



REPORT FOR ACTION

Audit Results & Year End Report for the Financial Statements for Exhibition Place for the Year Ended December 31, 2018

Date: May 30, 2019
To: The Board of Governors of Exhibition Place
From: Dianne Young, Chief Executive Officer
Wards: All

SUMMARY

This report presents for the information of the Board the Year End Report and the audit results for the year ended 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 and summarizes issues of audit significance and provides the communications required by their professional standards.

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 2018 audit, the auditors are proposing to issue 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. A representative of PricewaterhouseCoopers LLP (PWC) will be at the Board meeting on June 13, 2019...

RECOMMENDATIONS

The Chief Executive Officer recommends that:

- 1) The Board approve the Draft Audited Financial Statements attached as Appendix "A" to Attachment 1, PWC 2018 Year-end Report to the Board of Governors of Exhibition Place.
- 2) The Board direct transfer of the total 2018 operating surplus of \$2,221,437 to the City of Toronto.

FINANCIAL IMPACT

There are no financial implications to this report.

DECISION HISTORY

The Exhibition Place 2017-2019 Strategic Plan has a Financial Goal to ensure the effective monitoring of costs and revenues and as a Strategy to delivery operating results that meet or show a positive revenue surplus and / or positive under expenditure to budget.

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 12, 2007, City Council approved of a recommendation to deposit any annual surplus over budget into the Exhibition Place Conference Centre Reserve Fund (CCRF) 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 CCRF 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

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, 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 Revenue 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 and Statement of Operations and are only 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 that are greater than 180 days old. This item is related to the Balance Sheet only and is for presentation purposes only.

There were no disagreements between PWC and with management on financial accounting and reporting matters; and PWC noted that 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 including 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 Board's 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 Beanfield Centre outstanding loan as at 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 annual 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

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SIGNATURE

Dianne Young
Chief Executive Officer

ATTACHMENTS

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