

---

# ***Board of Governors of Exhibition Place***

---

*2016 year-end report  
to the Board of  
Governors*

*Prepared as of  
June 6, 2017*





June 6, 2017

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 Board of Governors of Exhibition Place (the Board) prepared in accordance with Public Sector Accounting Standards (PSAS) for the year ended December 31, 2016. 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 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 accounting and financial reporting matters dealt with during the audit process.

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 who have assisted us in carrying out our work, and we look forward to our meeting on May 18, 2017. If you have any questions or concerns prior to the Board meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

Terri McKinnon  
Partner  
Assurance

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

*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](http://www.pwc.com/ca)*

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

## Communications to the Board

<b>Key matters for discussion</b>	<b>Comments</b>
<b>Status of the audit</b>  <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"> <li>• Reliance letter from actuary;</li> <li>• Pension assumption testing;</li> <li>• Receipt of signed management representation letter;</li> <li>• Subsequent events procedures; and</li> <li>• Approval of financial statements by the Board.</li> </ul>	
<b>Significant reporting matters</b>	<b>Our response</b>
<b>Revenue recognition</b>  <p>The Board has several significant revenue streams including (but not limited to):</p> <ul style="list-style-type: none"> <li>• Building rentals;</li> <li>• Services; and</li> <li>• Parking.</li> </ul>	<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, there were no significant matters to bring to your attention.</p>
<b>Completeness and accuracy of transactions recorded with the City</b>  <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>
<b>Employee future benefits payable</b>  <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, 2016 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>
<b>Management override of controls</b>  <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>To address the risk of management override of controls, and as part of our fraud procedures, we reviewed a sample number of journal entries based on our risk criteria and ensured they are appropriate based on the supporting documentation and have been approved. No matters arose that require your attention.</p> <p>In addition to this and apart from the inherent unpredictable nature of our sample based procedures, we performed an unpredictable procedure of testing a sample of management expense reports for reasonability of business expenses and proper approvals. No exceptions were noted.</p>

<b><i>Key matters for discussion</i></b>	<b><i>Comments</i></b>
<b>Fraud and illegal acts</b>	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. We wish to reconfirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
<b>Summary of unadjusted items</b>	<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 \$1,500,000 with a threshold for reporting unadjusted and adjusted items of \$150,000.</p> <p>As a result of our audit, we did identify one unadjusted item above our threshold. PwC noted that a prepayment of approximately 774K from Astral Media as related to the lump sum payment from outdoor billboard signage was made and credited to accounts receivable. PwC noted that the correct entry is a reclassification to credit deferred revenue.</p> <p>However, in our opinion, the financial statements, taken as a whole, are free of material misstatement.</p>
<b>Internal controls recommendations</b>	We have no significant internal control recommendations to report.
<b>Subsequent events</b>	<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 members of the Board are not aware of any other subsequent events that might affect the financial statements.</p>
<b>Management representations</b>	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the draft management representation letter is included in Appendix B.

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 management representation letter***

## *Client Letterhead*

[Date]

PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600,  
Toronto, ON M5J 0B2

We are providing this letter in connection with your audit of the financial statements of Board of Governors of Exhibition Place (the Board) as at December 31, 2016 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Board in accordance with Canadian public sector accounting standards.

### **Management's responsibilities**

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 14, 2016. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards;
- We are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

### **Preparation of financial statements**

The financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards and disclosures otherwise required to be included therein by the laws and regulations to which the Board is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All consolidating entries have been properly recorded. All inter-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

### **Accounting policies**

We confirm that we have reviewed the Board's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the Board's particular

circumstances to present fairly in all material respects its financial position, results of operations, and cash flows in accordance with Canadian public sector accounting standards.

We are eligible to and have selected to apply the standards for government not-for-profit organizations in CPA Canada Public Sector Accounting Handbook Sections PS 4200 to PS 4270.

