

## **2018 Audited Financial Statements and Audit Results for the Board of Governors of Exhibition Place**

**Date:** June 13, 2019

**To:** Audit Committee

**From:** Dianne Young, Chief Executive Officer, Exhibition Place

**Wards:** All

### **SUMMARY**

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This report presents for the information of the Audit Committee and City Council the 2018 Year-End Report to the Board of Governors of Exhibition Place (the "Board") in Attachment 1 for the year ended December 31, 2018 as reported to the Board. Included in Attachment 2 are the final 2018 audited financial statements.

The audited financial statements reflect the financial results of Exhibition Place as at December 31, 2018. The auditor of record for the Board, PricewaterhouseCoopers LLP ("PWC"), audits these financial statements in accordance with Canadian public sector accounting standards. The financial position includes results of the operations for Enercare Centre, Beanfield Centre and Exhibition Place

The Communication to the Board section of the audit results is where the auditors make their suggestions and recommendations, based on audit findings, to improve the accounting and internal control procedures. As noted in the full attached Audit Results, during the 2018 audit, the auditors have issued an unqualified report on the financial statements and have no significant internal control recommendations to report on. This report summarizes the auditor's comments which details can be found in full in the Attachment.

The Exhibition Place 2018 Operating Budget and Surplus is \$150,000 and \$2,221,427 respectively. In accordance with the decision of City Council in December 2007, the surplus over the budget target of \$2,071,437 is to be deposited in the Exhibition Place Conference Centre Reserve Fund ("CCRF") to be held by the City of Toronto to provide a source of funding for any cash shortfalls with respect to the Beanfield Centre operations for the purpose of guaranteeing the loan of \$35.6M (\$38.675M with accrued interest on cash advances during construction) from the City of Toronto for the renovations of the Conference Centre.

## RECOMMENDATIONS

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It is recommended that the Audit Committee and City Council:

- 1) Receive the 2018 Year-End Report and Audited Financial Statements for the Board for the year ended December 31, 2018.

## FINANCIAL IMPACT

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There are no financial implications to this report.

## DECISION HISTORY

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Audited financial statements for Exhibition Place are required to be submitted on an annual basis to the Board, City of Toronto Audit Committee, and ultimately to City Council.

[http://www.toronto.ca/legdocs/municode/1184\\_063.pdf](http://www.toronto.ca/legdocs/municode/1184_063.pdf)

At its meeting of December 12, 2007, City Council approved of a recommendation to deposit any annual surplus over budget into the Exhibition Place Conference Centre Reserve Fund Account to provide a source of funding for any cash shortfalls with respect to Beanfield Centre loan repayment.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2007.EX4.2>

On November 27, 2012, City Council approved of a recommendation to expand the purpose of the Exhibition Place Conference Centre Reserve Fund to provide a source of funding for both Beanfield Centre loan repayments and also maintaining Enercare Centre and Beanfield Centre in a state of good repair.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX24.19>

## COMMENTS

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Audit Results are required to be submitted on an annual basis to the Board, City of Toronto Audit Committee, and ultimately to City Council.

Exhibition Place Accounting Division is responsible for the preparation of the annual financial statements for Exhibition Place. These financial statements reflect the financial position and include the results of operations for Enercare Centre, Exhibition Place and Beanfield Centre for the year ended December 31, 2018.

As part of PWC's audit engagement, PWC provides a year-end report to the Board to assist in its review of the financial statements. This document is a direct communication

from the auditors to the Board. It summarizes the scope of the audit work, describes the audit objectives, identifies issues of audit significance discussed with management and provides the communications required by Canadian Generally Accepted Auditing Standards and is designed to express an opinion on the financial statements of the Board.

The Audit Results report from PWC is divided into various sections and these are described in the balance of this report. These sections cover a wide variety of topics such as status of the audit, significant reporting matters, management override controls, fraud and illegal acts, summary of unadjusted items with materiality, internal control recommendations, subsequent events and management representations.

