EP3.4
Attachment 1

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Board of Governors of Exhibition Place audit results

2018 year-end report to the Board of Governors

Prepared as of May 16, 2019

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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
Risk Assurance Services

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Communications to the Board of Governors

Key matters for discussion	*Comments*
Status of the audit	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. Significant outstanding items at time of mailing include the following: • 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	Terri McKinnon is your engagement leader and Kashif Hameed is your engagement manager.
Service deliverables	We will audit the Board's financial statements as of December 31, 2018 and for the year then ending prepared in accordance with PSAS. 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.
Audit timeline	We worked with management to develop this project timeline: • 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	Our audit approach is a mixture of tests of internal controls and substantive testing. 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.

Key matters for discussion	*Comments*
Materiality	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. We conclude that they are immaterial to the financial statements taken as a whole.
Significant audit, accounting, and financial reporting matters discussed with management	
Revenue recognition (significant risk)	The Board has several significant revenue streams including (but not limited to): • Building rentals and concessions; • Services; and • Parking We obtained an understanding of management's processes surrounding revenue recognition and tested controls surrounding the reconciliation and signoff of parking revenues by attendants. 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.
Completeness and accuracy of transactions recorded with the City	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. As a result of the work performed, we have no matters to bring to your attention.
Employee future benefits payable	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. 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.

Key matters for discussion	*Comments*
Management override of controls (significant risk)	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. In order to address this risk, we performed the following: • 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. As a result of the procedures performed above, we do not have any matters to bring to your attention.
Other matters	
Management's representations	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. We requested our standard representations.
Internal control recommendations	We have no significant internal control recommendations to report.
Fraud and illegal acts	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 confirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
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	No subsequent events which would impact the financial statements other than those disclosed have come to our attention. We would like to reconfirm that the Board of Governors is not aware of any other subsequent events that might affect the financial statements.

Key matters for discussion	*Comments*
Enhanced auditor reporting standards effective for years ending on or after December 15, 2018	Revised Canadian auditor's reporting standards were effective for the 2018 year end audit, and included the following changes: • 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. A draft of our new auditor's report is included in Appendix A.

Appendix A: Draft auditor's report and financial statements

Board of Governors of Exhibition Place

Financial Statements
December 31, 2018

Independent auditor's report

To the Members of Board of Governors of Exhibition Place

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Board of Governors of Exhibition Place (the Board) as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Board's financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of operations and accumulated deficit for the year then ended;
- the statement of changes in net debt;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(to be signed - PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.)

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June @@, 2019

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Board of Governors of Exhibition Place

Balance Sheet

As at December 31, 2018

	2018 $	2017 $
Financial Assets		
Cash	4,504,663	6,359,347
Accounts receivable		
Trade	7,539,712	7,067,829
City of Toronto	3,668,519	4,025,179
Receivable from the City of Toronto (note 3(a))	7,020,947	6,990,148
	22,733,841	24,442,503
Liabilities		
Accounts payable and accrued liabilities		
Trade	8,975,932	9,359,420
City of Toronto	493,361	2,184,418
Employee future benefits payable (note 7)	8,032,360	8,165,625
Payable surplus to City of Toronto (note 9)	2,221,437	2,240,682
Deferred revenue and contributions	6,866,111	6,052,248
Loans payable (note 8)	41,645,543	43,342,982
Other liabilities	75,305	158,505
Government assistance	837,228	958,250
	69,147,277	72,462,130
Net debt	(46,413,436)	(48,019,627)
Non-financial Assets		
Prepaid expenses and other	414,795	50,256
Step-up rent receivable (note 4)	2,312,021	2,505,062
Energy retrofit assets (note 5)	9,253,700	10,118,423
Building improvements and equipment (note 6)	25,063,391	27,038,687
	37,043,907	39,712,428
Accumulated conference centre deficit (note 11)	(9,369,529)	(8,307,199)

Contingencies and commitments (note 12)

Approved by the Board of Governors

____________________ Director ____________________ Director

The accompanying notes are an integral part of these financial statements.

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Board of Governors of Exhibition Place

Statement of Operations and Accumulated Deficit

For the year ended December 31, 2018

	2018 Budget $	2018 Actual $	2017 Actual $
Revenue			
Exhibition Place (schedule 1)	29,315,112	31,598,499	30,399,643
Enercare Centre (schedule 2)	15,488,787	14,417,503	14,573,220
Beanfield Centre (schedule 3)	5,790,935	5,738,465	6,043,263
	50,594,834	51,754,467	51,016,126
Expenses (note 13)			
Exhibition Place (schedule 1)	35,347,483	35,395,768	33,793,232
Enercare Centre (schedule 2)	9,011,801	8,158,543	8,652,910
Beanfield Centre (schedule 3)	6,085,550	7,071,848	7,499,150
	50,444,834	50,626,159	49,945,292
Surplus before the following	150,000	1,128,308	1,070,834
Transfer to the City of Toronto	(150,000)	(2,221,437)	(2,240,682)
Increase in amounts to be recovered from the City of Toronto		30,799	68,441
Deficit for the year		(1,062,330)	(1,101,407)
Accumulated conference centre deficit – Beginning of year		(8,307,199)	(7,205,792)
Accumulated conference centre deficit – End of year		(9,369,529)	(8,307,199)

The accompanying notes are an integral part of these financial statements.

