Board of Governors of Exhibition Place

Audit Results – 31 December 2008

Report to the Finance and Audit Committee

of the Board of Governors

ERNST & YOUNG

Quality In Everything We Do

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May 15, 2009

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

Dear Members of the Finance and Audit Committee,

We are pleased to present the results of our audit of the consolidated financial statements of Board of Governors of Exhibition Place (the "Board" or the "organization").

This report to the Finance and Audit Committee summarizes the terms of our engagement, the issues of audit significance discussed with management and provides the communications required by our professional standards.

Our audit was designed to express an opinion on the December 31, 2008 consolidated financial statements of the organization. In planning the audit, we held discussions with management, considered current and emerging business risks, performed an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We received the full support and assistance of the organization's personnel in conducting our audit.

This report is intended solely for the use of the Finance and Audit Committee, the Board of Governors, management, and ultimately the City of Toronto Council and is not intended to be and should not be used by anyone other than these specified parties. We disclaim any responsibility to any third party who may rely on it. Further, this report is a by-product of our audit of the December 31, 2008 financial statements and indicates matters identified during the course of our audit. Our audit did not necessarily identify all matters that may be of interest to the Finance and Audit Committee in fulfilling its responsibilities.

We appreciate this opportunity to meet with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

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Required Communications

Generally accepted auditing standards in Canada require the auditor to communicate certain matters to the Board that may assist them in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to your organization.

Area	Comments
Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)	
As set out in the planning document presented to the Finance and Audit Committee, we designed our audit to express an opinion on your organization's financial statements. The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS which provides for reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. As a part of our audit, we obtained a sufficient understanding of the internal control structure to plan our audit and to determine the nature, timing and extent of testing performed.	We anticipate issuing an unqualified audit opinion dated March 30, 2009, upon approval of the financial statements by the Board of Governors and completion of certain outstanding procedures. The following procedures are outstanding: ▪ confirmation from the Finance and Audit Committee that there are no areas of concern that have not been addressed in this document; ▪ letter of management representation ▪ final procedures relating to the draft financial statements and footnotes including finalization of the energy retrofitting loan disclosures, confirmation of loan balances and vouching of capital asset additions relating to the energy retrofit projects; final approval of the restatement disclosures for the energy retrofitting loans and employee future benefits and the summary of audit differences; and ▪ receipt of legal letter from legal counsel.
Changes to Audit Approach Outlined in Planning Document	
In our planning document, we indicated that we would follow a substantive audit approach with most aspects of the audit except for purchases/cash disbursements, payroll and parking revenue where controls will be relied upon.	There were no changes to the audit approach outlined in the planning document.

Required Communications (continued)

Area	Comments
Adoption of, or Changes in, an Accounting Principle , Including Material Alternative Accounting Treatments Discussed with Management and Acceptability of a Particular Policy used by Management We determine that the Finance and Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements. In addition, we report to the Finance and Audit Committee all alternative accounting treatments within Canadian generally accepted accounting principles (GAAP) for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including acceptability of the policies or methods ultimately selected by management.	Refer to "Items of Audit Significance Discussed with Management" section.
Sensitive Accounting Estimates and Disclosures The preparation of financial statements requires the use of accounting estimates. Certain estimates and disclosures are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments. We determine that the Finance and Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and disclosures and about the basis for our conclusions regarding the reasonableness of those estimates.	There are no significant judgments or estimates required to prepare the financial statements where actual amounts may be significantly different from the estimates, except for employee future benefits payable as discussed in "Items of Audit Significance Discussed with Management" section.

Required Communications (continued)

Area	Comments
Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas We determine that the Finance and Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.	We are not aware of any significant unusual transactions recorded by the organization or of any significant accounting policies used by the organization related to controversial or emerging areas for which there is a lack of authoritative guidance.
Significant Audit Adjustments and Unrecorded Audit Differences Considered by Management to be Immaterial We provide the Finance and Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the organization's financial statements.	There were 23 audit adjustments identified by Ernst & Young during the audit that were recorded by management. These adjustments had a net impact of decreasing income before the transfer to the City of Toronto by approximately $50,000.
We inform the Finance and Audit Committee about unrecorded audit differences accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) during the current audit period and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.	Refer to "Summary of Audit Differences" section for unrecorded amounts.
Disagreements with Management	None.
Serious Difficulties Encountered in Dealing with Management when Performing the Audit	None.
Significant Weaknesses in Internal Controls We communicate all significant weaknesses in internal control over financial reporting that may have been identified during the course of our audit.	No significant weaknesses in internal control were identified.

