*See accompanying notes*

**Board of Governors of Exhibition Place**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended December 31

	2001 \$	2000 \$
		<i>[restated - note 3]</i>
<b>OPERATING ACTIVITIES</b>		
Net income for the year	—	—
Add non-cash item		
Amortization of capital assets	198,931	181,297
	<b>198,931</b>	<b>181,297</b>
Changes in non-cash working capital balances related to operations		
Accounts receivable - Trade	(78,096)	26,618
Accounts receivable - City of Toronto	1,573,795	1,083,832
Inventories	18,477	(2,671)
Prepaid expenses	38,869	60,535
Trade accounts payable	(2,045,005)	2,173,967
Increase in employee benefits payable	290,827	238,672
Payable to the City of Toronto	(803,564)	1,466
Deferred revenue	584,593	(751,235)
Obligation under capital lease	(50,000)	50,000
Transfer payable to the City of Toronto	(43,837)	532,313
<b>Cash provided by (used in) operating activities</b>	<b>(315,010)</b>	<b>3,594,794</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Repayment of advances from City of Toronto	—	(1,490,493)
Purchase of capital assets	(173,481)	(347,652)
Decrease (increase) in receivable from the City of Toronto	(67,371)	166,562
<b>Cash used in investing and financing activities</b>	<b>(240,852)</b>	<b>(1,671,583)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(555,862)</b>	<b>1,923,211</b>
Cash and cash equivalents, beginning of year	5,990,356	4,067,145
<b>Cash and cash equivalents, end of year</b>	<b>5,434,494</b>	<b>5,990,356</b>

*See accompanying notes*

April 18, 2002 4:38 PM

***DRAFT FOR DISCUSSION***

## Board of Governors of Exhibition Place

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

### 1. OPERATIONS OF EXHIBITION PLACE AND RELATIONSHIP WITH CITY OF TORONTO

The Board of Governors of Exhibition Place [the "Board"] was incorporated by a Special Act of the Province of Ontario. 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 "City of Toronto Act, 1997", the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs.

Major capital facilities are the property of the City and, therefore, the cost for such capital assets are recorded in the accounts of the City and not the Board. Major capital expenditures are also recorded in the accounts of the City and not the Board. The Board contributes to the City's vehicle reserve and expenses these contributions as made.

To assist with major capital expenditures related to Exhibition Place, a reserve fund has been established that is administered by the City. The value of the reserve fund is recorded within the City's accounts [note 8].

The Board also has an agreement with the City which established the "Exhibition Place Stabilization Reserve Fund" for the purpose of putting income aside in profitable years in order to offset deficits in other years. The Exhibition Place Stabilization Reserve Fund is also recorded in the accounts of the City [note 8].

The Canadian National Exhibition Association ["CNEA"], under an agreement with the Board, manages and operates an annual exhibition [the "Canadian National Exhibition"].

The National Trade Centre is managed by O&Y SMG Canada, and the relationship between the National Trade Centre and the Board is governed by the terms of a management agreement.

These consolidated financial statements include the accounts of the CNEA [schedule 1], Exhibition Place [schedule 2] and the National Trade Centre [schedule 3]. The CNEA is the only separate operating unit that is incorporated and, as such, produces audited financial statements for its members.

The Board is not subject to income taxes.

April 18, 2002 4:38 PM

**DRAFT FOR DISCUSSION**



**Board of Governors of Exhibition Place**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

**Revenue recognition**

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

**Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. The employee benefits liabilities and related costs charged to the statement of operations depend on certain actuarial and economic assumptions and on current information available to the Board. These amounts may change significantly upon the next actuarial valuation.

**Cash and cash equivalents**

Cash equivalents consist of term deposits, which are readily cashable on short notice.

**Inventories**

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

**Capital assets**

Purchased capital 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:

Motor vehicles	5 to 8 years
Computer equipment	3 years
Electrical equipment	5 years
Other equipment and furniture	2 to 5 years

## Board of Governors of Exhibition Place

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

### Sponsorships

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

### Employee benefit plans

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

- the Board's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are made;
- the costs of termination benefits and compensated absences are normally 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, expected health care costs and plan investment performance; accrued obligations and related costs of funded benefits are net of plan assets;
- 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 related to compensated absences are amortized over the average expected period during which benefits will be paid;
- for other benefit plans, the excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value for plan assets is amortized on a straight-line basis over the average remaining service period of active employees.

