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Board of Governors of Exhibition Place

2011 Year-end report to the Finance and Audit Committee

Prepared as of April 27, 2012

pwc

April 27, 2012

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

Dear Members of the Finance and Audit Committee:

We have substantially completed our audit of the consolidated financial statements of the Board of Governors of Exhibition Place (the Board) prepared in accordance with Public Sector Accounting Standards (PSAS) for the year ended December 31, 2011. 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 in Appendix A.

We have issued the accompanying report to assist you in your review of the consolidated financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting issues dealt with during the audit process.

We propose to review the key elements of this report at the upcoming meeting and discuss with you our key findings.

We would like to express our sincere thanks to the management and the staff of the Board who have assisted us in carrying out our work and we look forward to our meeting on May 7, 2012. Should you have any questions or concerns prior to the Finance and Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Audit and Assurance Group

cc: Dianne Young, Chief Executive Officer
Hardat Persaud, Chief Financial Officer

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Appendices

* Appendix A – The draft consolidated financial statements presented to the Audit and Finance Committee have been finalized and included as an attachment to the City Audit Committee's Report entitled "2011 Consolidated Financial Statements for the Board of Governors of Exhibition Place".

1. *Executive summary*

a. Status of the audit

We have substantially completed our audit of the 2011 consolidated financial statements (the consolidated financial statements). Our auditor's report will be issued once we receive and have completed our audit work on the outstanding items noted below.

This document includes the required communications between an auditor and Audit Committee, as required by Canadian generally accepted auditing standards (Canadian GAAS).

Our audit has been performed substantially in accordance with the plan and timeline previously communicated to you.

The following items will need to be completed/received prior to the issuance of our opinion. We will provide an update on the status of these items at our upcoming meeting.

Outstanding items	**Status as at April 27, 2012**
i. Receipt of outstanding confirmations	Management is following up on the following confirmations: • Confirmation of reserve fund balances from the City of Toronto • Confirmation from Allvision for commissions owing.
ii. Finalization of employee future benefits testing	Final assessment on actuarial assumptions to be provided by our internal expert.
iii. Completion of subsequent events procedures	Discussion to be held with management prior to the finalization of our audit report.
iv. Receipt of signed management representation letter	To be provided to management
v. Approval of the consolidated financial statements by the Board of Governors	To be approved

b. Key issues for discussion

Discussion item	Summary	For further reference
Significant audit, accounting and financial reporting matters	• We discussed the following significant audit, accounting and financial reporting matters with management: - transition to PSAS - revenue recognition - completeness and accuracy of transactions recorded with related parties - employee future benefits payable - management override of controls	Page 3
Summary of unadjusted items	• As a result of our audit, we identified unadjusted items that decrease the deficit for the year by approximately $430,000 for the year ended December 31, 2011. • Our audit opinion also covers the December 31, 2010 comparative period. • Unadjusted and adjusted items relating to all periods, including disclosure exceptions or items not impacting the deficit for the year can be found in Appendix B. • In our opinion, the consolidated financial statements, taken as a whole, are free of material misstatement.	Appendix B
Fraud	• No instances of fraud were noted as part of our audit procedures. • We wish to reconfirm whether the Finance and Audit Committee is aware of any known, suspected or alleged incidents of fraud.	Page 9
Management representations	• Under Canadian Auditing Standards (CAS), we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.	Appendix C

2. Significant audit, accounting and financial reporting matters

Preparation of the consolidated financial statements requires management to select accounting policies, as well as make critical accounting estimates and disclosures that may involve significant judgment and measurement uncertainty. These matters can significantly impact the Board's reported results.

We are responsible for discussing with the Finance and Audit Committee our views about the significant qualitative aspects of the Board's accounting practices, including accounting policies, the accounting estimates, and financial statement disclosures in accordance with the requirements of Public Sector Accounting Standards (PSAS).

Our comments and views included in this report should only be taken in the context of the consolidated financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate. We are sharing our views with you to facilitate an open dialogue of these matters.

a. Year-end issues

Issue	Discussion
Transition to PSAS The Board determined that it is classified as an Other Government Organization and is therefore required to adopt PSAS in the current year. Significant measurement and disclosure differences between Canadian GAAP and PSAS needed to be identified and incorporated into the consolidated financial statements.	We concur that the Board should be classified as an Other Government Organization. We obtained management's diagnostic procedures which identified significant measurement and disclosure items and have assessed whether the consolidated financial statements are prepared in accordance with PSAS and whether disclosures are complete and accurate. Significant areas of accounting focus included: • Employee future benefits payable • Government assistance/transfers • Related party transactions • Transition elections and exemptions Please refer to section b) for further details on the Board's selection of accounting policies and exemptions taken under PSAS.

