

Toronto Waterfront Revitalization Corporation

Final Report to the Finance, Audit and Risk Management Committee
June 1, 2017



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Members of the Finance, Audit and Risk Management (FARM) Committee
Toronto Waterfront Revitalization Corporation
20 Bay Street, Suite 1310
Toronto, Ontario
M5J 2N8

June 1, 2017

Dear Members of the FARM Committee:

We are pleased to present the results of our audit of the financial statements of Toronto Waterfront Revitalization Corporation (the "Organization") for the year ended March 31, 2017. The purpose of our report is to summarize certain aspects of the audit that we believe to be of interest to the FARM Committee and should be read in conjunction with the draft financial statements.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the FARM Committee in fulfilling its responsibilities.

This report has been prepared solely for the use of the FARM Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the Organization's management and staff that assisted us in carrying out our work. We look forward to discussing the contents of this report and any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink, appearing to read 'J. Barratt'.

Jeffrey M. Barratt, CPA, CA
Partner
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants



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ENGAGEMENT SUMMARY

Audit Results	<p>Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement.</p> <p>There were no significant departures from our audit plan as described in our planning letter to the FARM Committee dated March 2, 2017.</p> <p>A detailed description of our audit results has been included starting on page 6.</p>
Status of Audit	<p>As of the date of this final report, we have substantially completed our audit of the March 31, 2017 financial statements pending the completion of the items noted below. These items will need to be completed prior to issuance of our audit report on the financial statements:</p> <ul style="list-style-type: none">• Receipt of the signed management representation letter• Subsequent events review through to financial statement approval date• Approval of financial statements by the Board of Directors
Audit Risks	<p>In accordance with our audit plan, our procedures focused on the following areas that we identified as containing risks of material misstatements:</p> <ul style="list-style-type: none">• Assets under development• Deferral of contributions and grants• Accrued liabilities• Capital assets• Contribution agreements• Non-government revenues <p>We have summarized the results of our audit procedures for each of these risk areas on page 7 and 8 of this report.</p>
Internal Control Over Financial Reporting	<p>We did not identify any deficiencies in internal controls over financial reporting during the year ended March 31, 2017 that we considered to be material weaknesses.</p>
Fraud and Illegal Activities	<p>We developed procedures within our audit plan as recommended by CAS 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. Based on these procedures, we have not encountered any illegal activities or fraudulent events with respect to the Organization.</p>
Significant Events	<p>As of the date of this letter, we have not identified any significant events which we believe should be brought to your attention.</p>
Significant Accounting Policies	<p>The Organization's significant accounting policies are set forth in Note 2 to the financial statements. We believe management's selection of accounting policies is appropriate under Canadian public sector accounting standards for not-for-profit organizations.</p>

Estimates	<p>Accounting estimates are an integral part of the financial statements and are based on management’s current judgments. These judgments are based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>Our comments on the significant estimates included in the financial statements are included on page 8 of this report.</p>
Unadjusted Differences	<p>Our materiality level of \$2,000,000 has remained unchanged from our audit planning letter presented to the FARM Committee on March 2, 2017.</p> <p>There was one unadjusted difference for the year ended March 31, 2017 which had no impact on net assets. Refer to Appendix E.</p>
Disclosures	<p>There are no material omissions with respect to the disclosures in the financial statements for the year ended March 31, 2017 that we have noted.</p>
Independence	<p>We have developed appropriate safeguards and procedures to mitigate threats to our independence. As required under Canadian Auditing Standards (CAS), we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence. We have confirmed our independence to the FARM Committee for the year ended March 31, 2017 in our letter included as Appendix D in this report.</p>
Representation Letter	<p>A draft version of the representation letter to be signed by management is included in Appendix C.</p>
Conclusion	<p>We intend to issue an unmodified audit report on the financial statements of the Organization for the year ended March 31, 2017 once the outstanding items referred to above are satisfactorily resolved and the financial statements are approved by the Board of Directors.</p>



INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian auditing standards require us to communicate to the FARM Committee at least annually, all relationships between BDO Canada LLP and its related entities and Toronto Waterfront Revitalization Corporation and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the Organization - Refer to Appendix D.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As communicated to you in our Planning Report to the FARM Committee, preliminary materiality was \$2,000,000. Final materiality remained unchanged from our preliminary assessment.