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED

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Board of Governors of Exhibition Place

Statement of Changes in Net Debt

For the year ended December 31, 2018

	2018 $	2017 $
Operating transactions		
Deficit for the year	(1,062,330)	(1,101,407)
Tangible capital asset activities		
Amortization of energy retrofit assets	864,723	864,723
Amortization of building improvements and equipment	1,975,296	1,975,296
	2,840,019	2,840,019
Other non-financial activities		
Prepaid expenses and other	(364,539)	25,949
Accretion of step-up rent receivable	193,041	98,137
	(171,498)	124,086
Decrease in net debt during the year	1,606,191	1,862,698
Net debt – Beginning of year	(48,019,627)	(49,882,325)
Net debt – End of year	(46,413,436)	(48,019,627)

The accompanying notes are an integral part of these financial statements.

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Board of Governors of Exhibition Place

Statement of Cash Flows

For the year ended December 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Deficit for the year	(1,062,330)	(1,101,407)
Add (deduct): Non-cash items		
Employee future benefits expense	(133,265)	(269,599)
Amortization of energy retrofit assets	864,723	864,723
Amortization of building improvements and equipment	1,975,296	1,975,296
Government assistance	(121,022)	(126,449)
Accretion of step-up rent receivable	193,041	98,137
Interest accrued on loans payable	1,940,452	2,003,531
	3,656,895	3,444,232
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	(471,883)	(1,094,865)
Accounts receivable from the City of Toronto	356,660	(2,695,994)
Receivable due from the City of Toronto	(30,799)	(68,441)
Prepaid expenses and other	(364,539)	25,949
Trade accounts payable and accrued liabilities	(383,488)	2,475,701
Accounts payable and accrued liabilities due to the City of Toronto	(1,691,057)	1,719,393
Deferred revenue and contributions	813,863	1,502,752
Other long-term liabilities	(83,200)	(79,238)
Surplus payable to the City of Toronto	(19,245)	377,812
	1,783,207	5,607,301
Financing activities		
Repayments of loans payable	(3,637,891)	(3,670,162)
Increase (decrease) in cash during the year	(1,854,684)	1,937,139
Cash – Beginning of year	6,359,347	4,422,208
Cash – End of year	4,504,663	6,359,347

The accompanying notes are an integral part of these financial statements.

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED

1 Nature of operations

The Board of Governors of Exhibition Place (the Board) exists as a corporation without share capital by virtue of the City of Toronto Act, 1997 (No. 2) (the Act). The Board operates, manages and maintains Exhibition Place on behalf of the City of Toronto (the City) under the terms of an agreement between the Board and the City. As defined within the Act, the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs. The amount due to/from the City resulting from the Board's activities is shown on the balance sheet as a transfer payable to/receivable from the City.

Major capital facilities, excluding certain building improvements, are the property of the City and therefore the cost for such assets is recorded in the accounts of the City and not the Board. To assist with major capital expenditures related to Exhibition Place, various reserves and reserve funds have been established and recorded within the City's accounts (note 9).

These financial statements include the operations of Exhibition Place (schedule 1), Enercare Centre (schedule 2) and Beanfield Centre (schedule 3).

The Board is a municipal government entity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The significant accounting policies are summarized as follows.

Revenue recognition

The majority of the revenue in these financial statements is related to sales, service revenue and rent, and is recognized at the point of sale or when the service has been provided.

Agreements are entered into with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to Exhibition Place, Enercare Centre and Beanfield Centre activities. In return, consideration is provided in a number of diverse ways including specific rights to selected attractions or advertising recognition. Sponsorships received in cash and/or other consideration are recorded in the accounts at the amount of consideration received or given at either the fair value of the amount received or the fair value of the benefit given up, less any cash consideration, whichever is more reliably measurable. Revenue is recognized on a straight-line basis over the term of the agreement.

Deferred revenue and contributions

Deferred revenue and contributions consist of monies received for naming rights, space rental and service revenue from clients that have been paid in advance and are attributable to a future period.

Government assistance

The Board makes periodic applications for financial assistance under available government incentive programs. Government assistance relating to capital expenditures is reflected as a liability on the balance sheet and is amortized into income on the same basis as the capital asset to which the funds relate. Government assistance for non-capital expenditures is included in the statement of operations and accumulated deficit.

