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EXHIBITION PLACE

September 20, 2002

To: Board of Governors of Exhibition Place
From: The Finance and Audit Committee
Subject: Grant to Canada's Sports Hall of Fame

Recommendation:

The Finance and Audit Committee recommends the adoption of the report (September 9, 2002), from the General Manager & CEO entitled "Grant to Canada's Sports Hall of Fame".

(Report dated September 9, 2002, entitled
"Grant to Canada's Sports Hall of Fame" addressed to the
Finance and Audit Committee from the General Manager & CEO)

Recommendation: It is recommended that the Board provide a grant to Canada's Sports Hall of Fame for the year 2003 in the amount of \$53,200 (less a deduction for utilities of \$18,700), which grant will be paid in equal quarterly installments.

Background:

At its meeting of October, 2002, the Board approved of a grant to the Canada's Sports Hall of Fame as part of its 2002 Operating Budget.

Discussion:

Canada's Sports Hall of Fame has submitted, as requested, an Application for a Grant in the form established by the City. As outlined in this Grant Application, Canada's Sports Hall of Fame was founded in 1955 to preserve the record of Canadian sports achievements and to promote a greater awareness of Canada's heritage of sports. Pursuant to these objectives, the Sports Hall of Fame recognizes and honours persons who have brought distinction to Canada in the advancement of sport and athletic endeavours and collects and preserves a collection of artifacts relating specifically to its honoured members. It is a not-for-profit, charitable organization, which is operated by a volunteer board of governors and has a full-time staff of 3 persons.

Canada's Sports Hall of Fame national museum first opened its doors to the public on June 10, 1955 at Exhibition Place. In 1985, the museum was substantially renovated by the Sports Hall of Fame at a cost of \$1.4 million to create one of the leading facilities of its kind with three exhibit galleries with interactive displays, a theatre, library and archives. The museum is open to the public during the week and throughout the entire period of the 18-day CNE and there is no

admission charge. On an annual basis, 250,000 visitors enjoy the Hall of Fame including students at all levels, from primary to university, as well as sports historians. To date, it has honoured the achievements of 430 Canadians; developed a collection of over 3,000 sports artifacts and 40,000 photographs; and maintains biographical data on all Canadian sports figures.

The Board has since 1975 provided a grant to Canada's Sports Hall of Fame which grant has been as high as \$180,000. However, in the early 1990s, the grant was gradually reduced until it stabilized to \$84,750 in 1998, 1999, 2000 & 2001 and to \$53,200 in 2002. At the same time the Sports Hall of Fame were required to reimburse the Board for utility costs associated with the museum/office space (estimated at \$18,700 annually). Attached as Appendix "A" are the 2001 Financial Statements for Canada's Sports Hall of Fame and as outlined in that document, the Sports Hall of Fame relies heavily on the Board grant as its major source of operating funding. Other sources of revenue are an annual golf tournament and annual induction dinner.

The Sports Hall of Fame is planning to move its entire operations to the Ottawa area. The federal government originally offered the Government Conference Centre as a location for a new Canada Sports Hall of Fame. However just recently this site was assigned to another purpose by the federal government and the Museum of Contemporary Photography has been offered as an alternative site. A decision on this matter should be forthcoming before end of this year. While no exact date has been set, the aim is to complete the move to the new location by 2004.

This report recommends the continuation of the grant from the Board in the amount of \$53,200 for 2003 in equal quarterly installments provided that the Sports Hall of Fame continues on the grounds; continues to be open to the public free of charge throughout the year; and open as an active display during the CNE period. The grant is to be paid in quarterly installments throughout the year provided the conditions of the grant as outlined above are met. If the grant were to be reduced or discontinued by the Board at this time, Canada's Sports Hall of Fame would likely not be able to continue to operate as a public venue. Canada's Sports Hall of Fame is a valued exhibit on the grounds not only during the CNE but throughout the year bringing over a ¼ million visitors to Exhibition Place.

Conclusions:

This report outlines the objects, activities and financial situation of Canada's Sports Hall of Fame at Exhibition Place and recommends the continuation of a grant from the Board to the Hall of Fame at the level of \$53,200 (less a deduction for utilities of \$18,700) in 2003.

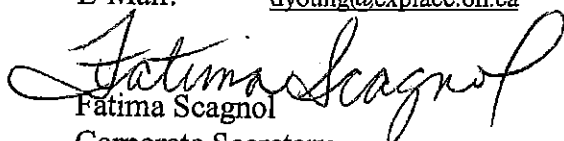
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Fatima Scagnol

Corporate Secretary

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Financial Statements

Canada's Sports Hall of Fame
December 31, 2001

AUDITORS' REPORT

To the Members of
Canada's Sports Hall of Fame

We have audited the statement of financial position of **Canada's Sports Hall of Fame** as at December 31, 2001 and the statements of changes in net assets and operations for the year then ended. These financial statements are the responsibility of the Organization'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 financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2001 and the results of its operations and for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 15, 2002.