There were no uncorrected misstatements identified during our audit to report to the FARM Committee, other than those which we determine to be “clearly trivial”. Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

AUDIT FINDINGS

Based on our knowledge of the Organization’s business, our past experience, and knowledge gained from management and the FARM Committee, we have identified the following significant risks; those risks of material misstatement that, in our judgment, require special audit consideration.

Significant risks arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them.

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Organization’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will also be discussed verbally with you.



ACCOUNTING AND AUDIT MATTERS

Assets Under Development

Risk	Approach	Results
The Organization capitalizes costs for assets under development.	Specific testing around the costs capitalized and review of memorandums of understanding and handover documents on a project by project basis.	All audit testing in this area was executed as planned and no errors were noted.

Deferral of Contributions and Grants

Risk	Approach	Results
Revenue deferred that relates to future periods. Contributions from the governments can only be applied towards payments of eligible costs in respect of project activities, as defined in the contribution agreements.	Specific testing around the allocation of expenses and related revenues to recognize. Funding received for restricted projects should be deferred if no relating expenses have yet been incurred.	All audit testing in this area was executed as planned and no errors were noted.

Accrued Liabilities

Risk	Approach	Results
Accrued liabilities relating to contractors for existing ongoing projects.	Specific testing around the completeness of accruals. We will also obtain confirmations from various contractors/suppliers to ensure accruals are complete.	All audit testing in this area was executed as planned and no errors were noted.



ACCOUNTING AND AUDIT MATTERS (CONTINUED)

Capital Assets

Risk	Approach	Results
Capital assets are a significant portion of total assets. Significant capital expenditures may be incurred.	Review and analysis of all capital asset balances with specific testing around additions or disposals.	All audit testing in this area was executed as planned and no errors were noted.

Contribution Agreements

Risk	Approach	Results
Contribution agreements and other contracts may be complex in nature.	Review of all contribution agreements and discussion with management as necessary. Conclusion on appropriate accounting policies and financial statements disclosures.	All audit testing in this area was executed as planned and no errors were noted.

Non-government Revenues

Risk	Approach	Results
A portion of revenue is derived from non-government organizations.	Assess the nature of non-government revenue to determine the level of specific testing to be completed.	All audit testing in this area was executed as planned and no errors were noted.

SIGNIFICANT ACCOUNTING ESTIMATES

Management is responsible for determining the Organization's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the Organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with the requirements of Canadian public sector accounting standards. BDO did not note any significant estimates.



UNADJUSTED DIFFERENCES

During our audit, there was one unadjusted difference noted, which had no impact on net assets. Refer to Appendix E.

PLANNED AUDIT PROCEDURES

Our overall audit strategy, including risks identified relating to the Organization and our planned procedures to address those risks, were outlined in our planning letter dated March 2, 2017. There were no changes to our planned audit procedures, and there were no additional procedures added to our audit plan.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented in our audit working papers through memoranda of discussions with management, as well as by written representations received from management. A copy of the representation letter we will request from management is included in Appendix C of this report.

FRAUD DISCUSSION

Canadian auditing standards require us to discuss fraud risk with the FARM Committee on an annual basis. We have prepared the following comments:

Required Discussion	BDO Response	Question to the FARM Committee
Details of existing oversight processes with regards to fraud.	Based on prior year's audit and our planning process, the FARM Committee's oversight processes include: <ul style="list-style-type: none">• Discussions at meetings;• Review and discussion of significant transactions; and• Consideration of tone at the top.	Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussion, that we should be aware of?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Organization?



AUDITOR'S RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we performed the following procedures in order to fulfill our responsibilities:

- Inquire of management, the FARM Committee, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- Perform analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- Perform additional required procedures to address the risk of management's override of controls including;
 - Testing internal controls designed to prevent and detect fraud;
 - Examine a sample of journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - Review accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior year's estimates; and
 - Evaluate the business rationale for significant unusual transactions.



INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Organization’s internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Organization’s financial statements, our audit cannot be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be exclusive. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

DEFICIENCIES IN INTERNAL CONTROL

Deficiency	Issue and Impact
None noted	None

APPENDIX A - Other Required Communication

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments	Communication Completed
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated January 3, 2017.	Y
2. Our audit strategy and audit scope	✓		Included on page 7 of our audit planning letter to the FARM Committee dated March 2, 2017.	Y
3. Fraud risk factors	✓		Included on page 9 of our audit planning letter to the FARM Committee dated March 2, 2017.	Y
4. Going concern matters		✓	None noted.	Y
5. Significant estimates or judgments		✓	See Page 8.	Y
6. Audit adjustments		✓	There were no material audit adjustments made that require the attention of the FARM Committee.	Y
7. Unadjusted differences		✓	See Appendix E.	Y
8. Omitted disclosures		✓	None noted.	Y
9. Disagreements with management		✓	There were no disagreements with management.	Y

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments	Communication Completed
10. Consultations with other accountants or experts		✓	No external experts were consulted during this engagement.	Y
11. Major issues discussed with management in regards to retention		✓	None.	Y
12. Significant difficulties encountered during the audit		✓	No difficulties were encountered during our audit.	Y
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted.	Y
14. Material written communication between BDO and management		✓	No material written communications were noted.	Y
15. Any relationships which may affect our independence	✓	✓	No independence issues noted, see letter in Appendix D.	Y
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process.	Y
17. Any fraud or possible fraudulent acts identified during the audit		✓	No fraud identified through the audit process.	Y
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None noted.	Y

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments	Communication Completed
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit.	Y
20. Limitations of scope over our audit, if any		✓	None.	Y
21. Written representations made by management		✓	See Appendix C.	Y
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor's report included in Appendix B.	Y



APPENDIX B Draft Independent Auditor's Report

DRAFT FOR DISCUSSION PURPOSES ONLY**To the Board of Directors of Toronto Waterfront Revitalization Corporation**

We have audited the accompanying financial statements of Toronto Waterfront Revitalization Corporation, which comprise the statement of financial position as at March 31, 2017, and the statements of financial activities, remeasurement gains and losses, changes in net assets and cash flows for the year then ended, and 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 auditors' 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Waterfront Revitalization Corporation as at March 31, 2017, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 13, 2017



APPENDIX C Representation Letter

BDO Canada LLP
Chartered Professional Accountants
1 City Centre Drive
Suite 1700
Mississauga, Ontario
L5B 1M2

June 13, 2017

This representation letter is provided in connection with your audit of the financial statements of Toronto Waterfront Revitalization Corporation for the year ended March 31, 2017, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 3, 2017, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Information Provided

- 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;

- 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 are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- 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.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

Existence, Completeness and Valuation of Specific Financial Statement Balances

- All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards.
- Significant assumptions used in arriving at the fair value of financial instruments are reasonable and appropriate in the circumstances.
- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- Property, plant and equipment has been appropriately recognized and measured in accordance with Canadian public sector accounting standards.
- The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

General Representations

- We are aware of the environmental laws and regulations that impact our organization and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.

Yours truly,

Signature

Position

Signature

Position



APPENDIX D Independence Letter



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BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga, ON L5B 1M2 Canada

Members of the Finance, Audit and Risk Management (FARM) Committee
Toronto Waterfront Revitalization Corporation
20 Bay Street, Suite 1310
Toronto, Ontario
M5J 2N8

June 1, 2017

Dear FARM Committee Members:

We have been engaged to audit the financial statements of Toronto Waterfront Revitalization Corporation (the "Organization") for the year ended March 31, 2017.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Organization and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute/ordre and applicable legislation, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the Organization and our Firm that, in our professional judgment may reasonably be thought to bear on our independence to June 1, 2017.

We hereby confirm that we are independent with respect to the Organization within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of June 1, 2017.

This letter is intended solely for the use of the Board of Directors, the FARM Committee, Management and others within the Organization and should not be used for any other purposes.

Yours truly,

Jeffrey M. Barratt, CPA, CA
Partner
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants



APPENDIX E

Unadjusted Difference



SUMMARY OF UNADJUSTED DIFFERENCE

The following is a summary of the uncorrected misstatement noted during the course of our audit engagement:

	Debit (Credit)			
	Assets	Liabilities	Net Assets	Net Income
Holdback receivables recorded in holdback payables	\$ 272,748	\$ (272,748)	\$ -	\$ -
Total	272,748	(272,748)	-	-
Effect of Prior Year's Reversing Errors	-	-	-	-
Total Unadjusted Difference	\$ 272,748	\$ (272,748)	\$ -	\$ -