
Board of Governors of Exhibition Place

*2015 year-end report
to the Finance and
Audit Committee*

*Prepared as of
May 6, 2016*





May 6, 2016

Members of the Finance and Audit Committee of
Board of Governors of Exhibition Place

Dear Members of the Finance and Audit Committee:

We have substantially completed our audit of the financial statements of Board of Governors of Exhibition Place (the Board) prepared in accordance with Public Sector Accounting Standards (PSAS) for the year ended December 31, 2015. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in 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 accounting and financial reporting matters dealt with during the audit process.

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

We would like to express our sincere thanks to the management and staff who have assisted us in carrying out our work, and we look forward to your meeting on May 13, 2016. If you have any questions or concerns prior to the Finance and Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Assurance

c.c.: Dianne Young, Chief Executive Officer
Hardat Persaud, Chief Financial Officer

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Communications to the Finance and Audit Committee

<i>Key matters for discussion</i>	<i>Comments</i>
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • Finalization of payroll reconciliation testing • Finalization of manual journal entry testing • Receipt of reliance letter from Morneau Shepell • Legal updates with lawyers • Management representation letter • Subsequent events procedures • Review of final financial statements and approval by the Board
Significant reporting matters	Our response
<p>Revenue recognition</p> <p>The Board has several significant revenue streams including (but not limited to):</p> <ul style="list-style-type: none"> • Building rentals; • Services; and • Parking 	<p>We have performed, where possible, tests of controls and detailed testing over each of the different revenue streams. Based on the results of our testing, no significant matters to bring to your attention.</p>
<p>Completeness and accuracy of transactions recorded with the City</p> <p>The Board engages in many transactions with the City of Toronto and its various Agencies, Boards, and Commissions (the City).</p>	<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>Confirmations have also been obtained in relation to the reserve balances that are disclosed in the notes to the financial statements.</p>
<p>Employee future benefits payable</p> <p>The Board sponsors a defined benefit pension plan to its employees, for which the City fund this obligation.</p>	<p>We have obtained the actuarial report as of December 31, 2015 from the Board's external actuary, Morneau Shepell. As a full valuation was conducted in 2015, we tested the accuracy of the census data that management provided to its actuary. We noted one exception from this test and expanded our sample as a result. No additional errors were found in the expanded sample.</p> <p>We also utilized our internal expert to assess the appropriateness of the assumptions and estimates used by the actuary in developing their conclusions.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
<p>Management override of controls</p> <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>This represents the risk that internal controls of the Board may be circumvented to achieve desired financial results or gain inappropriate access to financial resources.</p>	<p>Using computer assisted auditing techniques, we have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of items for testing to ensure that the entries represent valid and appropriately authorized transactions. We are finalizing our testing over manual journal entries and will update the Finance and Audit Committee of any significant findings.</p> <p>We also incorporated unpredictable procedures into our audit by validating existence for a sample of vendors and noted no exceptions.</p>
Fraud and illegal acts	No fraud involving senior management, or employees with a significant role in internal control was noted 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. We wish to confirm that the Finance and Audit Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
Summary of unadjusted items	<p>As noted in our audit plan, materiality was calculated based on 3% of revenue for the year. Using the final revenue for the year, overall materiality was revised to \$1,485,000 with a threshold for reporting unadjusted and adjusted items of \$148,000.</p> <p>As a result of our audit, we did not identify any unadjusted items above our threshold.</p> <p>In our opinion, the financial statements, taken as a whole, are free of material misstatement.</p>
Internal controls recommendations	We have no significant internal control recommendations to report.
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 Finance and Audit Committee is not aware of any other subsequent events that might affect the financial statements.</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

Appendix B: Draft management representation letter