Issue	Discussion
Revenue recognition The Board has several significant revenue streams including (but not limited to): • Parking; • Building rentals and services; and • Admissions, midway, concessions, and casino. The Board has processes and controls in place to ensure that revenue is appropriately recognized and measured.	We have performed, where possible, tests of controls and analytical procedures in addition to detailed testing over each of the different revenue streams as follows: Parking: • Controls over the reconciliation of cash collected to amounts deposited for attended lots were tested with no exceptions noted. • Detailed testing over parking pass and pay and display lot revenues through reconciliations to third party service reports. Building rentals and services: • Controls over contract review were tested to ensure such rental agreements were approved by the appropriate level of management and in accordance with Board policy. No exceptions were noted. • Detailed testing over a sample of tenants and exhibitors to agree amounts recorded to their respective agreements and/or cash settlement. • Testing to ensure appropriate lease accounting for step rents and revenue recognition in accordance with PSAS. Admissions, midway, concessions, and casino: • Controls over the reconciliation of concessionaire payments received by third party manager to bank deposits. • Reconciliation of amounts recognized as midway and concession revenues managed by North American Midway Entertainment (NAME) to final settlement report. • Recalculation of concession revenue for a sample of concessionaires based on established agreements. • Reconciliation of amounts recognized as casino revenue to casino report and bank deposits. All exceptions and/or control recommendations have been included in Sections 3 and 5, respectively.
Completeness and accuracy of transactions recorded with related parties The Board engages in many transactions with the City of Toronto and its various Agencies, Boards, and Commissions (the City).	We have obtained and tested management's reconciliation of amounts due to/from the City. We have confirmed loan balances as well as amounts due to and from the City, and have investigated all significant reconciling items. However, as noted on page 1 of our report, we are awaiting the confirmation relating to the reserve balances that are disclosed in the notes to the consolidated financial statements. Any additional reconciling items not already examined will be further validated once received.

Issue	Discussion
Employee future benefits payable The Board sponsors a defined benefit plan, providing retirement and post-employment benefits to its employees, for which the City of Toronto funds the obligation.	We have obtained the actuarial report as of December 31, 2011 from the Board's external actuary, Buck Consultants. Using this report, we utilized our internal expert to assess the appropriateness of the assumptions and estimates used by the actuary in developing their conclusions. As noted on page 1 of our report, we are awaiting the final conclusions from our internal expert. In light of the conversion to PSAS, we performed additional procedures to ensure that appropriate discount rate was used and applied retroactively as well as ensured adjustments to the prior year-end and opening balances were accurate and appropriately recorded.
Management override of controls There is an inherent risk of misstatement due to management override of controls.	Using computer assisted auditing techniques, we have assessed significant and non-standard manual journal entries made in the year and selected a sample of items for testing to ensure that the entries represent valid and appropriately authorized transactions. No exceptions were noted as a result of this testing.

b. Exemptions taken under PSAS

The underlying principle of PS 2125, First-Time Adoption by Government Organizations, is the full and retrospective application of all PSAS sections and interpretations in force at the "reporting date" of the first PSAS financial statements. That is, the Board should use the standards in force at the end of the latest period covered by its first PSAS financial statements (December 31, 2011), in its PSAS opening balance sheet (January 1, 2010) and throughout all periods presented in its first PSAS financial statements.

PS 2125 contains optional exemptions from certain requirements that are available to first-time adopters. These are dealt with below.

Exemption	Impact	Our comments
Retirement and post-employment benefits (PS 3250 and PS 3255)	Accrued benefit obligations, post-employment benefits and compensated absences are determined by applying a discount rate with reference to the plan asset earnings or to the cost of borrowing. The retroactive application of the standard would require the Board to recalculate accrued benefit obligations, post-employment benefits and compensated absences at the time of transition to PSAS. As a first-time adopter, the Board may elect to delay application of the discount rate required by the standard until the date of its next actuarial valuation or within three years of the transition date to PSAS, whichever is sooner. A government organization also amortizes actuarial gains and losses to the liability or asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group. Retroactive application of this approach would require the Board to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAS into recognized and unrecognized portions. As a first-time adopter, the Board may elect to recognize all cumulative actuarial gains and losses as of the date of transition to PSAS directly in accumulated deficit. Actuarial gains and losses after the date of transition to PSAS are to be accounted for in accordance with sections PS 3250 and PS 3255.	The Board has not applied the discount rate exemption and has therefore recalculated the obligation retroactively using the discount rate required by PSAS. The Board has applied the exemption relating to actuarial gains and losses and has elected to recognize all cumulative actuarial gains and losses as of January 1, 2010 directly into accumulated deficit.
Impairment of tangible capital assets (PS 3150)	Section PS 3150 states the conditions when the write-down of a tangible capital asset should be accounted for. As a first-time adopter, the Board can choose to not comply with the requirements for those write-downs that were incurred prior to the date of transition to PSAS. If this exemption is used, the conditions for a write-down of a tangible capital asset are applied on a prospective basis from the date of transition. Alternatively, the Board may reassess all write downs on tangible capital assets taken prior to the date of transition based on the requirements of Section PS 3150.	The Board has applied this exemption and will apply the conditions for a write-down of tangible capital assets under Section PS 3150 for periods subsequent to January 1, 2010.