April 18, 2002 4:38 PM

***DRAFT FOR DISCUSSION***

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

3. RECEIVABLE FROM THE CITY OF TORONTO

In 2000, the Board adopted new rules related to the accounting for employee benefit costs and capitalizing assets, which resulted in the recording of a liability in the amount of \$4,794,379 and an asset of \$233,695. At this time, no amount was set up as a receivable from the City for future funding of these costs. During 2001, the City agreed that they would be responsible for any deficits in accordance with the new accounting rules. As a result, the 2000 consolidated financial statements have been restated to reflect the long-term receivable related to sick leave and other employment and post-employment benefits liabilities recorded in 2000 net of amounts previously expensed by the City for capital assets purchases. As at and for the year ended December 31, 2000, this restatement has resulted in an increase in the long-term receivable from the City of \$4,038,507, increase in expenses for the transfer to the City of Toronto of \$166,562 and the opening 2000 deficiency has been decreased by \$4,205,069.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2001			2000		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Motor vehicles	261,634	196,009	65,625	179,602	179,602	—
Computer equipment	76,991	55,492	21,499	66,625	29,828	36,797
Electrical equipment	308,423	159,512	148,911	269,106	97,827	171,279
Other equipment and furniture	342,178	196,117	146,061	297,517	98,047	199,470
	<b>989,226</b>	<b>607,130</b>	<b>382,096</b>	<b>812,850</b>	<b>405,304</b>	<b>407,546</b>

Other equipment and furniture includes assets under capital leases with a net book value of nil [2000 - \$50,000], which is net of accumulated amortization of \$100,000 [2000 - \$50,000].

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

5. EMPLOYEE BENEFITS

The employee benefits obligations of the Board consist of the following:

	2001 \$	2000 \$
Sick leave	759,000	770,000
Vacation pay	438,206	459,379
Workplace Safety and Insurance Board	1,143,000	1,015,000
Other post-employment and post retirement benefits	2,745,000	2,550,000
	<u>5,085,206</u>	<u>4,794,379</u>
Less current portion	779,206	789,379
	<u>4,306,000</u>	<u>4,005,000</u>

The Board's accrued benefit obligations, in aggregate, are as follows:

	2001 \$	2000 \$
<b>Accrued benefit obligations</b>		
Balance, beginning of year	4,335,000	4,135,000
Current service cost	401,000	330,000
Interest cost	318,000	310,000
Expected benefits paid	(407,000)	(440,000)
Balance, end of year	<u>4,647,000</u>	<u>4,335,000</u>
Vacation pay	438,206	459,379
<b>Total obligations</b>	<u>5,085,206</u>	<u>4,794,379</u>
<b>Components of expense</b>		
Current service cost	341,000	330,000
Interest cost	293,000	310,000
Increase (decrease) in vacation pay	(21,173)	38,672
<b>Total expense</b>	<u>612,827</u>	<u>678,672</u>

The benefit plans as noted above are all unfunded; however, the Board participates in reserve funds established by the City. The amounts contributed to these reserves during the year were \$640,572 [2000 - \$682,715] and are included as an expense on the consolidated statement of operations.

**Board of Governors of Exhibition Place**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

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. OMERS 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. Due to significant surpluses, OMERS has declared a temporary contribution holiday for all active employees and participating employers, effective August 1, 1998 through to December 31, 2002. As a result of this contribution holiday, no contributions were required on account of current service in 2001 and 2000. The amount accrued for past service for the year ended December 31, 2001 was \$230,465 [2000 - \$230,469] and is included as an expense in the consolidated statement of operations.

The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations are as follows:

	2001 %	2000 %
Discount rate	6.0 - 6.5	6.0 - 6.5
Rate of compensation increase	3.0	3.0

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed. The rate was assumed to decrease gradually to 4% to 2003 and remain at that level thereafter.

**6. DEFERRED REVENUE**

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

**7. OBLIGATION UNDER CAPITAL LEASE**

The Board entered into a capital lease in 2000 for casino equipment. This lease expired in September 2001.