### **Internal controls over financial reporting**

We have designed disclosure controls and procedures to ensure material information relating to the Board is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

### **Minutes**

All matters requiring disclosure to or approval of the Board of Governors have been brought before them at appropriate meetings and are reflected in the minutes.

### **Completeness of transactions**

All contractual arrangements entered into by the Board with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

### **Fraud**

We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting the Board involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting the Board's financial statements, communicated by employees, former employees, analysts, regulators or others.

### **Disclosure of information**

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
  - Contracts and related data; and
  - Information regarding significant transactions and arrangements that are outside the normal course of business.
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

We have no knowledge of any allegations of fraud or suspected fraud affecting the Board received in communications from employees, former employees, analysts, regulators, short sellers, or others.

### **Compliance with laws and regulations**

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We are not aware of any illegal or possibly illegal acts committed by the Board's directors, officers or employees acting on the Board's behalf.

### **Accounting estimates and fair value measurements**

Significant assumptions used by the Board in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with the Board's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 2130, Measurement Uncertainty, have been appropriately disclosed.

### **Related parties**

We confirm that we have disclosed to you the identity of the Board's related parties as defined by CPA Canada Public Sector Accounting Handbook Section PS 4260, Disclosure of Related Party Transactions by Not-for-Profit Organizations, and all the related party relationships and transactions.

The identity of, relationship, balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements, as required by Disclosure of Related Party Transactions by Not-for-Profit Organizations.

The list of related parties attached to this letter as Appendix A accurately and completely describes the Board's related parties and the relationships with such parties.

### **Going concern**

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

### **Assets and liabilities**

We have satisfactory title or control over all assets. All liens or encumbrances on the Board's assets and assets pledged as collateral, to the extent material, have been disclosed in the financial statements.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the Board is contingently liable in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3300, Contingent Liabilities, have been disclosed to you and are appropriately reflected in the financial statements.

### **Litigation and claims**

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

### **Misstatements detected during the audit**

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment



of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

We confirm that one uncorrected misstatement was identified with respect to a reclassification of a credit balance in accounts receivable to deferred revenue with a balance of approximately 774K. PwC confirmed no other uncorrected misstatements in the financial statements.

#### **Events after balance sheet date**

We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

#### **Cash and banks**

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Board.

All cash balances are under the control of the Board, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of the Board.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Board are included in the financial statements as at December 31, 2016.

#### **Accounts receivable**

All amounts receivable by the Board were recorded in the books and records.

All contributions receivable that are recorded in the balance sheet are reasonably assured of collection and we have made you aware of all relevant facts and circumstances in making this determination. Recognized contributions receivable do not include any bequests.

Receivables recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet date and are not subject to discount except for normal cash discounts.

All receivables were free from hypothecation or assignment as security for advances to the Board, except as hereunder stated.

The Board has accounted for and disclosed transfers of receivables (including securitizations) in accordance with the requirements of CPA Canada Handbook, Part II, Section 3856, *Financial Instruments*, Appendix B - Transfers of Receivables.

#### **Tangible capital assets (including energy retrofit assets and building improvements)**

All charges to capital asset accounts represented the actual cost of additions or the fair value at the date of contribution.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant tangible capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of tangible capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Tangible capital assets owned by the Board are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date. During the year, we reviewed the appropriateness of the depreciation policy and estimate of useful lives for tangible capital assets, taking into account all pertinent factors. Any changes in our assessment from the prior year have been adequately disclosed and reflected in the financial statements.

All lease agreements covering property leased by or from the Board have been disclosed to you and classified in accordance with CPA Canada Public Sector Accounting Handbook Guideline PSG-02, Leased Tangible Capital Assets.

There have been no events, conditions or changes in circumstances that indicate that a capital asset no longer contributes to the Board's ability to provide goods and services. We believe that the carrying amount of the Board's long-lived capital assets is fully recoverable in accordance with CPA Canada Public Sector Accounting Handbook Section PS 4230, Capital Assets Held by Not-for-Profit Organizations.

