

EP3.2 Appendix A

Board of Governors of Exhibition Place

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

*Prepared as of
April 13, 2017*





April 13, 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

Terri McKinnon
Partner
Assurance

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

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

Communications to the Board

Key matters for discussion	Comments
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • Reliance letter from actuary; • Pension assumption testing; • Receipt of signed management representation letter; • Subsequent events procedures; and • Approval of financial statements by the Board.
Significant reporting matters	Our response
Revenue recognition <p>The Board has several significant revenue streams including (but not limited to):</p> <ul style="list-style-type: none"> • Building rentals; • Services; and • Parking. 	<p>We have performed, where possible, tests of controls and detailed testing over each of the different revenue streams. Based on the results of our testing, there were no significant matters to bring to your attention.</p>
Completeness and accuracy of transactions recorded with the City <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>
Employee future benefits payable <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>
Management override of controls <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>

<i>Key matters for discussion</i>	<i>Comments</i>
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 reconfirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
Summary of unadjusted items	<p>As noted in our audit plan, materiality was calculated based on 3% of revenue for the year. Using the final revenue for the year, overall materiality was revised to \$1,500,000 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>
Internal controls recommendations	We have no significant internal control recommendations to report.
Subsequent events	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the members of the Board are not aware of any other subsequent events that might affect the financial statements.</p>
Management representations	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 auditor's report and financial statements



Date

Independent Auditor's Report

To the Members of Board of Governors of Exhibition Place

We have audited the accompanying financial statements of Board of Governors of Exhibition Place, which comprise the balance sheet as at December 31, 2016 and the statements of operations and accumulated deficit, changes in net debt and cash flows, and schedules of operations for the year ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Board of Governors of Exhibition Place as at December 31, 2016 and the results of its operations, its remeasurement gains and losses, changes in its net debt and its cash flow, and schedules of operations for the year then ended in accordance with Canadian public sector accounting standards.

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

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Board of Governors of Exhibition Place

Financial Statements
December 31, 2016

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

@@@, 2017

Independent Auditor's Report

**To the Members of
Board of Governors of Exhibition Place**

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Chartered Professional Accountants, Licensed Public Accountants

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Balance Sheet

As at December 31, 2016

	2016 \$	2015 \$
Financial Assets		
Cash	4,422,208	5,899,703
Accounts receivable		
Trade	5,972,964	6,842,408
City of Toronto	1,329,185	2,355,356
Receivable from the City of Toronto (note 3(a))	6,921,707	7,174,052
	<u>18,646,064</u>	<u>22,271,519</u>
Liabilities		
Accounts payable and accrued liabilities		
Trade	6,883,719	8,810,228
City of Toronto	465,025	544,493
Employee future benefits payable (note 7)	8,435,224	8,576,026
Payable to conference centre reserve fund (note 9)	1,862,870	809,811
Deferred revenue and contributions	4,549,496	7,356,142
Loans payable (note 8)	45,009,613	46,544,124
Other liabilities	237,743	313,208
Government assistance	1,084,699	1,216,311
	<u>68,528,389</u>	<u>74,170,343</u>
Net debt	<u>(49,882,325)</u>	<u>(51,898,824)</u>
Non-financial Assets		
Prepaid expenses and other	76,205	249,095
Step-up rent receivable (note 4)	2,603,199	2,691,401
Energy retrofit assets (note 5)	10,983,146	11,566,691
Building improvements (note 6)	29,013,983	30,989,267
	<u>42,676,533</u>	<u>45,496,454</u>
Accumulated conference centre deficit (note 12)	<u>(7,205,792)</u>	<u>(6,402,370)</u>
Contingencies (note 13)		