### **Communications to the Board**

The audit is completed and there are no outstanding issues. The audit approach is a mixture of tests of internal controls and substantive testing. No fraud involving senior management or employees with a significant role in internal controls were noted.

Materiality for the Board was calculated with the same methodology as the prior year based on 3% of Gross Revenues which method is also consistent with the City of Toronto.

PWC has noted two (2) unadjusted item in their report (Attachment 1) in Appendix B. The items are related to Balance Sheet and Statement of Operations and are for presentation purposes only. These entries have no impact to the Operating Surplus transferable to the City.

The one adjusted item PWC noted relates to outstanding cheques at year end that are greater than 180 days old. This item is related to Balance Sheet reclassification and is for presentation purposes only.

There were no disagreements with management on financial accounting and reporting matters; and there were no significant internal control recommendations to report on. The financial statements taken as a whole are free of material misstatement.

### **Significant Reporting Matters**

The following accounting, auditing and reporting matters were discussed with management:

Revenue Recognition - The auditors noted the significant revenue streams. They include Building rentals, show services and parking; Completeness and accuracy of transactions recorded with the City and Employee future benefits payable;

Intercompany - The Board has many ongoing transactions with various City Departments such as trade receivables, trade payables, and contribution to and from various reserve funds and loans payables. As is consistent in the prior year's audit, staff has provided a listing of all payables due to the City at year end for confirmation;

Employee Future Benefits Payable – The Boards actuary for 2018 is Morneau Shepell which is the same actuary for the City as a whole. The auditors agree with the work of the outside specialists and noted that the accounting and recording approach used by management in presenting this information on the Exhibition Place financial statements as an expenditure and confirmed that the assumptions used by Morneau Shepell in its evaluation is reasonable and all disclosures are appropriate for financial statement purposes. In addition, the auditors utilized their own internal expert to assess the appropriateness of the assumptions and estimates used by the actuary and no errors were found.

Management override of controls – The auditors used computer assisted audited techniques to review significant and non-standard entries. PWC noted that based on their testing all entries are valid and properly authorized. There were no exceptions noted.

PWC has no significant internal control recommendations based on audit findings to improve the accounting and internal control procedures.

### **Conference Centre Reserve Fund**

The balance as at December 31, 2018 in the CCRF held by the City is \$7,527,788. This reserve is a source of funding for both state of good repair as well as for the loan repayment of the Beanfield Centre. The outstanding loan to the City as of December 31, 2018 is \$32,615,097 with a loan repayment term until 2040.

At this point in time, the funds in the CCRF are sufficient enough to cover three (3) consecutive years of loan repayments if the Board only meets its budgetary targets. Therefore, as consistent with prior year's financial performance, staff will work towards exceeding budget targets to build up this reserve to an amount at a minimum of at least \$10.0M which we believe is a conservative direction to take so as not to require any tax base funding from the City for the Exhibition Place operations.

### **CONTACT**

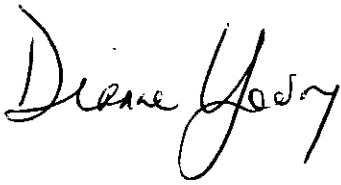
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Hardat Persaud, Chief Financial Officer & Corporate Secretary, Tel: 416-263-3031,  
Email: [hpersaud@explace.on.ca](mailto:hpersaud@explace.on.ca)

Steven N. Nushis, Director, Accounting Services, Tel: 416-263-3039,  
Email: [snushis@explace.on.ca](mailto:snushis@explace.on.ca)

## **SIGNATURE**

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A handwritten signature in black ink that reads "Dianne Young". The signature is written in a cursive, flowing style.

Dianne Young  
Chief Executive Officer

## **ATTACHMENTS**

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Attachment 1 - PWC 2018 Year-End Report to the Board of Governors of Exhibition Place

Attachment 2 - 2018 Audited Financial Statements