REPORT FOR ACTION

Audit Results & Year End Report for the Financial Statements for the Year Ended December 31, 2020

Date: June 2, 2021
To: The Board of Governors of Exhibition Place
From: Don Boyle, Chief Executive Officer
Wards: All

SUMMARY

This report presents for the information of the Board, the Draft Audited Financial Statements, Audit Results, and Management Representation Letter for the year ended December 31, 2020. The auditor of record for the Board, KPMG, 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 Findings in Appendix C 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 attached Audit Findings, during the 2020 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 KPMG will be at the Board meeting on June 16, 2021 to respond to any questions of the Auditor.

As reported on the Statement of Operations and Accumulated Deficit, the City subsidized the Board $16,944,015 during 2020 due to the impact of Covid-19. The net results of the Boards operations after City funding is a Transfer surplus of $136,442 back to the City.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1) The Board approve the Draft Audited Financial Statements attached as "Appendix A" to Attachment 1, KPMG 2020 Year-End Audit Report to the Board of Governors of Exhibition Place.

2) The Board direct the transfer of the 2020 operating surplus of $136,442 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

At its meeting on November 23, 2020, Budget Committee approved without amendment an in-year budget adjustment to withdraw the Conference Centre Reserve Fund for any shortfalls in loan payments to the City.
https://www.toronto.ca/legdocs/mmis/2020/bu/bgrd/backgroundfile-158404.pdf

COMMENTS

Audit Findings Report 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 Services 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, 2020.

As part of KPMG's audit engagement, they provide 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 Findings Report from KPMG 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 (1) Executive Summary; (2) What is new in 2020; (3) Audit Risks and Results; and 4) Other Matters.

Communications to the Board

Executive Summary

KPMG has substantially completed their audit of the 2020 financial statements and there are no outstanding issues. The audit report will remain as draft until adoption after the Board meeting and completion of any remaining procedures as outlined. KPMG highlighted the change in materiality level to $1,225,000 previously planned at $1,050,000 based on actual results. Materiality for the Board was calculated with the same methodology as the prior year based on Revenue which method is also consistent with the City of Toronto audit.

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

KPMG did not identify any adjustments that remain uncorrected to the financial statements. As well, KPMG did not identify any control deficiencies that they determined to be significant deficiencies in internal controls over financial reporting.

What is new in 2020

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

- Amendment to controls – Many organizations out of necessity, have been required to amend their controls to ensure segregation of duties and safeguarding of assets during our current environment. The auditors noted that there were no significant changes in internal controls and that there were no deficiencies surrounding the Boards approval of transactions and financial reporting.

- Risk Assessment – The auditors did not identify additional risks of material misstatement as a result of impacts from Covid-19 to our financial reporting.

- Working remotely - KPMG increased their professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information they used as audit evidence.

Audit Risks and Results

- Fraud risk from management - KPMG has not identified any specific risks of management override. Specifically they did not note any significant deficiencies in design and implementation of our controls over financial reporting. KPMG did not identify any unusual transactions.

- KPMG utilized Data and Analytics ("D&A") to improve the quality and effectiveness of the audit, specifically as relating to testing of journal entries. They used "D&A" to assess the Boards approval controls and processes.

Other Matters

- KPMG focused on the valuation of receivables. Given the estimation uncertainty regarding collectability, KPMG procedures included reviewing and evaluating management's analysis, obtaining direct confirmation from customers and subsequent cash receipts testing. KPMG concurs with management's assessment.

Conference Centre Reserve Fund

The balance as at December 31, 2020 in the CCRF held by the City is $7,467,006 (2019 - $9,693,515). 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, 2020 is $30,748,829 (2019 - $31,703,470) with a loan repayment term until 2040. In 2020 the Board withdrew from the CCRF $2,346,253 as a source of funding for all the City loans.

At this point in time, the funds in the CCRF are sufficient enough to cover two (2) consecutive years of loan repayments if the Board only meets it budgetary targets.

In prior years staff have worked 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

Don Boyle
Chief Executive Officer

ATTACHMENTS

- Appendix A - Draft Audit Report and Financial Statements
- Appendix B - Management Rep Letter
- Appendix C - Audit Findings for Year Ended December 31, 2020