Energy retrofit assets

Energy retrofit assets are recorded at cost less accumulated amortization. Amortization is calculated when the project is fully commissioned on a straight-line basis over the estimated useful lives of the assets as follows:

Trigeneration project	20 years
Enercare Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Palace project	20 years
Boiler replacements and various lighting retrofit projects	20 years
Back pressure steam turbine and LED pathway lighting projects	20 years
Horse Palace, East Annex Photovoltaic and multiple energy projects	20 years
District Energy System project	20 years
LED lighting and conservation/demand management	15 years

Building improvements and equipment

Building improvements and equipment are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Motor vehicles	5 years
Computer equipment and software	3 years
Electrical equipment	5 years
Other equipment and furniture	2 to 20 years
Beanfield Centre building improvements	25 years

Employee benefit plans

The Board has the following policies with respect to employee future benefit plans:

- The Board contributes to a multi-employer defined benefit pension plan with the City and Ontario Municipal Employees Retirement System (OMERS) and contributions are expensed when due as the plan is accounted for as a defined contribution plan.

- The costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.
- The costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation and expected health-care costs.
- Past service costs from plan amendments are expensed in the period of plan amendment.
- Net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Gains or losses resulting from currency transactions are included in the statement of operations and accumulated deficit.

Financial instruments

The Board's financial assets include cash, trade accounts receivable and accounts receivable from the City, and its financial liabilities include accounts payable and accrued liabilities, loans payable, payable to conference centre reserve fund and other liabilities. It measures its financial assets and financial liabilities at amortized cost, except for cash, which is measured at fair value.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The employee future benefits liability and related costs charged to the statement of operations and accumulated deficit depend on certain actuarial and economic assumptions and on current information available to the Board, the City and the consultants retained to develop the actuarial projections. Actual results could differ from those estimates.

Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget submission approved by the City.

3 Related party balances and transactions

The Board is related to the City and its agencies, boards and commissions in terms of the City's ability to affect the operating, investing and financing policies of these entities. The Board enters into transactions with these related parties in the normal course of business at the agreed on exchange amount.

a) The Board has a long-term, non-interest bearing receivable from the City, which relates to the funding of the following items:

	2018 $	2017 $
Employee future benefits payable	8,032,360	8,165,625
Vacation and lieu time	705,076	796,774
Less: Net book value of certain equipment	(245,558)	(288,891)
Other	243,174	243,174
Receivable from the City before the following	8,735,052	8,916,682
Less: Net step-up rent receivable on certain buildings and signage	(1,714,105)	(1,926,534)
Receivable from the City	7,020,947	6,990,148

b) The Board has several agreements with the City for the establishment of various reserve funds that are recorded within the City's accounts (note 9).

c) The Board contributes to a fund of the City that provides funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. The fund is established for insurance claim costs below deductible levels and for payments that exceed insurance coverage levels. Contributions are paid to the City and the City makes insurance premium payments on behalf of the Board. During the year, the Board made $458,498 (2017 – $458,498) in contributions for insurance premium payments.

4 Step-up rent receivable

The Board has numerous long-term tenants on the grounds that pay annual rents based on the stipulated contract amount indicated in the lease for that year. Many of these leases have step-up provisions so that the annual lease amount changes during the term of the lease. The Board recognizes lease revenues over the term of the lease on a straight-line basis. The amount will be included in the statement of operations and accumulated deficit at various amounts over time up to fiscal 2061.

5 Energy retrofit assets

			2018
	Cost $	**Accumulated amortization** $	**Net** $
Trigeneration project	4,400,000	2,562,083	1,837,917
Enercare Halls lighting retrofit project	800,000	668,796	131,204
Five Exhibition Buildings improvement project	1,500,365	1,083,093	417,272
Photovoltaic Horse Palace project	1,100,000	660,000	440,000
Boiler replacements and various lighting retrofit projects	955,000	453,625	501,375
Back pressure steam turbine and LED pathway lighting projects	1,345,000	470,750	874,250
District Energy System project	4,500,000	675,000	3,825,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	309,624	575,015
LED lighting and conservation/demand management	782,000	130,333	651,667
	16,267,004	7,013,304	9,253,700

			2017
	Cost $	**Accumulated amortization** $	**Net** $
Trigeneration project	4,400,000	2,342,083	2,057,917
Enercare Halls lighting retrofit project	800,000	615,462	184,538
Five Exhibition Buildings improvement project	1,500,365	983,069	517,296
Photovoltaic Horse Palace project	1,100,000	605,000	495,000
Boiler replacements and various lighting retrofit projects	955,000	405,875	549,125
Back pressure steam turbine and LED pathway lighting projects	1,345,000	403,500	941,500
District Energy System project	4,500,000	450,000	4,050,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	265,392	619,247
LED lighting and conservation/demand management	782,000	78,200	703,800
	16,267,004	6,148,581	10,118,423