Approved by the Board of Directors

Director_____
Director

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

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

Board of Governors of Exhibition Place

Statement of Operations and Accumulated Deficit

For the year ended December 31, 2016

	2016		2015
	Budget \$	Actual \$	Actual \$
Revenue			
Exhibition Place (schedule 1)	20,790,375	29,898,381	29,221,825
Enercare Centre (schedule 2)	14,886,064	14,493,035	20,781,355
Allstream Centre (schedule 3)	5,743,782	5,652,389	4,161,203
	<u>41,420,221</u>	<u>50,043,805</u>	<u>54,164,383</u>
Expenses (note 14)			
Exhibition Place (schedule 1)	27,350,758	33,642,905	36,494,979
Enercare Centre (schedule 2)	8,168,681	8,182,106	11,284,350
Allstream Centre (schedule 3)	5,743,782	7,220,895	6,657,890
	<u>41,263,221</u>	<u>49,045,906</u>	<u>54,437,219</u>
Surplus (deficit) before the following	157,000	997,899	(272,836)
Transfer to the City of Toronto		(1,862,870)	(495,931)
Increase (decrease) in amounts to be recovered from the City of Toronto		61,549	(86,166)
Deficit for the year		(803,422)	(854,933)
Accumulated conference centre deficit - Beginning of year		(6,402,370)	(5,547,437)
Accumulated conference centre deficit - End of year		<u>(7,205,792)</u>	<u>(6,402,370)</u>

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

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

Board of Governors of Exhibition Place

Statement of Changes in Net Debt

For the year ended December 31, 2016

	2016 \$	2015 \$
Operating transactions		
Deficit for the year	(803,422)	(854,933)
Tangible capital asset activities		
Purchase of energy retrofit assets	(255,120)	(2,023,490)
Amortization of energy retrofit assets	838,665	587,589
Amortization of building improvements and equipment	1,975,284	1,975,296
	2,558,829	539,395
Other non-financial activities		
Prepaid expenses and other	172,890	(67,357)
Accretion of step-up rent receivable	88,202	63,430
	261,092	(3,927)
(Increase) decrease in net debt during the year	2,016,499	(319,465)
Net debt - Beginning of year	(51,898,824)	(51,579,359)
Net debt - End of year	(49,882,325)	(51,898,824)

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

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Statement of Cash Flows

For the year ended December 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Deficit for the year	(803,422)	(854,933)
Add (deduct): Non-cash items		
Employee future benefits expense	(140,802)	(19,418)
Amortization of energy retrofit assets	838,665	587,589
Amortization of building improvements and equipment	1,975,284	1,975,296
Government assistance	(131,612)	(143,287)
Accretion of step-up rent receivable	88,202	63,430
Interest accrued on loans payable	2,080,079	2,033,916
	3,906,394	3,642,593
Changes in non-capital working capital balance related to operations		
Trade accounts receivable	869,444	(1,738,823)
Accounts receivable from the City of Toronto	1,026,171	2,732,906
Receivable due from the City of Toronto	252,345	236,967
Prepaid expenses and other	172,890	(67,357)
Trade accounts payable and accrued liabilities	(1,926,509)	2,070,733
Accounts payable and accrued liabilities due to the City of Toronto	(79,468)	292,812
Deferred revenue and contributions	(2,806,646)	(247,774)
Other long-term liabilities	(75,465)	(40,350)
Payable to conference centre reserve fund	1,053,059	188,618
	2,392,215	7,070,325
Capital activities		
Purchase of energy retrofit assets	(255,120)	(2,023,490)
Financing activities		
Repayments of loans payable	(3,614,590)	(3,597,479)
Increase in loans payable	-	228,610
	(3,614,590)	(1,368,869)
Increase (decrease) in cash during the year	(1,477,495)	3,677,966
Cash - Beginning of year	5,899,703	2,221,737
Cash - End of year	4,422,208	5,899,703
Non-cash transactions		
Loan payable for purchase of energy retrofit assets	-	2,023,490

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

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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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 Allstream Centre (schedule 3).

Effective August 1, 2009, the Board entered into a ten-year naming right sponsorship agreement with MTS Allstream for the Allstream Centre (schedule 3). In February 2015 Allstream executed its right of termination of the Naming Rights Sponsorship agreement. 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).

The Board is a municipal government entity under the Income Tax Act 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 Allstream 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, rentals for space in trade shows and other events that have been paid in advance and are attributable to a future period.