## **Board of Governors of Exhibition Place**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

#### **8. RESERVE FUNDS**

The City established and maintains the Exhibition Stadium Capital Improvement Reserve Fund [the "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. The balance of the Fund at December 31, 2001 was \$772,534 [2000 - \$732,523]. There were no contributions to the Fund in 2001 other than interest earnings and no expenditures were made from the Fund in 2001.

In addition, the City has also established and maintains the Exhibition Place Stabilization Reserve Fund ["Stabilization Fund"] for the purpose of putting income aside in profitable years in order to offset deficits in other years. The balance of the Stabilization Fund at December 31, 2001 was \$1,264,456 [2000 - \$356,195]. The increase in the year is a result of a transfer of the 2000 surplus to the City of \$886,821 [2000 - \$356,195] and interest earned on the Stabilization Fund during the year.

#### **9. CONTINGENT LIABILITIES**

In the normal course of its operations, the Board is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time, however, the Board's management believes that the ultimate disposition of these matters will not have a material detrimental effect on the Board's future financial position.

#### **10. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 financial statements.

**ANNUAL EXHIBITION  
SCHEDULE OF OPERATIONS**

Year ended December 31, 2001

	2001 \$	2000 \$
<b>REVENUE</b>		
Midway, concessions and casino	5,801,578	5,866,742
Ground admissions	5,790,817	5,113,343
Exhibit rentals	2,915,465	3,311,090
Parking	933,938	991,871
Sponsorships	521,569	422,600
Agriculture and sports	82,975	175,865
	<b>16,046,342</b>	<b>15,881,511</b>
<b>EXPENSES</b>		
Operations	7,890,587	7,618,442
Attractions and casino	6,070,719	6,368,955
Marketing	1,671,195	1,713,540
Parking attendants' wages and sundry costs	117,548	75,721
Amortization of capital assets	55,228	50,000
	<b>15,805,277</b>	<b>15,826,658</b>
<b>Net operating income for the year</b>	<b>241,065</b>	<b>54,853</b>

**EXHIBITION PLACE  
SCHEDULE OF OPERATIONS**

Year ended December 31, 2001

	2001 \$	2000 \$
<b>REVENUE</b>		
Building rentals and concessions	1,687,050	1,717,490
Sale of services	3,214,106	3,634,529
Parking	3,641,401	3,742,260
Discounts, commission and realty tax recoveries	694,792	882,634
	<b>9,237,349</b>	<b>9,976,913</b>
<b>EXPENSES</b>		
Maintenance, cleaning and security	3,354,553	3,181,471
Administration	2,490,705	2,564,301
Cost of sale of services	2,035,065	2,645,279
Utilities	1,430,804	1,459,371
Parking attendants' wages and sundry costs	823,321	923,320
City of Toronto Vehicle reserve <i>[note 1]</i>	297,844	344,709
Amortization of capital assets	82,417	69,781
	<b>10,514,709</b>	<b>11,188,232</b>
Deficiency of revenue over expenses before the following	<b>(1,277,360)</b>	<b>(1,211,319)</b>
Severance costs	—	(233,034)
Contributions from City of Toronto Employee Separation Reserve	—	233,034
<b>Net operating loss for the year</b>	<b>(1,277,360)</b>	<b>(1,211,319)</b>



**THE NATIONAL TRADE CENTRE  
SCHEDULE OF OPERATIONS**

Year ended December 31, 2001

	2001 \$	2000 \$
<b>REVENUE</b>		
Building rentals	5,939,487	7,004,981
Sale of services	4,269,083	5,093,421
Catering commissions	1,213,591	1,506,218
Advertising, sponsorship, interest and recoveries	1,104,943	991,591
	<u>12,527,103</u>	<u>14,596,211</u>
<b>EXPENSES</b>		
Maintenance, cleaning and security	2,696,961	3,446,796
Administration	3,634,184	3,544,743
Cost of sale of services	2,266,583	3,233,052
Utilities	2,045,589	2,044,549
Amortization of capital assets	64,183	61,516
Employee benefits	7,694	55,706
	<u>10,715,194</u>	<u>12,386,362</u>
<b>Net operating income for the year</b>	<u>1,811,909</u>	<u>2,209,849</u>

