

## **2016 Audited Consolidated Financial Statements and Audit Results for the Board of Governors of Exhibition Place**

**Date:** June 6, 2017

**To:** Audit Committee

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

**Wards:** NA

### **SUMMARY**

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This report presents for the information of the Audit Committee and City Council the Audited Consolidated Financial Statements, attached as Appendix A, and the Audit Results, attached as Appendix B for the Board of Governors of Exhibition Place (the "Board") for the year ended December 31, 2016.

The financial statements (Appendix A) reflect the consolidated position of Exhibition Place as at December 31, 2016. 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, Allstream Centre and Exhibition Place

The audit report is the section of the audit results where the auditors make their suggestions and recommendations, based on audit findings, to improve the accounting and internal control procedures. As noted in the Audit Results (Appendix B), during the 2016 audit, the auditors have no significant internal control recommendations to report on.

The final result of this audit is an opinion from the auditors that the consolidated financial statements present fairly, in all material respects, the financial position of Exhibition Place as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The consolidated Operating Budget for Exhibition Place is set on a cash basis as per the City directive. The 2016 consolidated net profit on a cash basis which will be transferred to the City is \$1,862,870 compared to an approved budgeted net income of \$157,000 for a favorable variance of \$1,705,870.

In accordance with the decision of City Council in December 2007, any surplus over the budget target 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 Allstream 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 Financial Statements and Audit Results for the Board for the year ended December 31, 2016.

## **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 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 Allstream 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 Allstream Centre loan repayments and also maintaining Enercare Centre and Allstream Centre in a state of good repair.

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

At its meeting on October 8, 2013 City Council recommended that Exhibition Place use its funds from the Conference Centre reserve account to fund the cost for the disposal of pre-existing contaminated soil dating from the early 1900's which expenditures are keeping with the terms of the lease agreement between Exhibition Place and Princes

Gates Hotel LLP. As well City Council recommended that Exhibition Place will arrange to replenish back this fund from any operating surplus.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX34.24>

At its meeting of May 18, 2017, the Board approved Report No. EP3.2 dated April 10, 2017 for the 2016 Consolidated Financial Statements and Audit Results for the Board of Governors of Exhibition Place.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EP3.2>

## COMMENTS

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Audited consolidated financial statements and audit results 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.

Exhibition Place Finance Department 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 Allstream Centre for the year ended December 31, 2016.

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 consolidated financial statements of the Board.

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.

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

### Operating Results for 2016

The Consolidated Statement of Operations indicates on an accrual basis net profit (loss) for the year ended December 31, 2016 of \$ (2015 - \$272,836) and a net profit of \$ (2015 - \$495,931) on a cash basis. The consolidated Operating Budget for Exhibition Place is set on a cash basis per the City directive; the approved budget amount for 2016 was a net income of \$157,000.

The following are the results from the three programs that make up Exhibition Place:

	Net Income (Loss)		Transfer Payable to City -	
	Accrual Basis		Net Income (Loss)	
			Cash Basis	
	2016	2015	2016	2015
	\$	\$	\$	\$
Exhibition Place (schedule 1)	(3,744,524)	(7,273,154)	3,682,974	7,359,320
Enercare Centre (schedule 2)	6,310,928	9,497,005	(6,310,928)	(9,497,005)
Allstream Centre (schedule 3)	(1,568,506)	(2,496,687)	765,084	1,641,754
<b>Net Income</b>	<b>997,899</b>	<b>(272,836)</b>	<b>(1,862,870)</b>	<b>(495,931)</b>

The 2016 consolidated net profit on a cash basis which will be transferred to the City is \$1,862,870 compared to an approved budgeted net income of \$157,000 for a favorable variance of \$1,705,870.

#### Conference Centre Reserve Fund

The balance as at December 31, 2016 in the CCRF held by the City is \$3,441,322. This reserve is a source of funding for both state of good repair as well as for the loan repayment of the Allstream Centre. The outstanding loan as of December 31, 2016 is \$34,317,136 with a loan repayment term until 2040. With the Board's 2017 Operating Budget being surplus of \$162,000 and the 2017 Allstream Centre annual loan repayment being of \$2,454,157; the forecasted 2017 balance in the CCRF is \$1,149,175.

At this point in time, the funds in the CCRF are not sufficient enough to cover two (2) 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 for the Exhibition Place operations.

#### Settlement with the City of Toronto

As in prior years, various adjustments have to be made to the reported consolidated net income to determine the amount payable to or receivable from the City of Toronto on a "cash" basis. Specifically the adjustments are as follows:

	<b>2016</b>	<b>2015</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Net Income (Loss) per Financial Statements</b>	997,899	(272,836)
Net change of Non - Cash Conference Centre Deficit	803,422	854,933
Amortization	43,332	43,314
(Purchase) disposal of Equipment	-	-
Employee Benefits	(117,951)	(1,671)
Net Step-up and Other	136,168	(127,809)
<b>Transfer Payable to City - Cash Basis Net Income (Loss)</b>	<b>1,862,870</b>	<b>495,931</b>

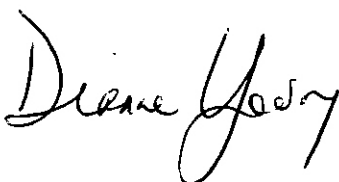
## CONTACT

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Dianne Young, Chief Executive Officer/Exhibition Place, Tel: 416-263-3611, Email: dyoung@explace.on.ca

## SIGNATURE

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Dianne Young  
Chief Executive Officer

## ATTACHMENTS

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Appendix "A" - Audited Consolidated Financial Statements for the Board - December 31, 2016  
Appendix "B" - Audit Results for the Board - December 31, 2016