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

(1)

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
DEC Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Palace project	20 years
Boiler replacements and various and 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
Allstream 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 prorated on service and management's best estimate of retirement ages of employees, salary escalation and expected health-care costs.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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(2)

- 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.

Liability for contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when: the Board is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. The estimated liability includes costs directly attributable to the remediation, containment or mitigation activities and cost of post-remediation maintenance and monitoring in order to bring the site up to its current minimum standard for its use just prior to contamination. The cost of remediation is calculated based on the best available information and is reviewed and revised on an annual basis.

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 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 may 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.

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

Board of Governors of Exhibition Place

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Notes to Financial Statements

December 31, 2016

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:

	2016 \$	2015 \$
Employee future benefits payable	8,435,224	8,576,026
Vacation and lieu time	712,835	689,984
Less: Net book value of certain equipment	(332,224)	(542,214)
Other	134,841	557,081
	<hr/>	<hr/>
Receivable from the City before the following	8,950,676	9,280,877
Less: Net step-up rent receivable on certain buildings and signage	(2,028,969)	(2,106,825)
	<hr/>	<hr/>
Receivable from the City	6,921,707	7,174,052

- 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 \$449,479 (2015 - \$449,479) 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 surplus at various amounts over time up to 2061.

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

5 Energy retrofit assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration project	4,400,000	2,122,083	2,277,917
DEC Halls lighting retrofit project	800,000	562,129	237,871
Five Exhibition Buildings improvement project	1,500,365	883,044	617,321
Photovoltaic Horse Palace project	1,100,000	550,000	550,000
Boiler replacements and various and lighting retrofit projects	955,000	358,125	596,875
Back pressure steam turbine and LED pathway lighting projects	1,345,000	336,250	1,008,750
District Energy System project	4,500,000	225,000	4,275,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	221,160	663,479
LED lighting and conservation/demand management	782,000	26,067	755,933
	16,267,004	5,283,858	10,983,146
	2015		
	Cost \$	Accumulated amortization \$	Net \$
Trigeneration project	4,400,000	1,902,074	2,497,926
DEC Halls lighting retrofit project	800,000	508,796	291,204
Five Exhibition Buildings improvement project	1,500,365	783,020	717,345
Photovoltaic Horse Palace project	1,100,000	495,000	605,000
Boiler replacements and various and lighting retrofit projects	955,000	310,375	644,625
Back pressure steam turbine and LED pathway lighting projects	1,345,000	269,000	1,076,000
District Energy System project	4,500,000	-	4,500,000
Horse Palace, East Annex Photovoltaic and multiple energy projects	884,639	176,928	707,711
LED lighting and conservation/demand management	526,880	-	526,880
	16,011,884	4,445,193	11,566,691

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

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6 Building improvements and equipment

	2016		
	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	3,572,444	1,347,871
Allstream Centre building improvements	38,764,844	11,098,732	7,666,112
	<u>44,547,280</u>	<u>15,533,297</u>	<u>29,013,983</u>
	2015		
	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	3,147,732	1,772,583
Allstream Centre building improvements	38,764,844	9,548,160	29,216,684
	<u>44,547,280</u>	<u>13,558,013</u>	<u>30,989,267</u>

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 contributions to these reserves during the year totalled \$981,780 (2015 - \$976,017) 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 plan, for non-unionized employees, provides salary protection at 100% or 75% based on an employee's benefit eligibility date for up to 26 weeks per illness or per calendar year. Absences greater than the 26-week duration are covered under the Board's long-term disability plan.

Under the former sick leave benefit plan, for unionized employees, employees were credited with a maximum of 18 sick days per annum. Previously unused sick leave could accumulate and employees would become eligible for a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they left the Board's employment. Effective February 28, 2008, employees are unable to accumulate unused sick leave credits.

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

The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could then be taken in cash by employees on termination of employment.

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.