Ernst & Young LLP

Chartered Accountants

Canada's Sports Hall of Fame

STATEMENT OF FINANCIAL POSITION

[see Basis of Presentation - Note 1]

As at December 31

	2001 \$	2000 \$
ASSETS		
Current		
Cash	329,059	361,851
Accounts receivable	40,408	202,928
Due from employee	37,269	36,133
Prepaid expenses	12,971	5,582
Promissory note receivable [note 4]	92,984	92,984
Total current assets	512,691	699,478
Fixed assets, net of accumulated amortization of \$7,795 [2000 - \$3,838]	4,725	8,035
	517,416	707,513
LIABILITIES AND NET ASSETS (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	311,509	333,005
Founding sponsors payable [notes 1 and 7]	1,900,000	—
Demand loan [note 5]	—	85,000
Total current liabilities	2,211,509	418,005
Net assets (deficiency)		
Invested in net assets	4,725	8,035
Unrestricted net assets (deficiency)	(1,701,239)	273,933
General reserve [note 6]	2,421	7,540
Total net assets (deficiency)	(1,694,093)	289,508
	517,416	707,513

See accompanying notes.

On behalf of the Board:

Governor

Governor



Canada's Sports Hall of Fame

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2001			
	Invested in net assets \$	General reserve \$	Unrestricted \$	Total \$
	[note 6]			
Net assets, beginning of year	8,035	7,540	273,933	289,508
Deficiency of revenue over expenses for the year	—	—	(1,983,601)	(1,983,601)
Amortization of fixed assets	(3,957)	—	3,957	—
Purchase of fixed assets	647	—	(647)	—
Transfer from general reserve	—	(5,119)	5,119	—
Net assets (deficiency), end of year	4,725	2,421	(1,701,239)	(1,694,093)

	2000			
	Invested in net assets \$	General reserve \$	Unrestricted \$	Total \$
	[note 6]			
Net assets, beginning of year	2,703	15,317	71,427	89,447
Excess of revenue over expenses for the year	—	—	200,061	200,061
Amortization of fixed assets	(2,382)	—	2,382	—
Purchase of fixed assets	7,714	—	(7,714)	—
Transfer from general reserve	—	(7,777)	7,777	—
Net assets, end of year	8,035	7,540	273,933	289,508

See accompanying notes



Canada's Sports Hall of Fame

STATEMENT OF OPERATIONS

Year ended December 31

	2001 \$	2000 \$
REVENUE		
Ottawa project [schedule 1 and note 7]	959,945	1,309,222
Induction Dinner [schedule 2 and note 8]	182,054	319,072
Contributions from the Board of Governors of Exhibition Place [note 9]	87,400	84,733
Golf tournament [schedule 3]	36,670	46,734
Interest	2,528	1,987
Donations	2,030	8,860
Sundry	1,054	1,000
	1,271,681	1,771,608
EXPENSES		
Ottawa project [schedule 1 and note 7]	2,855,032	1,143,413
Salaries and benefits	165,861	159,878
Induction Dinner [schedule 2 and note 8]	96,263	114,629
Golf tournament [schedule 3]	41,039	35,227
Maintenance of building	25,309	20,419
Office	18,757	21,975
Public relations	15,918	17,517
Insurance	9,731	9,445
Meetings	8,828	20,703
Newsletter	8,674	6,766
Display costs	4,354	11,603
Equipment leases	3,866	5,914
Translation costs	1,650	721
Bad debts	—	3,337
	3,255,282	1,571,547
Excess (deficiency) of revenue over expenses for the year	(1,983,601)	200,061

See accompanying notes



**OTTAWA PROJECT
SCHEDULE OF REVENUE AND EXPENSES**

Year ended December 31

	2001 \$	2000 \$
REVENUE		
Contributions from founding sponsors	950,000	1,300,000
CEO loan interest	2,925	—
Interest	7,020	9,222
	<u>959,945</u>	<u>1,309,222</u>
EXPENSES		
Founding sponsors repayment <i>(note 7)</i>	1,900,000	—
Basic building	564,908	731,639
Salaries and benefits	220,550	184,633
Fundraising costs	75,242	138,115
Travel, auto and entertainment	51,709	43,084
CEO relocation	—	15,437
CEO office expense	20,075	11,416
Newsletter	7,515	—
Audit and legal fees	13,108	—
Meetings	1,500	—
Vision and marketing	—	10,720
Ottawa task force	—	4,554
Design and exhibits	—	3,718
Bank charges and interest	425	97
	<u>2,855,032</u>	<u>1,143,413</u>
Excess (deficiency) of revenue over expenses for the year	(1,895,087)	165,809

See accompanying notes



**INDUCTION DINNER
SCHEDULE OF REVENUE AND EXPENSES**

Year ended December 31

	2001	2000
	\$	\$
REVENUE		
Tickets	117,334	241,572
Sponsorships [note 8]	60,000	75,000
Donations	4,720	2,500
	<u>182,054</u>	<u>319,072</u>
EXPENSES		
Food and beverage	41,617	58,983
Video profiles	33,140	29,371
Travel and accommodation	11,765	13,112
Program and printing	9,741	13,163
	<u>96,263</u>	<u>114,629</u>
Excess of revenue over expenses for the year	<u>85,791</u>	<u>204,443</u>