### **Long-term debt**

All borrowings and financial obligations of the Board of which we are aware are included in the financial statements as at December 31, 2016, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

The Board's has appropriately classified as current and non-current its loans with the City of Toronto, Federation of Canadian Municipalities and Toronto Atmospheric Fund in the Board's classified balance sheet as at December 31, 2016 in accordance with the appropriate authoritative guidance. In evaluating the appropriate classification of its borrowings, the Board considered all relevant facts and circumstances, for example, contractual terms, the existence of call options, subjective acceleration clauses, material adverse changes clauses, lock-box arrangements, covenant violations, renewal features, conversion features, redemption features and ability and intent to refinance.

The Board has not violated any covenants on loans with the City of Toronto, Federation of Canadian Municipalities and Toronto Atmospheric Fund during any of the periods reported. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

### **Deferred revenue and deferred contributions**

All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

### **Retirement benefits, post-employment benefits, compensated absences and termination benefits**

All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The details of all pension plan amendments since December 31, 2015, the date of the last actuarial valuation, have been identified to you.

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

The Board does not plan to make frequent amendments to the pension or other post-retirement benefit plans.

All changes to the plan and the employee group and the plan's performance since the last actuarial valuation have been reviewed and considered in determining the pension plan expense and the estimated actuarial present value of accrued pension benefits and value of pension plan assets.

The Board's actuaries have been provided with all information required to complete their valuation as at December 31, 2016.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CPA Canada Public Sector Accounting Handbook PS 3250, Retirement Benefits and CPA Canada Public Sector Accounting Handbook PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits. In particular:

The significant accounting policies that the Board has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250 and CPA Canada Public Sector Accounting Handbook Section PS 3255 are accurately and completely disclosed in the notes to the financial statements.

Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.

The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.

The discount rate used to determine the accrued benefit obligation was determined by reference to the Board's borrowing rate using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.

The assumptions included in the actuarial valuation are those that management instructed Morneau Shepell to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250. In arriving at these assumptions, management has retained the final responsibility for them.

The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

The percentage of the market value of total plan assets represented by each major category held at the measurement date is not disclosed because it is not expected to be useful in understanding the risks and expected long-term rate of return for the plan assets.

All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

### **Statements of operations, changes in net debt**

All transactions entered into by the Board have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the statements of operations and net debt (or statement of net financial assets).

The accounting principles and policies followed throughout the year were consistent with prior period practices (except as disclosed in the financial statements).

### **Liabilities for contaminated sites**

Liabilities for remediation of contaminated sites were recognized and accounted for in accordance with CPA Canada Public Sector Accounting Handbook PS 3260, Liabilities for Contaminated Sites. We believe that such estimate is reasonable based on available information and that the liabilities have been adequately described in the Board's financial statements, where applicable.

**Participation rent**

For tenants where the Board is entitled to a participation rent based on revenues or other financial data provided by the tenant, we have obtained the audited financial information to verify the calculation of revenue earned from participation rent. In circumstances where audited financial information has not been provided, we have waived our right to the audited financial information and have accepted the data provided by the tenant in calculating the percentage rent earned.

**Government transfers**

We have disclosed all significant terms and agreements in respect of transfers received from governments.

Transfers without eligibility criteria or stipulations have been recognized as revenue once the transfer has been authorized.

Transfers with eligibility criteria but without stipulations have been recognized as revenue once the transfer has been authorized and all eligibility criteria have been met.

Transfers with or without eligibility criteria but with stipulations have been recognized as revenue in the year the transfer has been authorized and all eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with CPA Canada Public Sector Accounting Handbook PS 3200, Liabilities.

The major kinds of transfers recognized have all been disclosed in the financial statements as well as the nature and terms of liabilities arising from government transfers received.

**Budgetary data**

We have included budgetary data in our financial statements, which is relevant to the users of financial statements and consistent with that originally planned and approved by Toronto City Council. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results.

Yours truly,

**Board of Governors of Exhibition Place**

---

Dianne Young, Chief Executive Officer

---

Hardat Persaud, Chief Financial Officer