The disclosures relating to these benefits are as follows:

	2016 \$	2015 \$
Accrued benefit obligation	6,302,187	6,378,405
Net unamortized actuarial gains	2,133,037	2,197,621
Total employee future benefits payable	8,435,224	8,576,026

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

	2016 \$	2015 \$
Sick leave	1,209,520	1,272,394
WSIB	1,786,050	1,860,701
Other post-employment and post-retirement benefits	3,306,617	3,245,310
	6,302,187	6,378,405

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

	2016 \$	2015 \$
Balance - Beginning of year	6,378,405	7,626,057
Current service cost	248,659	300,317
Plan amendment/service cost	74,998	
Interest cost	201,211	240,875
Benefits paid	(513,233)	(511,208)
Actuarial gain	(87,853)	(1,277,636)
Total accrued benefit obligation	6,302,187	6,378,405

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

Board of Governors of Exhibition Place

Notes to Financial Statements

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

	2016 \$	2015 \$
Current service cost	248,659	300,317
Plan amendment/service cost	74,988	-
Interest cost	201,211	240,875
Amortization of net actuarial gain	(152,437)	(49,402)
	<u>372,421</u>	<u>491,790</u>

- d) There was \$nil (2015 - \$71,755) in cash payments made in 2016 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, 2015. The next actuarial valuation is expected to be completed in 2018.
- f) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employee future benefits are as follows:

	2016 %	2015 %
Discount rate		
Sick leave	3.10	2.90
Post-employment benefits	2.70	2.50
Post-retirement benefits	3.50	3.40
WSIB	3.10	2.90
Health-care inflation - hospital, dental care and other medical	3.00 - 6.00	3.00 - 6.00
Health-care inflation - drugs	6.00	6.00
Rate of compensation increase	3.00	3.00

The health-care rate for medical and drugs is assumed to be reduced 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, 2016 amounted to \$1,127,128 (2015 - \$1,145,217) 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 2015 amounted to \$1,139,103 (2015 - \$1,388,523) and are included in the statement of operations and accumulated deficit.

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Board of Governors of Exhibition Place**DRAFT**

Notes to Financial Statements

December 31, 2016

8 Loans payable

	2016 \$	2015 \$
Loans payable to the City		
Allstream Centre building improvements, \$36,764,844 loan bearing interest at 5% and due on October 1, 2035, interest owing on the loan is added to the principal until the first repayment date of December 1, 2010	32,852,328	33,890,769
Trigeneration, \$2,325,000 loan bearing interest at 5%, due on December 31, 2032; fixed interest payments	3,007,745	2,955,605
Trigeneration, \$1,075,000 loan bearing interest at 2.34%, due on July 31, 2017	107,500	215,000
Photovoltaic Horse Palace, a non-interest bearing loan of \$600,000 discounted at an imputed interest rate of 5%, due on October 1, 2030	271,679	281,777
Five Exhibition Buildings improvement retrofit, \$827,859 loan bearing interest at 5%, due on December 31, 2016	-	53,648
Five Exhibition Buildings improvement retrofit, \$525,833 loan bearing interest at an average rate of 2.56%, due on December 31, 2018	91,963	144,546
DEC Halls lighting retrofit, \$525,833 loan bearing interest at 5%, due on December 31, 2016	-	63,935
DEC Halls lighting retrofit, \$544,425 loan bearing interest at 2.51%, due on December 31, 2017	17,845	35,691
Boiler replacements and various lighting retrofit, \$178,455 loan bearing interest at 4.5%, due on December 31, 2037	767,890	771,739
Boiler replacements and various lighting retrofit, \$238,750 loan bearing interest at 2.0%, due on December 31, 2021	103,514	127,389
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	488,709	513,494
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	408,726	475,199
District Energy project, \$4,500,000 loan bearing interest at 2.70%, due on January 31, 2026; fixed interest payments	4,661,461	4,538,855
DEC Halls LED lighting retrofit, \$782,000 loan bearing interest at 2.70%, due on October 1, 2025	720,884	790,842
Loan payable to Federation of Canadian Municipalities		
Allstream Centre building improvements, \$2,000,000 loan bearing interest at 2.375%, due on January 29, 2030	1,464,808	1,555,844
Loan payable to Toronto Atmospheric Fund		
Trigeneration, \$1,000,000 loan bearing interest at 6.06% semi-annually, due on January 3, 2017	44,561	129,791
	45,009,613	46,544,124

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

	\$
2017	2,007,456
2018	2,055,534
2019	2,102,670
2020	2,193,121
2021	2,290,875
Thereafter	34,359,957
	<u>45,009,613</u>

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.