See accompanying notes

**GOLF TOURNAMENT
SCHEDULE OF REVENUE AND EXPENSES**

Year ended December 31

	2001 \$	2000 \$
REVENUE		
Green fees and sponsorships	35,840	45,684
Auction proceeds	830	1,050
	<u>36,670</u>	<u>46,734</u>
EXPENSES		
Dinner and golf	29,128	26,091
Golf shirts and prizes	11,051	7,877
Signage and trophies	410	809
Photography	450	450
	<u>41,039</u>	<u>35,227</u>
Excess (deficiency) of revenue over expenses for the year	<u>(4,369)</u>	<u>11,507</u>

See accompanying notes

Canada's Sports Hall of Fame

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. BASIS OF PRESENTATION

The financial statements of Canada's Sports Hall of Fame [the "Organization"] have been prepared on a going concern basis which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Organization has incurred a substantial loss in the current year and has a deficit of \$1,694,093 as at December 31, 2001. This loss is mainly a result of the federal government's decision not to support the move to the proposed government building located in Ottawa. The Organization's ability to continue as a going concern is uncertain and is dependent upon settlement with the existing founding sponsors, finding alternative financing or finding a way to continue on with the proposed move to Ottawa in a different government building [note 7].

These financial statements do not give effect to any adjustments which might be necessary should the Organization be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. INCORPORATION

The Organization was incorporated without share capital under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by the Organization in the preparation of these financial statements are as follows:

- [a] Donations are recorded on a cash basis. All other revenue and expenses are recorded on an accrual basis.
- [b] Fixed assets are amortized on a straight-line basis over the estimated useful lives of the assets. Fixed assets consist of computer equipment which is being amortized over a three-year period.
- [c] Founding sponsor donations have been recorded as revenue. Refundable donations received have been recorded as a payable back to the founding sponsors as a result of the current status of the Ottawa project described in note 7.
- [d] Donations-in-kind which relate to materials and services which would otherwise have been acquired by the Organization are recorded in the accounts at their estimated fair market value.



NOTES TO FINANCIAL STATEMENTS

December 31, 2001

4. PROMISSORY NOTE RECEIVABLE

The promissory note is receivable from an employee and bears interest at the Royal Bank's prime rate plus 0.5%. Interest is payable by the employee on a quarterly basis and the principal was due on November 1, 2001. As of the date of the auditors' report, the principal remains unpaid.

5. DEMAND LOAN

The demand loan bore interest at the Royal Bank's prime rate plus 0.5%. Interest payments were due monthly. The loan was paid in full during the year.

6. GENERAL RESERVE

In 1991, the Board of Governors of the Organization established a general reserve to provide financing for the enhancement of the building, the production of a brochure for the Organization and for general long-term projects. Building enhancements during the year amounted to \$5,119, leaving the reserve with a balance of \$2,421.

7. OTTAWA PROJECT

The Ottawa project represents revenue and expenses associated with activities related to the Board of Governors' decision to relocate to Ottawa.

As at December 31, 2001, eight founding sponsors have been obtained. Each founding sponsor has pledged \$1,500,000 in cash, in-kind services or technology support to the project. Current founding sponsors are the Royal Bank Financial Group, Lucent Technologies Canada Inc., Netstar Enterprises Inc. [TSN/RDS], Ontario Tourism, Canada Post Corporation, CP Fairmont Hotels, Group Telecom and Panasonic. Should this project not be completed, some of the funds received to date will be repaid to these sponsors.

On January 29, 2002, the Organization received a letter from the Prime Minister's Office indicating that the federal government will no longer support the move to the proposed government owned building in Ottawa. As the Organization was depending heavily on the location and federal government's financial support, this letter serves to put the move to Ottawa in jeopardy; hence, the refundable portion of amounts received from the founding sponsors are more likely required to be repaid. The amount repayable has been recorded as a liability of \$1,900,000 in the current year. This liability is comprised of funds received in the current year of \$950,000 and amounts refundable in the prior year of \$950,000 which were previously recorded as revenue.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

8. SPONSORSHIPS

During 2001, in addition to cash, the Organization received sponsorships consisting of video services having an estimated fair value of \$15,000. These items would otherwise have been acquired for the Induction Dinner. These amounts are recorded as sponsorship revenue and the corresponding amounts are included in the expenses for the Induction Dinner.

9. ECONOMIC DEPENDENCE

A major portion of the operations of the Organization is funded by the Board of Governors of Exhibition Place who receive their funding from the City of Toronto. The contributions from the Board of Governors of Exhibition Place in 2001 consist of a cash grant of \$68,700 and an amount equivalent to the cost of maintenance of the buildings of \$18,700. In addition, the premises are provided at a nominal charge of \$1 under a lease which expires on December 31, 2002. The Board of Governors has reduced the cash grant for 2002 to \$34,350.

10. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented as it would not provide any additional meaningful information.

