
Board of Governors of Exhibition Place audit results

*2018 year-end report
to the Board of
Governors*

*Prepared as of
May 16, 2019*





May 16, 2019

Members of the Board of Governors of Exhibition Place

Dear Members of the Board of Governors:

We have substantially completed our audit of the financial statements of the Board of Governors of Exhibition Place (the Board) prepared in accordance with Public Sector Accounting Standards (PSAS) for the year ended December 31, 2018. We propose to issue our auditor's report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included as Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant audit, accounting and financial reporting matters dealt with during the audit process. We remain committed to ongoing dialogue with you, enabling us to deliver the highest level of service and audit quality, as well as provide an independent point of view.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to your meeting on June 13, 2019. If you have any questions or concerns prior to the Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
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Communications to the Board of Governors

Key matters for discussion	Comments
Status of the audit	<p>We have substantially completed our audit of the 2018 financial statements (the financial statements). We have included our draft auditor's report, which reflects the enhanced auditor reporting standards effective for years ending on or after December 15, 2018, in Appendix A.</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • Testing of pension assumptions; • Update to legal confirmations; • Receipt of signed management representation letter;. • Subsequent events procedures; and • Approval of financial statements by the Board
Client service team	<p>Terri McKinnon is your engagement leader and Kashif Hameed is your engagement manager.</p>
Service deliverables	<p>We will audit the Board's financial statements as of December 31, 2018 and for the year then ending prepared in accordance with PSAS.</p> <p>Our engagement letter, which has been signed by the City of Toronto (the City), sets out the terms and conditions for our engagement as the independent auditor of the Board for the above-mentioned year. In addition, our engagement letter outlines our responsibilities as the auditor and the responsibilities of management.</p>
Audit timeline	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> • Interim visit: October 29 - November 2, 2018 • Year-end visit: April 1 - 18, 2019 • Clearance meeting with management: May 13, 2019 • Year-end Board meeting: June 13, 2019 • Delivery/filing of financial statements: June 2019
Audit approach	<p>Our audit approach is a mixture of tests of internal controls and substantive testing.</p> <p>Significant areas of audit focus are areas that we think need special audit consideration. We identified several areas of audit focus which are described in the section below.</p>

Key matters for discussion	Comments
Materiality	<p>Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements. We set overall materiality of \$1,552,000 based on 3% of revenue for the year. We reported unadjusted and adjusted items over \$155,000 to the Board of Governors. See details in Appendix B.</p> <p>We conclude that they are immaterial to the financial statements taken as a whole.</p>

Significant audit, accounting, and financial reporting matters discussed with management

Revenue recognition (significant risk)	<p>The Board has several significant revenue streams including (but not limited to):</p> <ul style="list-style-type: none"> • Building rentals and concessions; • Services; and • Parking <p>We obtained an understanding of management’s processes surrounding revenue recognition and tested controls surrounding the reconciliation and signoff of parking revenues by attendants.</p> <p>We selected samples from the significant revenue streams and tested them to source documents to assess the existence and accuracy of transactions. Based on the results of our testing, there were no significant matters to bring to your attention.</p>
Completeness and accuracy of transactions recorded with the City	<p>We have obtained and tested management’s reconciliation of amounts due to/from the City. We have confirmed loan balances as well as amounts due to and from the City, and have investigated all significant reconciling items.</p> <p>As a result of the work performed, we have no matters to bring to your attention.</p>
Employee future benefits payable	<p>The Board sponsors a defined benefit pension plan to its employees, for which the City funds this obligation. The City engaged external experts to assist with the valuation of post-retirement and post-employment benefits.</p> <p>We have obtained the actuarial report as of December 31, 2018 from Morneau Shepell. We utilized our internal expert to assess the appropriateness of the assumptions and estimates used by the actuary in developing their conclusions. As noted in our list of outstanding items above, we are in the process of finalizing our testing over the assumptions used by the actuary.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Management override of controls (significant risk)	<p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>In order to address this risk, we performed the following:</p> <ul style="list-style-type: none"> Assessed the control environment and segregation of duties within the Board; Reviewed significant and non-standard journal entries made during the year based on applying identified risk criteria; Reviewed assumptions made by management in making significant estimates; and Incorporated an unpredictable procedure in our audit which involved testing a sample of vendors to verify existence. <p>As a result of the procedures performed above, we do not have any matters to bring to your attention.</p>
<i>Other matters</i>	
Management's representations	<p>We need to inform you of the representations we are requesting from management. A copy of the draft management representation letter is included in Appendix C.</p> <p>We requested our standard representations.</p>
Internal control recommendations	We have no significant internal control recommendations to report.
Fraud and illegal acts	<p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures.</p> <p>We wish to confirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
Other information in documents containing audited financial information	You confirm that you are not required or intend to issue any documents that contain or accompany the financial statements and the auditor's report thereon.
Subsequent events	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the Board of Governors is not aware of any other subsequent events that might affect the financial statements.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Enhanced auditor reporting standards effective for years ending on or after December 15, 2018	<p>Revised Canadian auditor’s reporting standards were effective for the 2018 year end audit, and included the following changes:</p> <ul style="list-style-type: none"> • Different format, opinion will be presented first. • Enhanced descriptions for responsibilities of the auditor, management and those charged with governance. • Enhanced requirements relating to going concern. <p>A draft of our new auditor’s report is included in Appendix A.</p>

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

Appendix A: Draft auditor's report and financial statements

Appendix B: Summary of unadjusted and adjusted items

Unadjusted item

The materiality levels (as previously communicated to you) were \$155,000. As a result of our audit, we noted the following item with an impact on the balance sheet as at December 31, 2018.

<i>Description</i>		<i>Assets</i> \$	<i>Liabilities</i> \$	<i>Net assets</i> \$	<i>Excess of revenue over expenditures</i> \$
Reclass of accrual regarding monies received to renovate premises to deferred revenues	Dr. Accruals, provisions and other liabilities		300,000		
	Cr. Deferred and unearned revenue		(300,000)		
Reclass of reversal of prior year miscellaneous accruals into expense rather than miscellaneous revenue	Dr. Miscellaneous Revenue				351,500
	Cr. Various Expenses				(351,500)
Total		-	-	-	-

Adjusted item

Summary of the adjustment made by the Board as a result of our audit work is included below.

<i>Description</i>		<i>Assets</i> \$	<i>Liabilities</i> \$	<i>Net assets</i> \$	<i>Excess of revenue over expenditures</i> \$
Double booking to adjust unreleased cheques to accounts payable	Dr. Accounts Payable		638,334		
	Cr. Cash	(638,334)			
Total		(638,334)	638,334	-	-

Appendix C: Management representation letter

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