6 Building improvements and equipment

			2018
	Cost $	Accumulated amortization $	Net $
Motor vehicles	261,634	261,634	-
Computer equipment	215,712	215,712	-
Electrical equipment	384,775	384,775	-
Other equipment and furniture	4,920,315	4,421,838	498,477
Beanfield Centre building improvements	38,764,844	14,199,930	24,564,914
	44,547,280	19,483,889	25,063,391

			2017
	Cost $	Accumulated amortization $	Net $
Motor vehicles	261,634	261,634	-
Computer equipment	215,712	215,712	-
Electrical equipment	384,775	384,775	-
Other equipment and furniture	4,920,315	3,997,128	923,187
Beanfield Centre building improvements	38,764,844	12,649,344	26,115,500
	44,547,280	17,508,593	27,038,687

7 Employee future benefits payable

The employee future benefits are for employees of the Board, the cost of which is reported in these financial statements. The benefit plans as noted below are all unfunded; however, the Board participates in reserve funds established by the City for sick leave and health-care benefits. The benefits premium paid during the year totalled $983,962 (2017 – $956,958) and are included in expenses on the statement of operations and accumulated deficit.

The Board has the following benefit plans:

Sick leave

The Board's short-term disability (STD) plan allows eligible non-bargaining employees to participate in the short-term disability plan after the completion of six months of continuous service. However, employees must be in the plan for a period of six months before being eligible to claim sick pay. Employees will receive compensation at 100% of salary for the first 20 days they are absent, starting the first day of the employee's absence and for the next 110 days of absence, employees will receive compensation at 75% of salary. If a sick day is not used in any one calendar year, the employee can carryover a one-time capped credit of up to 15 of the 20 days compensated at 100% of salary from one year to the next. These carried over days can then be converted at a 2:1 ratio, for a total of 30 top-up credits by the employee, to top up the compensation they receive during an absence in the subsequent year, when the employee would otherwise be compensated at 75% of salary after 20 days.

The former STD plan allowed eligible non-bargaining employees to bank (to a maximum of 18 days per year) unused sick leave, and receive a payout of their sick bank upon separation of employment with the Board by retirement, death or by resignation, except where permission for the resignation is requested by the employee as an alternate discharge. Employees who have been in the employ of the Board shall be paid an amount equal to one-half (1/2) the cumulative sick pay credits of the employee, and in no case shall the amount exceed the aggregate amount as set out in the policy. Payout is based on the service requirement of at least 10 years and cumulative sick days as of March 1, 2008.

Workplace Safety Insurance Board (WSIB)

The Board is a Schedule 2 employer and as such pays the full cost of all medical and all other benefits for its employees who sustain injuries at the workplace plus the administration cost as determined by the WSIB.

Post-retirement and post-employment benefits

The Board provides health, dental, life insurance and long-term disability benefits to certain employees post retirement.

The disclosures relating to these benefits are as follows:

	2018 $	2017 $
Defined benefit obligation	7,681,066	6,870,327
Net unamortized actuarial gains	351,294	1,295,298
Total employee future benefits payable	8,032,360	8,165,625

a) Components of the accrued benefit obligation are as follows:

	2018 $	2017 $
Sick leave	1,108,160	1,150,393
WSIB	2,312,921	1,690,862
Other post-employment and post-retirement benefits	4,259,985	4,029,072
	7,681,066	6,870,327

b) The continuity of the Board's defined benefit obligation is as follows:

	2018 $	2017 $
Balance – Beginning of year	6,870,327	6,302,187
Current service cost	295,088	257,563
Plan amendment/service cost	30,212	(29,275)
Interest cost	214,765	208,416
Benefits paid	(560,047)	(538,956)
Actuarial loss	830,721	670,392
Balance – End of year	7,681,066	6,870,327

c) The benefit cost recognized during the year is calculated as follows:

	2018 $	2017 $
Current service cost	295,088	257,563
Plan amendment/service cost	30,212	(29,275)
Interest cost	214,765	208,416
Amortization of net actuarial gain	(113,283)	(167,347)
	426,782	269,357

d) There was $206,860 (2017 – $126,981) in cash payments made in 2018 with respect to the sick leave plan.

e) Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2018. The next actuarial valuation is expected to be completed in 2021.

f) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employee future benefits are as follows:

	2018 %	2017 %
Discount rate		
Sick leave	3.20	3.00
Post-employment benefits	3.10	2.80
Post-retirement benefits	3.40	3.20
WSIB	3.40	3.00
Health-care inflation – hospital, dental care and other medical	3.00	3.00
Health-care inflation – drugs	6.00	6.00
Rate of compensation increase	3.00	3.00

The health-care inflation rate for medical and drugs is assumed to be reduced from 6% to 4% by 2024.

g) In addition to the above-noted plans, the Board makes contributions to OMERS, which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. However, it is accounted for as a defined contribution plan as it is a multi-employer plan. Total employer contributions for the year ended December 31, 2018 amounted to $1,151,693 (2017 – $1,140,932) and are included in the statement of operations and accumulated deficit.

