

2017 Audited Financial Statements and Audit Results for the Board of Governors of Exhibition Place

Date: June 27, 2018

To: Audit Committee

From: Dianne Young, Chief Executive Officer, Exhibition Place

Wards: All

SUMMARY

This report presents for the information of the Audit Committee and City Council the Year-End Report to the Board of Governors of Exhibition Place (the "Board") in Appendix A. The Year-End Report includes the Audit Results and Audited Financial Statements for the year ended December 31, 2017.

The audited financial statements reflect the financial results of Exhibition Place as at December 31, 2017. 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 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 full attached Audit Results, during the 2017 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.

In accordance with the decision of City Council in December 2007, the surplus over the budget target of \$2,117,180 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

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, 2017.

FINANCIAL IMPACT

There are no financial implications to this report.

DECISION HISTORY

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

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 31, 2018, the Board adopted Item EP11.3 - Audit Results and Year End Report for the Financial Statements for Exhibition Place for the Year Ended December 31, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EP11.3>

COMMENTS

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 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 Beanfield Centre for the year ended December 31, 2017.

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 on page 2 of Appendix B. The items are related to Balance Sheet presentation and have no impact to the Statement of Operations and Accumulated Deficit. The net impact to the Balance Sheet is \$204,542.

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, 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 2017 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

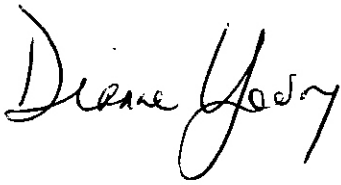
The balance as at December 31, 2017 in the CCRF held by the City is \$5,409,242. This reserve is a source of funding for both state of good repair as well as for the loan repayment of the Beanfield Centre. The outstanding loan to the City as at December 31, 2017 is \$32,114,106 with a loan repayment term until 2040.

Currently, the funds in the CCRF are not 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 for the Exhibition Place operations.

CONTACT

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

SIGNATURE

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

Appendix "A" - 2017 Year-End Report to the Board of Governors of Exhibition Place,
with 2017 Audited Financial Statements and Audit Results