Required Communications (continued)

Area	Comments
Fraud and Illegal Acts	
We report to the Finance and Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement to the financial statements.	We are not aware of any matters that require communication.
We are also required to make inquiries of the Finance and Audit Committee related to fraud including both their views about the risks of fraud and their knowledge of any actual or suspected fraud.	We would request that the Finance and Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Consultation with Other Accountants	None of which we are aware.
Other Information in Documents Containing Audited Financial Statements	
Our financial statement audit opinion relates only to the financial statements and accompanying notes.	We are not aware of any other documents prepared by the Board containing the audited financial statements.
Related Party Transactions	
Related party transactions identified by the auditor that are not in the normal course of operations or that involve significant judgments made by management concerning measurement or disclosure must be disclosed to the Audit Committee.	Related party amounts are with respect to the City of Toronto and the CNE Foundation and are disclosed within the financial statements. The transactions are conducted in the normal course of operations.

Required Communications (continued)

Area	Comments
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	None.
Matters Relating to Component Entities of the Organization When the financial statements of an organization (primary entity) include financial information from financial statements of a component entity (a subsidiary, investee (other than a portfolio investment), or joint venture; or an entity whose financial information from financial statements is included with those of the primary entity), the auditor communicates with the Audit Committee those matters relating to the component entities that in the auditor's judgment are of significance in the context of the primary entity (for example, weaknesses in systems of internal control that have resulted, or could result, in material errors in the primary entity's consolidated financial statements).	These statements include the balances of the Canadian National Exhibition Association for which Ernst & Young issues a separate audit opinion. There are no further issues of significance to report that are not already covered within this package.
Auditors' Independence Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between your organization and Ernst & Young that, in our professional judgment, may reasonably be thought to bear on our independence.	Refer to "Independence Letter" section.
Other Audit and Non-Audit Services Provided to Your Organization	In addition to the audit of the consolidated financial statements of the Board of Governors, we also audit the financial statements of the Canadian National Exhibition Association and the Canadian National Exhibition Foundation.

Required Communications (continued)

Area	Comments
Fees	• A summary of our fees is included below for your reference.

	2008 $	2007 $
Annual audit fees:		
Board of Governors	61,370	15,000
Canadian National Exhibition Association (CNEA)	14,200	10,000
CNE Foundation	7,545	5,000
BMO Field	•	31,000
Other audit related fees:		
Assistance / work with respect to		
Various accounting / auditing issues	TBD	10,000
Other fees:		
Ricoh Coliseum – Schedule of fixed operating costs for additional rents payable	7,500	8,400

- Annual fees for 2008 are inclusive of expenses and plus GST. This is the first year of a two-year contract extension ending with the audit of the December 31, 2009 financial statements in accordance with our agreement with the City of Toronto.
- Other audit related fees are for additional assistance provided during the course of the audit for various accounting/auditing issues and are based on time incurred. We are in the process of discussing with management these additional audit related fees. These fees will be agreed with management prior to billing.

Items of Audit Significance Discussed with Management

During the course of planning and executing our audit, the following items/matters of audit significance were discussed with management:

Item	Description	Audit Results and Comments
Restatement of 2007 Consolidated Financial Statements for Employee Future Benefits	• Actuarial valuations are conducted on a periodic basis, with the last actuarial review completed by the actuary as at December 31, 2006 and extrapolated to December 31, 2007, 2008 and 2009. • During 2009, the City engaged an actuary in 2009 to perform certain calculations with respect to the City's sick leave plan. Through this process, an error was identified by management of the City on a misinterpretation by the actuary of the sick leave plan benefits, which also resulted in an error of the valuation as originally reported in the 2007 consolidated financial statements by the Board. • The Board has restated the 2007 consolidated financial statements to correct this error and included the respective disclosures in Note 3 of the consolidated financial statements.	• As disclosed in our audit planning document, certain of our procedures rely on the work of specialists. In this instance, we rely on the work of the actuary for their calculation of the liability and we perform certain procedures around assumptions and data used by the actuary under generally accepted auditing standards. These tests do not include reperformance of the calculations. • We have performed audit procedures on the revised valuation prepared by the actuary and the restatement of the comparative consolidated financial statements of the Board. We concur with the adjustments recorded by management and the disclosures in the consolidated financial statements.

Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Significant Estimate – Employee Future Benefits	• As noted under the section above, the actuary reperformed the valuation of the City's employee benefit plans for the error noted in 2007 and extrapolated the valuation for the 2008 year for the Board. • There were no changes to employee agreements in 2008 that would impact these extrapolations. • Certain assumptions are made in preparing the valuation, including the determination of an appropriate discount rate.	• We have relied on the work performed by the actuary in auditing the 2008 financial statements. • We have confirmed through our audit procedures that no changes have been made to plans offered by the Board that would have an impact on the valuation provided by the actuary. • We assessed the assumptions used by the actuary in its 2008 valuation and found them to be reasonable, except for the 5% discount rate used to value the accrued benefit obligation. We believe a more appropriate discount rate at December 31, 2008 would be within the range of 7-7.5%, which would be comparable to market interest rates on high quality debt instruments with cash flows that match the timing and amount of the expected benefit payments to be made. • Management concurred and had the actuary prepare a revised valuation using a 7% discount rate for 2008, which we believe is reasonable. The impact of the change in the discount rate was an actuarial gain and decrease in the accrued benefit obligation by $1,475,863, which was subsequently adjusted by management. • We have reviewed the revised valuation prepared by the actuary and we concur with the adjustments recorded by management and the disclosures in the financial statements.

Item	Description	Audit Results and Comments
Restatement of 2007 Consolidated Financial Statements for Energy Retrofitting Projects	• Continuing in 2008, the City, together with management of Exhibition Place, completed retrofitting work within various buildings on the Exhibition grounds. The project is part of a City wide program called the "Energy Retrofit Program". • Financing for the program was obtained from the City and a third-party lender. While the Board had previously disclosed the repayment commitments in its financial statements, the Board had not recognized the improvements to its buildings as a result of the retrofit projects, nor had it recognized the financing received for these improvements in its consolidated financial statements. • A written loan agreement exists for the loan between the Board and the third-party lender and for one financing arrangement between the Board and the City. In those instances where written loan agreements do not exist, management for both the Board and the City have determined that a liability has been incurred as the obligation for repayment of the financing can be inferred from facts provided in various City of Toronto Council Decisions and the actions of the Board in paying off principal and interest on these obligations in 2007 and 2008. As a result of the above, the Board has restated its consolidated financial statements to recognize the energy retrofit assets and corresponding loans payable as liabilities. • With respect to the energy retrofit assets, the Board received grants as a result of the retrofitting work performed on the buildings at Exhibition Place and accordingly has reduced the capitalized cost for these assets by the grants received. • Energy retrofit assets are being amortized over their useful lives as determined by management of the Board. The loans payable are being repaid in accordance with loan repayment schedules.	• We have recommended that management enter into written agreements with the City for all financing arrangements under the program. • We are in the process of testing the energy retrofit assets that were capitalized and the amortization recorded by management. • We are also in the process of confirming the financing arrangements with the City and the third-party lender. • Notwithstanding any discrepancies that may be identified through the resolution of our audit procedures still in process, we concur with the accounting treatment for these assets and loans payable and related disclosures within the notes to the consolidated financial statements.

Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
National Soccer Stadium (BMO Field)	• Under the terms of an agreement between the City, the Board and Maple Leaf Sports and Entertainment Ltd. ("MLSE"), MLSE manages the operations of BMO Field. Through our review of the agreement in 2007, we believe the terminology used around the ticket surcharge was unclear whether it is for capital or revenue and the Board and MLSE needed to clarify the agreement.	• Management obtained a signed clarification of the agreement that indicated that the facility user fee was created to fund the contribution to the capital reserve account. • We concur with the accounting for the facility user fee to fund the capital reserve account.
Hydro Contract (Derivative)	• During 2008, the City of Toronto entered into contracts with various utility providers for the delivery of hydro and natural gas to the City. Many of the City's Agencies, Boards and Commissions ("ABC's") have opted to be part of the umbrella agreement with the City for the delivery of their required utilities. The Board participates in this agreement. • In addition, the Board entered into two energy swap contracts with Direct Energy Business Services for a portion of its energy load. The first contract commenced on August 1, 2008, while the second contract commenced on October 1, 2008 and both expire on September 30, 2009 as disclosed in the consolidated financial statements.	• While the Board participates in the City's agreements, if was not a party to the entered into by the City as at December 31, 2008 and therefore there is no impact on the financial statements of the Board with respect to these contracts. • The contracts entered into directly by the Board were confirmed with Direct Energy Business Services as at year-end. The fair value of the swaps at December 31, 2008 is an unrealized gain of approximately $19,000 and has been recorded in the 2008 consolidated financial statements. • We concur with the accounting for these contracts and the disclosures in the consolidated financial statements.

Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Conference Centre – Consultant Commission	• The Board entered into an agreement with a consultant for the sole purpose of finding a naming sponsor for the proposed conference centre on the Exhibition Grounds in the current Automotive Building. The Board shall pay the consultant a 10% naming rights commission on sponsorship revenues if the consultant is able to secure a sponsor. The payments to the consultant are based upon receipt of each installment of the sponsorship fee. • On August 1, 2008, the Board and MTS Allstream Inc. entered into a 10-year naming sponsorship agreement that commences in 2009 for total consideration of $5.2 million.	• Under the agreement, the commission expense of $520,000 (10% of $5.2 million) is payable to the consultant over the contract period. • As the Board received $375,000 of sponsorship fees in 2008, commission expense of $37,500 is payable to the consultant. This expense has not been recorded in the consolidated financial statements and we have taken this underaccrual of expenses to the summary of audit differences.
Term Deposits held by the City of Toronto	• The Board transfers surplus cash to the City which is invested by the City in short-term securities along with the City's own investments. Management has indicated that holding these funds within the City's investment pool allows the Board to earn greater interest income than they would have earned had the funds remained in a separate Board bank account. • Management has indicated that these funds are accessible by the Board at any time upon request and there are no limits on the amounts that can be withdrawn and returned to the Board.	• As at December 31, 2008, $12.2 million [2007 - $9.2 million] of surplus cash has been transferred to the City of Toronto and recorded as cash and cash equivalents. The amounts held by the City do not meet the definition of 'cash' or 'cash equivalents' within the Board as these monies are not held within a separate bank account or investment account in the name of the Board. • The Board has reclassified these balances from cash and cash equivalents to accounts receivable from the City of Toronto for 2007 and 2008 and has disclosed this reclassification in the consolidated financial statements. • We concur with the classification and disclosure in the 2008 consolidated financial statements.

Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Related Party Transactions	• The Board has many ongoing transactions with the City of Toronto. Some of these transactions are trade receivables and payables through the course of its operations. Other transactions are the result of agreements entered into between the parties and are discussed under "Energy Retrofitting' above. • Management provided a reconciliation of the City balances to ensure that the year-end amounts recorded in the accounts of the Board were appropriately accounted for and in agreement with the City.	• Through our audit procedures over accounts receivable and payables, we confirm year-end balances with the City. Management has reconciled this confirmation to the Board's records. Through this reconciliation process, several unsupported balances in trade payables and accrued liabilities were identified that were initially accrued for several years ago. We have taken unsupported balances to the Summary of Audit Differences and recommend that the Board and the City work together to reconcile these balances and record the required adjustments • We concur with the disclosures of related party balances and transactions in the 2008 consolidated financial statements.
Changes to Accounting Policies	• Note 2 provides details of the changes in accounting policies related to capital disclosures, and financial instruments-disclosures and presentation. • Note 2 also sets out new rules that are effective for fiscal 2009 that will be adopted by the Board next year. These changes could require additional disclosures to the financial statements. • Note 13 sets out the required disclosures resulting from the adoption of recommendations related to capital disclosures. • Note 12 sets out the required disclosures resulting from the adoption of the recommendations related to financial instruments- disclosures and presentation.	• We concur with the accounting for and disclosures related to the new accounting standards for capital disclosures and financial instruments. • We concur with the disclosures related to future changes in accounting policies.

Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Changes to the 2008 Financial Statements	• The significant changes to the consolidated financial statements not addressed elsewhere are as follows: ○ Note 3 was added for the restatement of prior year financial statements with respect to energy retrofit loans, employee future benefits and cash and cash equivalents.. ○ Note 12 has been expanded to include details on the Boards electricity purchase contracts that were entered into during the year. ○ Note 15 was added because of the reclassification of certain 2007 balances in the statement of operations.	• We concur with the changes to the 2008 financial statements.
Accounting Systems	• We understand that the Board will transition its existing accounting system to the Great Plains accounting system in 2009.	• The implementation will require conversion testing to be performed and we will take this into consideration in planning the 2009 audit.

Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Accounting Standards in Canada: New Directions	• In our audit planning package previously presented to the Audit Committee, under 'New Developments in Accounting and Auditing Standards' we informed you of the strategic direction for financial reporting adopted by the Accounting Standards Board ("AcSB") in Canada. • The Board is an other government organization ("OGO") as defined by the Public Sector Accounting Board ("PSAB"). For purposes of their financial reporting, OGO's currently base their accounting policies on the Public Sector Accounting Handbook or the CICA Handbook – Accounting unless otherwise directed to specific public sector standards. OGO's select the basis of accounting that is most appropriate to their objectives and circumstances and should be consistently applied. • For publicly accountable entities, Canadian GAAP will be replaced by International Financial Reporting Standards ("IFRS") and cease to exist as a separate, distinct basis of financial reporting for publicly accountable enterprises. • PSAB has issued an invitation to comment ("ITC") that sets out alternatives for financial reporting by government organizations. The ITC proposes to allow OGO's to select the most appropriate basis of GAAP, either IFRS when Canadian GAAP is replaced or the Public Sector Accounting Handbook.	• The results of the ITC will determine whether amendments to the existing Introduction to Public Sector Accounting Standards are required. Any amendments may change the appropriate source of generally accepted accounting principles used by government organizations, including the Board.

Summary of Audit Differences

During the course of our audit, we accumulate differences between amounts recorded by your organization and amounts that we believe are required to be recorded under generally accepted accounting principles. Following is a summary of those differences we have identified through the date of this report:

	Recording/Differences Would Have Increased (Decreased) Income Before the Transfer To The City of Toronto	
	2008	**2007**
	$	**$**
Commission Expense	(38,000)	—
Unsupported legal accruals	239,000	239,000
General accruals with no support in accounts payable and accrued liabilities	174,000	174,000
Repayments on insurance claims that were not initially accrued for as receivables	59,000	—
Understatement of suite revenue on a straight-line basis	25,000	19,000*
Total Unadjusted Audit Differences Before Turnaround Effect of Prior Year Differences	459,000	432,000
Turnaround Effect of Prior Year Differences	(413,000)	(223,000)
Total Unadjusted Audit Differences After Turnaround Effect of Prior Year Differences	46,000	209,000

* These differences do not turnaround in the current year.

Independence Letter

May 15, 2009

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

We have been engaged to audit the consolidated financial statements of the Board of Governors of Exhibition Place ("Organization") for the year ended December 31, 2008.

Pursuant to Canadian generally accepted auditing standards, we communicate at least annually with you regarding all relationships between Ernst & Young and its related entities and the organization and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 7, 2008, the date of our last letter.

We are not aware of any relationships between Ernst & Young and the organization that, in our professional judgment, may reasonably be thought to bear on our independence since April 7, 2008, the date of our last letter.

Canadian generally accepted auditing standards require that we confirm our independence to the Finance and Audit Committee of the Board of Governors in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the organization within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of March 30,2009.

The total fees charged to the organization during this period are set out in this Audit Results package.

We are looking forward to discussing with you the matters addressed in this package at our upcoming meeting.

This report is intended solely for the use of the Finance and Audit Committee of the Board of Governors, management, and others within the organization (ultimately the City of Toronto) and should not be used for any other purposes.

Very truly yours,

Ernst & Young LLP

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