In addition to contributions for employees who participate in the OMERS plan, the Board has arrangements with bargaining units to make contributions to various pension plans and registered retirement savings plans on behalf of its employees. Contributions expensed under these plans for 2018 amounted to $986,781 (2017 – $1,141,216) and are included in the statement of operations and accumulated deficit.

8 Loans payable

	2018 $	2017 $
Loans payable to the City		
Beanfield Centre building improvements, $36,764,844 loan bearing interest at 5% and due on December 1, 2040 (formerly due October 1, 2035), interest owing on the loan was added to the principal until the first repayment date of December 1, 2010	31,338,974	32,114,106
Trigeneration, $2,325,000 loan bearing interest at 5%, due on December 31, 2032; fixed interest payments	2,864,760	3,014,057
Photovoltaic Horse Palace, a non-interest bearing loan of $600,000 discounted at an imputed interest rate of 5%, due on October 1, 2030	249,912	261,066
Five Exhibition Buildings improvement retrofit, $525,833 loan bearing interest at an average rate of 2.56%, due on December 31, 2018	-	39,380
Boiler replacements and various lighting retrofit, $716,250 loan bearing interest at 4.5%, due on December 31, 2037	758,211	763,390
Boiler replacements and various lighting retrofit, $238,750 loan bearing interest at 2.0%, due on December 31, 2021	55,764	79,639
Back pressure steam turbine and LED pathway lighting retrofit, a non-interest bearing loan of $1,000,000 discounted at an imputed interest rate of 5%, due on April 1, 2030	435,286	462,661
Horse Palace, East Annex Pavilion and multiple energy project retrofit, a non-interest bearing loan of $890,000 discounted at an imputed interest rate of 5%, due on January 1, 2022	265,447	338,866
District Energy project, $4,500,000 loan bearing interest at 2.70%, due on January 31, 2026; fixed interest payments	3,825,784	4,249,188
Enercare Halls LED lighting retrofit, $782,000 loan bearing interest at 2.70%, due on October 1, 2025	575,282	649,053
Loan payable to Federation of Canadian Municipalities		
Beanfield Centre building improvements, $2,000,000 loan bearing interest at 2.375%, due on January 29, 2030	1,276,123	1,371,576
	41,645,543	43,342,982

The fixed principal repayments of the loans payable are as follows:

	$
2019	1,714,433
2020	1,785,472
2021	1,862,844
2022	1,873,368
2023	1,928,689
Thereafter	32,480,737
	41,645,543

9 City of Toronto reserve funds

The City maintains a number of reserve funds on behalf of the Board. These reserve funds are established by the City's Council and are detailed in the City's Municipal Code. The Board earns interest on funds placed in these reserves and it is added to the reserve balance at year-end.

Capital Improvement Fund

The purpose of this fund is to assist in the financing of major capital costs related to all of the buildings at Exhibition Place. Contributions are no longer being made to this fund. The balance of the Capital Improvement Fund as at December 31, 2018 was $1,146 (2017 – $1,133).

Exhibition Place Conference Centre Reserve Fund

The purpose of this fund is to provide a source of funding, in the first instance, for any shortfalls in the loan payments to the City from Exhibition Place for the new conference centre, and in the second instance to support cash shortfalls with respect to capital funding required to maintain the Enercare Centre and the Beanfield Centre in a state of good repair. If Exhibition Place, excluding the Enercare Centre and the Beanfield Centre, achieves a surplus in excess of the budgeted surplus, the excess above budget is transferred into the fund. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2018 was $7,527,788 (2017 – $5,409,242).

City of Toronto Fleet Reserve Fund

The purpose of this fund is to provide funding to the City for acquiring or purchasing fleet and motorized vehicles for the Board's operations. Annual funding promotes efficiencies and budget stabilization by moderating large fluctuations in the annual replacement of vehicles. The Board contributed $350,000 (2017 – $350,000) in the year. The balance in the City of Toronto Fleet Reserve Fund is $646,437 (2017 – $527,766).

Equipment Reserve Fund

The purpose of this fund is to provide funding for acquiring or purchasing non-motorized portable equipment for the Board's operations. Annual funding promotes efficiencies and budget stabilization by moderating large fluctuations in the annual replacement of non-motorized portable equipment. The Board contributed $200,000 (2017 – $200,000) in the year. The balance in the Equipment Reserve Fund is $36,426 (2017 – $397,857).

Exhibition Place Green Space Renewal

The purpose of this fund is to hold funds for the re-conversion of the temporary parking to functional green space on the baseball diamond site at Exhibition Place. The Board contributed $nil (2017 – $ nil) in the year. The balance in the Exhibition Place Green Space Renewal reserve is $1,020,893 (2017 – $1,009,193).