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, 2016 was \$879 (2015 - \$83,961).

Exhibition Place Conference Centre Reserve Fund

The purpose of this fund is to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations. The contributions to the fund include the net revenue derived from the Enercare Centre and Allstream Centre naming rights and the surplus payable to the City. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2016 was \$3,441,322 (2015 - \$1,572,615).

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 (2015 - \$350,000) in the year. The balance in the City of Toronto Fleet Reserve Fund is \$404,769 (2015 - \$346,772).

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 (2015 - \$200,000) in the year. The balance in the Equipment Reserve Fund is \$400,000 (2015 - \$200,000).

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 \$1,000,000 (2015 - \$nil) in the year. The balance in the Exhibition Place Green Space Renewal Reserve is \$1,004,375 (2015 - \$nil).

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(10)

10 Liability for contaminated sites

A liability for the remediation of a contaminated site is recognized when contamination of a property managed by the Board for which the Board has assumed responsibility for remediation is known to be in excess of an environmental standard. Where an environmental standard exists, it is expected that future economic benefits will be given up and the related remediation costs can be estimated.

The sources of contamination specific to individual sites may include hazardous and contaminated soil. Contamination was assessed primarily based on Phase I and Phase II Environmental Site Assessments (ESA) under Ontario regulations. In addition, the Board considered a range of key risk factors for each site including potential or historical human habitation or operations, potential offsite contamination, potentially contaminating activities, areas of potential environmental concern and the contaminants of concern. Remediation means the improvement of a contaminated site to prevent, minimize or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that removes, destroys, contains, or otherwise reduces availability of contaminants to receptors of concern.

Based on the available information as at December 31, 2016, one site on the Exhibition Place grounds was identified with known existing or potential contamination, and was determined to meet the recognition criteria. This site is not owned by the Board, however the Board has accepted responsibility for remediation costs due to construction-in-progress for development of land on the grounds of Exhibition Place. Accordingly, the Board has recognized a liability.

Based on minimum estimated costs for remediation of contamination to bring the site to the minimum acceptable environmental standards for its use just prior to contamination, in addition to ongoing monitoring and management of the site. As at December 31, 2016, complete remediation of the contamination has occurred, however these costs have not fully been paid. As such, as at December 31, 2016, there remains a liability of \$51,954 (2015 - \$1,114,110) included in accounts payable and accrued liabilities.

11 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.

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b) Risk management

The Board's investment activities expose it to a range of financial risks. These risks include credit risk, liquidity risk, market 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, 2016, four customers have a balance greater than 10% of the Board's trade accounts receivable balance (2015 - two customers).

As at December 31, 2016, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	4,064,767	995,974	109,710	802,512

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.

	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 -	6,415,848	257,475	210,395	-	6,883,719
Other liabilities	-	79,238	158,505	-	237,743
Loans payable	681,469	1,325,987	8,642,200	34,359,957	45,009,613
	7,097,317	1,662,700	9,011,100	34,359,957	52,131,075

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- Market risk

The Board is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Board has addressed the commodity price risk exposure associated with changes in the wholesale prices of electricity by entering into energy related purchase and sales contracts, through an agreement with Direct Energy Business Services, which fixes a portion of the wholesale price over the term of the contract. All contracts entered into by the Board in 2016 expired on or before December 31, 2016.

- 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.

12 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, 2016 is \$7,205,792 (2015 - \$6,402,370).

13 Contingencies

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.

