



Exhibition Place

Item No. 16

FOR INFORMATION

April 28, 2011

To: Board of Governors of Exhibition Place

From: Finance & Audit Committee

Subject: **Audit Results and Year End report for the Consolidated Financial Statements For Exhibition Place for the Year Ended December 31, 2010**

Summary:

This report presents for the information of the Board the audit results and Year End Report for the year ended December 31, 2010. The auditor of record for the Board, Price Waterhouse Coopers LLP, audits these statements in accordance with generally accepted auditing standards and summarizes issues of audit significance and provides the communications required by their professional standards. This 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 Audit Results attached, during the 2010 audit, the auditors did not find any significant weaknesses in the internal controls, but made five recommendations for improvements in the current control environment which management will implement. This report summarizes the auditor's comments which can be found in full in Attachment.

Financial Impact:

There are no financial implications to this report.

Decision History:

At its meeting of April 26, 2011, the Finance & Audit Committee reviewed subject report and referred it to the Board for information.

Audit Results for the Board of Governors of Exhibition Place are required to be submitted on an annual basis to the Finance and Audit Committee, and to the Board of Governors and ultimately to the City of Toronto.

Issue Background:

As part of their audit engagement for the Board, Price Waterhouse Coopers LLP, the external auditors, provide a comprehensive reporting document to the Finance and Audit Committee. This document is a direct communication from the auditors to the Committee and ultimately 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.

Comments:

The Audit Results report from Price Waterhouse Coopers LLP is divided into various sections and these are described in the balance of this report.

Required Communications and Key Issues

This section covers a wide variety of topics such as the auditors' responsibilities under Generally Accepted Auditing Standards, internal control structure, accounting estimates, discussions with management, auditors' independence and fees charged on this engagement. Some of the key communications in this section are that:

- There were no significant changes in the 2010 overall audit approach compared to the one outlined in the audit planning document sent to Finance and Audit Committee members in March 2011.
- There were no significant unusual transactions related to the current year.
- The quality of Exhibition Place's accounting principles as applied in its financial reporting are consistent, complete and reasonable in relation to industry practice.
- There were no significant audit adjustments for the Board except for classification adjustments.
- There were ten recorded audit differences; these adjustments had a net impact of increasing the Board's net income by \$204,078; the major recordings consisted of correcting a step up lease for one tenant and additional utilities recoveries that was brought into income that was previously disputed in prior years. The additional audit adjustments totaling \$3,343,031 were done in accordance with CICA Handbook pronouncements to report events electrical revenues, tenant realty taxes and administrative markup on services to tenants on a gross reporting basis that was previously reported on a net basis. The balance sheet reclassification entries was primarily for deferred revenue and accounts receivable related to future show services revenue with no impact to the income statement.
- There were no disagreements with management on financial accounting and reporting matters.
- No significant or material weaknesses in internal controls were identified in the current environment. The financial statements taken as a whole are free of material misstatement.

Items of Audit Significance Discussed with Management

The following audit, accounting and significant financial reporting issues were discussed with management:

(1) Employee Future Benefits

In the new actuarial projections developed by Buck Consultants to estimate the future costs of employee benefits, there is no distinction made between employees of the CNEA and the Board of Governors. 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 Buck 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.

(2) Revenue Recognition

The auditors noted the significant revenue streams related to the CNEA and their audit approach and test of controls performed.

(3) Related Party Transactions with the City

The Board has many ongoing transactions with various City Departments such as trade receivables, trade payables 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

Summary of Audit Differences

There were five unrecorded audit differences for 2010. The unrecorded audit differences for the Exhibition Place program if recorded in the financial statements would reduce net income by \$156,392. The major unrecorded entry is for loan interest on the Allstream Centre for the month of December 2010 which is contractually due to the City on January 1, 2011 and which was not recorded to follow and comply with the City loan payment schedule. The accounting for the loan payment and interest cost under this arrangement however will result in twelve full months of interest cost in 2011; hence, this is more of a timing issue in the first year.

Independence Letter from Price Waterhouse Coopers

Price Waterhouse Coopers confirm their independence as required by Canadian generally accepted auditing standards with respect to this audit engagement and state that there are no personal or business relationships that could impair this independence.

Memorandum/Letter of Recommendations

This 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. During the 2010 audit, the auditors did not discover any significant weaknesses in internal controls, but made five recommendations for improvements in the current control environment which management is receptive to.

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