10 Financial instruments

a) Fair value

The carrying values of the Board's financial instruments approximate their fair values unless otherwise noted.

The fair value of the long-term receivable from the City is not determinable since there are no fixed terms of repayment.

b) Risk management

The Board's investment activities expose it to a range of financial risks. These risks include credit risk, liquidity risk, foreign currency risk and interest rate risk, which are as follows:

- Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the balance sheet represents the maximum credit risk exposure at the date of the financial statements.

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact that management believes the Board has thorough and rigorous credit approval procedures. As at December 31, 2018, three customers have a balance greater than 10% of the Board's trade accounts receivable balance (2017 – two customers).

As at December 31, 2018, the following accounts receivable were past due but not impaired:

	30 days $	60 days $	90 days $	Over 90 days $
Accounts receivable	5,051,672	408,761	248,247	1,831,032
City of Toronto	3,199,399	401,827	322	66,971
	8,251,071	810,588	248,569	1,898,003

Management believes the Board's credit risk is low.

- Liquidity risk

  Liquidity risk is the risk the Board will not be able to meet its financial obligations when they come due. The Board manages its liquidity risk by forecasting cash flows from operations, anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The following table presents the maturity analysis for the financial liabilities that shows the remaining contractual maturities:

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	6,854,085	1,416,428	705,419	-	8,975,932
City of Toronto	493,361	-	-	-	493,361
Payable surplus to City of Toronto	2,221,437	-	-	-	2,221,437
Other liabilities	-	40,500	34,805	-	75,305
Loans payable	932,400	782,033	7,450,374	32,480,736	41,645,543
	10,501,283	2,238,961	8,190,598	32,480,736	51,411,578

- Foreign currency risk

  The Board has limited foreign currency risk with respect to its financial instruments, as substantially all of the Board's financial assets and financial liabilities are denominated in Canadian dollars.

- Interest rate risk

  Interest rate risk arises from fluctuations in interest rates and the degree of volatility of those rates. The Board has mitigated its interest rate risk on its loans payable through the use of fixed interest rates.

11 Conference centre deficit

The conference centre accumulated deficit results from the non-cash expenditures that are not funded by the Exhibition Place Conference Centre Reserve Fund (schedule 3). The loss for the period is represented by the amortization of the conference centre's building improvements offset by the principal loan repayments. The accumulated loss will reverse over 25 years, as this is the term of the loan repayment and amortization period of the building improvements. The accumulated deficit balance as at December 31, 2018 is $9,369,529 (2017 – $8,307,199).

12 Contingencies and commitments

In the normal course of operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year the liability is able to be estimated.

Effective March 1, 2017, the Board entered into a ten-year naming right sponsorship agreement with Beanfield Technologies Inc. for the Beanfield Centre (schedule 3).

13 Expenses by object

	Actual	
	2018 **$**	**2017** **$**
Salaries and benefits	27,425,602	30,137,149
Trade labour recoveries	(9,176,311)	(12,288,077)
Net salary and benefits	18,249,291	17,849,072
Direct overhead and event/tenant labour costs	9,176,311	12,288,077
Utilities	3,325,210	3,206,635
Supplies and equipment	346,163	403,114
Contribution to reserve funds	2,080,859	1,846,572
Amortization of energy retrofit assets, building improvements and equipment	2,840,019	2,840,019
Interest	1,940,452	2,003,531
Other indirect costs and recoverable services	12,667,854	9,508,272
	50,626,159	49,945,292

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Schedule 1

Board of Governors of Exhibition Place

Schedule of Operations – Exhibition Place

For the year ended December 31, 2018

	2018 Budget $ (Unaudited)	2018 Actual $	2017 Actual $
Revenue			
Parking	7,780,700	7,939,614	7,931,681
Building rentals and concessions	8,442,585	9,125,856	8,814,137
Sales of services	7,181,132	7,929,122	9,577,613
Discounts, commissions, incentives, other income and realty tax recoveries	5,485,695	6,178,907	3,723,570
Naming rights	425,000	425,000	352,642
	29,315,112	31,598,499	30,399,643
Expenses			
Maintenance, cleaning and security	12,723,569	12,104,574	11,535,737
Utilities	3,227,151	3,031,438	2,979,273
Cost of services	5,560,755	6,196,372	7,796,850
Administration	8,458,270	8,797,709	6,453,541
Parking attendants' wages and sundry costs	3,233,635	3,325,402	3,259,715
Amortization of energy retrofit assets and equipment	854,723	908,055	908,055
Contribution to the City – Exhibition Place Conference Centre Reserve Fund	382,500	350,301	114,894
City of Toronto Fleet Reserve Fund	550,000	550,000	550,000
Interest	356,880	356,880	380,827
	35,347,483	35,620,731	33,978,892
Deficit before the following	(6,032,371)	(4,022,232)	(3,579,249)
Sick leave benefits recovery	-	224,963	185,660
Deficit for the year	(6,032,371)	(3,797,269)	(3,393,589)