Board of Governors of Exhibition Place

Notes to Financial Statements

December 31, 2016

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14 Expenses by object

	Actual	
	2016	2015
	\$	\$
Salaries and benefits	30,819,335	33,743,199
Trade labour recoveries	(13,128,757)	(15,170,672)
Net salary and benefits	17,690,588	18,572,527
Direct overhead and event/tenant labour costs	13,128,757	15,170,672
Utilities	2,573,740	2,764,335
Supplies and equipment	303,897	590,420
Contribution to reserve funds	2,102,013	1,854,955
Amortization of ERP, equipment and building improvements	2,813,970	2,562,885
Interest	2,080,078	2,033,916
Other indirect costs and recoverable services	8,352,873	10,887,509
	49,045,906	54,437,219

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Governors of Exhibition Place

Schedule of Operations - Exhibition Place

For the year ended December 31, 2016

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Schedule 1

	2016		2015
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Parking	7,293,925	8,084,271	7,603,391
Building rentals and concessions	7,690,499	8,526,973	7,742,899
Sales of services	2,963,600	10,151,870	10,174,207
Discounts, commissions, incentives, other income and realty tax recoveries	2,567,351	2,719,410	2,940,342
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	-	-	345,129
Naming rights	275,000	415,857	415,857
	20,790,375	29,898,381	29,221,825
Expenses			
Maintenance, cleaning and security	11,803,877	14,737,859	17,749,734
Utilities	2,323,917	2,272,526	2,499,079
Cost of services	2,318,416	5,511,876	5,635,294
Administration	6,165,243	5,730,904	5,530,001
Parking attendants' wages and sundry costs	2,595,043	3,275,187	3,202,393
Amortization of energy retrofit assets and equipment	810,923	881,988	630,931
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	247,500	389,440	385,857
City of Toronto Fleet Reserve Fund	550,000	550,000	550,000
Interest	535,839	411,076	313,361
	27,350,758	33,760,856	36,496,650
Deficit before the following	(6,560,383)	(3,862,475)	(7,274,825)
Sick leave benefits recovery	-	117,951	1,671
Deficit for the year	(6,560,383)	(3,744,524)	(7,273,154)

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

Board of Governors of Exhibition Place

Schedule of Operations - Enercare Centre

For the year ended December 31, 2016

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Schedule 2

	2016		2015
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Building rentals	8,278,233	8,228,293	10,780,940
Services	4,614,135	4,394,435	7,591,247
Catering commissions	764,213	645,669	1,158,593
Naming rights	750,000	750,000	700,000
Advertising, sponsorship, interest and recoveries	479,483	474,638	550,575
	<u>14,886,064</u>	<u>14,493,035</u>	<u>20,781,355</u>
Expenses			
Administration	4,648,018	4,350,687	4,795,357
Cost of services	2,169,662	2,459,530	5,024,840
Maintenance, cleaning and security	676,001	687,945	1,044,534
Contribution to the City - Exhibition Place Conference Centre Reserve Fund	675,000	683,944	419,619
	<u>8,168,681</u>	<u>8,182,106</u>	<u>11,284,350</u>
Surplus for the year	<u>6,717,383</u>	<u>6,310,929</u>	<u>9,497,005</u>

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

Board of Governors of Exhibition Place

Schedule of Operations - Allstream Centre

For the year ended December 31, 2016

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Schedule 3

	2016		2015
	Budget	Actual	Actual
	\$	\$	\$
	(Unaudited)		
Revenue			
Building rentals	1,352,830	1,443,102	1,067,918
Services	1,183,392	1,759,180	1,394,029
Catering commissions	835,376	1,152,160	714,917
Parking	122,826	245,413	178,863
Contribution from the City - Exhibition Place Conference Centre Reserve Fund	2,249,358	1,052,534	805,476
	5,743,782	5,652,389	4,161,203
Expenses			
Amortization of building improvements and equipment	1,128,543	1,931,964	1,931,964
Interest	1,669,936	1,669,001	1,720,555
Administration	1,401,500	1,404,151	1,277,607
Cost of services	927,800	1,408,215	1,035,988
Utilities	275,710	301,214	265,256
Maintenance, cleaning and security	340,293	506,350	426,520
	5,743,782	7,220,895	6,657,890
Net income for the year	-	(1,568,506)	(2,496,687)

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Appendix B: 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