Board of Governors of Exhibition Place

Schedule of Operations – Enercare Centre

For the year ended December 31, 2018

	2018		2017
	Budget **$** (Unaudited)	**Actual** **$**	**Actual** **$**
Revenue			
Building rentals	8,321,901	8,235,536	7,607,727
Services	5,165,281	3,980,140	4,759,634
Catering commissions	791,900	803,546	818,318
Naming rights	750,000	750,000	750,000
Advertising, sponsorship, interest and recoveries	459,705	648,281	637,541
	15,488,787	14,417,503	14,573,220
Expenses			
Administration	4,817,945	4,775,329	4,612,001
Cost of services	2,903,718	2,054,295	2,610,162
Maintenance, cleaning and security	615,138	653,919	757,516
Contribution to the City – Exhibition Place Conference Centre Reserve Fund	675,000	675,000	673,231
	9,011,801	8,158,543	8,652,910
Surplus for the year	6,476,986	6,258,960	5,920,310

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Schedule 3

Board of Governors of Exhibition Place

Schedule of Operations – Beanfield Centre

For the year ended December 31, 2018

	2018		2017
	Budget **$** (Unaudited)	**Actual** **$**	**Actual** **$**
Revenue			
Building rentals	1,760,482	1,972,765	1,924,618
Services	1,590,359	1,353,377	1,864,357
Catering commissions	1,130,317	1,140,851	1,159,794
Parking	252,277	249,112	306,419
Contribution from the City – Exhibition Place Conference Centre Reserve Fund	1,057,500	1,022,360	788,075
	5,790,935	5,738,465	6,043,263
Expenses			
Amortization of building improvements and equipment	869,635	1,931,964	1,931,964
Interest	1,583,572	1,583,572	1,622,704
Administration	1,566,597	1,463,653	1,494,556
Cost of services	1,213,203	995,530	1,387,970
Utilities	342,000	293,773	270,745
Maintenance, cleaning and security	510,543	803,356	791,211
	6,085,550	7,071,848	7,499,150
Deficit for the year	(294,615)	(1,333,383)	(1,455,887)

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.

Description		*Assets* $	*Liabilities* $	*Net assets* $	*Excess of revenue over expenditures* $
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.

Description		*Assets* $	*Liabilities* $	*Net assets* $	*Excess of revenue over expenditures* $
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

Client Letterhead

June @@, 2019

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

Attention: Ms. Terri McKinnon

Dear Ms. McKinnon:

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, 2018 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 of the Board and results of its operations and its cash flows in accordance with Canadian public sector accounting standards (the financial statements).

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 6, 2019 and in particular with respect to the following responsibilities:

- the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards including disclosures;
- 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;
- designing, implementing and maintaining an effective system of internal control to prevent and detect fraud;
- providing you with all relevant information and access, as agreed in the terms of the audit engagement; and
- ensuring 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 are fairly presented in accordance with Canadian public sector accounting standards, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the Board is subject. We have prepared the Board's financial statements on the basis that the Board is able to continue as a going concern.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. subledger 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 intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Other information

We confirm to you that we are not required by law, regulation or custom and do not intend to issue a document (which would include or accompany the financial statements and our auditor's report thereon) with information on the Board's operations and the Board's financial results and financial position as set out 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.

Internal control 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 ware.

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. the Board has 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, investors 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;
  - 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 Board 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 any known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

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 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 2200, *Related Party Disclosures*, and all the related party relationships and transactions.

The identity and relationship of, and balances and transactions with, related parties have been properly recorded and adequately disclosed in the financial statements as required by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*. We provided support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's length transaction.

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

Going concern
There are no events or conditions that, individually or collectively, may cast significant doubt on the Board's ability to continue as a 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 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 as at December 31, 2018 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
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.

The effects of the uncorrected and corrected misstatements in the financial statements, as summarized in Appendix B, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected and corrected misstatements other than those included in Appendix B.

Events after balance sheet date
We have identified all events that occurred between December 31, 2018 and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

For the following specific representations, the terms "year end" and "year" are defined as each year end and each year respectively, covered by the audit of the financial statements as stated above.

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.

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).

Any changes to internal fund restrictions that are reflected in the financial statements, but not yet approved by the Board of Directors will be approved prior to the Board of Directors approving the financial statements.

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

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

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.

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 capital asset additions were charged to repairs and maintenance or other expense accounts.

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

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*.

Assets held under capital leases are being amortized on a systematic basis over the period of expected use.

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.

Long-term debt
All borrowings and financial obligations of the Board of which we are aware are included in the financial statements as at year end, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

The Board 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 year end 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, 2018, 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's actuaries have been provided with all information required to complete their valuation as at December 31, 2018.

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

In arriving at these assumptions, management has retained the final responsibility for the assumptions.

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

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

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

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Hardat Persaud , Chief Financial Officer and
Corporate Secretary

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Steven Nushis, Director Accounting Services

Appendix A: Related parties

- City of Toronto (the City)
  - The Board is related to the City and its agencies, boards and commissions in terms of the City's ability to affect the operating, investing and financing policies of these entities. The Board enters into transactions with these related parties in the normal course of business at the agreed on exchange amount.

- Board Members*:
  - Councillor Mark Grimes - Chair
  - Councillor Stephen Holyday – Vice Chair
  - Councillor Joe Cressy
  - Councillor Jim Karygiannis
  - Peter Leon
  - Howard Lichtman
  - Paula Oliveira
  - Councillor Anthony Perruzza
  - Tess Romain

- Senior Management*:
  - Dianne Young, Chief Executive Officer
  - Hardat Persaud – Chief Financial Officer and Corporate Secretary
  - Steven Nushis — Director Accounting Services

  * Although not explicitly listed, immediate family members are considered included as related parties by this reference.

- Agencies and Corporations:
  - Toronto Zoo
  - Toronto Board of Health
  - Board of Management of the Toronto Zoo
  - Toronto Community Housing Corporation (TCHC)
  - Build Toronto Inc. (BTI)
  - Toronto Licensing Commission
  - Casa Loma Corporation
  - Toronto Pan Am Sports Centre Inc. (TPASC)
  - Heritage Toronto
  - Invest Toronto Inc.
  - Toronto Police Services Board
  - Lakeshore Arena Corporation
  - Toronto Public Library Board
  - Toronto Transit Commission (TTC)
  - Toronto Waterfront Revitalization Corporation (TWRC)
  - Yonge-Dundas Square
  - Toronto Atmospheric Fund (TAF)
  - Civic Theatres Toronto

- Government Business Enterprises:
  - Toronto Parking Authority
  - Toronto Hydro Corporation
  - City of Toronto Economic Development Corporation
  - Toronto Port Lands (TPLC)
- Arenas:
  - Forest Hill Memorial
  - Moss Park
  - George Bell
  - North Toronto Memorial
  - Leaside Memorial Community Gardens
  - McCormick Playground
  - Ted Reeve Community
  - William H. Bolton
- Community Centres:
  - 519 Church Street
  - Eastview Neighbourhood
  - Applegrove
  - Waterfront Neighbourhood
  - Cecil Street
  - Ralph Thornton
  - Central Eglinton
  - Scadding Court
  - Community Centre 55
  - Swansea Town Hall
- Business Improvement Areas (BIA):
  - Albion Islington Square
  - Forest Hill Village
  - Riverside District
  - Baby Point Gates
  - Gerrard India Bazaar
  - Roncesvalles Village
  - Bayview Leaside
  - Greektown on the Danforth
  - Rosedale Main Street
  - Bloor Annex
  - Harbord Street
  - Sheppard East Village
  - Bloor By The Park
  - Hillcrest Village
  - shoptheQueensway.com
  - Bloor Street

- Historic Queen East
- St. Clair Gardens
- Bloor West Village
- Junction Gardens
- St. Lawrence Market
- Bloor Yorkville
- Kennedy Road Neighbourhood
- Bloorcourt Village
- Kensington Market
- The Beach
- Bloordale Village
- Korea Town
- The Danforth
- Cabbagetown
- Lakeshore Village
- The Eglinton Way
- Chinatown
- Leslieville
- The Kingsway
- Church Wellesley Village
- Liberty Village
- The Waterfront
- City Place & Fort York
- Little Italy
- Toronto Entertainment
- College Promenade
- Little Portugal District
- College West
- Corso Italia
- Long Branch
- Marketo District
- Trinity Bellwoods
- Upper Village
- Crossroads of the Danforth
- Midtown Yonge
- Uptown Yonge
- Danforth Mosaic
- Mimico by the Lake
- Village of Islington
- Danforth Village
- Mimico Village
- West Queen West
- Dovercourt Village
- Mirvish Village
- Weston Village

- Downtown Yonge
- Mount Dennis
- Wexford Heights
- DuKe Heights
- Mount Pleasant
- Wilson Village
- Dundas West
- Oakwood Village
- Wychwood Heights
- Dupont by the Castle
- Ossington Avenue
- Yonge Lawrence Village
- Eglinton Hill
- Pape Village
- York Eglinton
- Emery Village
- Parkdale Village
- Fairbank Village
- Financial District
- Queen Street West
- Regal Heights Village

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.

Description		*Assets* *$*	*Liabilities* *$*	*Net assets* *$*	*Excess of revenue over expenditures* *$*
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.

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