Exemption	Impact	Our comments
Business combinations (PS 2510)	A government organization accounts for its acquisitions by applying the purchase method. As a first-time adopter, the Board need not comply with those requirements for an acquisition that occurred prior to the date of transition to PSAS. If this exemption is used, the purchase method in Section PS 2510 is applied to acquisitions subsequent to the date of transition to PSAS. The Board must exclude from its opening balance sheet items recognized under Canadian GAAP that do not qualify for recognition as assets or liabilities under PSAS. However, a first-time adopter that restates an acquisition, incurred prior to the transition date, to comply with Section PS 2510, must restate all subsequent business combinations from the date of that acquisition.	The Board has applied this exemption and will apply Section PS 2510 for any acquisitions subsequent to January 1, 2010.

3. Summary of unadjusted and adjusted items

We have concluded that the consolidated financial statements taken as a whole are free of material misstatement and (pending the completion, to our satisfaction, of the outstanding matters identified in section 1), we are prepared to issue an unqualified opinion on the consolidated financial statements.

Our responsibility is to issue an opinion as to whether the consolidated financial statements are free of material misstatement.

Under CAS, we are required to communicate to you the unadjusted items and the effect that they may have on our opinion and to request that unadjusted items be corrected. As a result of our audit, we identified certain items and have discussed these with management, and management adjusted the consolidated financial statements to reflect certain of these items. Management has concluded that the remaining unadjusted items, which are summarized in Appendix B, are immaterial individually and in the aggregate.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. We did not identify any such items.

a. Unadjusted items

Total unadjusted items have a net effect of decreasing the deficit by approximately $430,000 for the year ended December 31, 2011 and are summarized in Appendix B.

The materiality level for December 31, 2011 was $900,000, with a threshold for reporting adjusted and unadjusted items in excess of $45,000. In addition, in the current year, our opinion also covers December 31, 2010 and presents the PSAS opening balance sheet date, January 1, 2010.

b. Adjusted items

A summary of adjustments made by the Board as part of the audit process is also included in Appendix B.

4. Other required communications

Canadian Auditing Standards requires that the external auditor communicate certain matters to the Finance and Audit Committee that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to you:

Matter to be communicated	**PwC's response**
Management's representations	• Under CAS, 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 C.
Significant deficiencies in internal control	• Recent changes to CAS require us to communicate to the Finance and Audit Committee internal control weaknesses identified as part of our audit that are considered to be significant deficiencies. • A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Finance and Audit Committee. • We did not note any significant deficiencies in internal controls; however, refer to Section 5 for a summary of our findings and recommendations.
Significant difficulties or disagreements that occurred during the audit	• No difficulties or disagreements occurred while performing our audit that require the attention of the Finance and Audit Committee.
Fraud and illegal acts	• No fraud involving senior management, employees with a significant role in internal control or that would cause a material misstatement of the consolidated financial statements, came to our attention as a result of our audit procedures

5. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the consolidated financial statements. The audit included consideration of internal control relevant to the preparation of the consolidated 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 internal control.

During our audit, we identified the following control recommendations that we have discussed with management and wish to bring to your attention.

Current year recommendations

Item	Recommendation	Management's response
Unrestricted access to staff members As part of our assessment over IT general controls, it was noted that members of the Finance department were granted "poweruser" roles which allowed them access to all areas in Great Plains (including payroll).	As a best practice, PwC recommends the following: • A specific role (access profile) be given to each employee to ensure segregation of duties. • In particular, access to the Payroll module should be restricted to only those who need to access the Payroll module. • Management level staff should have read-only access. • If needed, only one member of finance should be granted access.	Microsoft Great Plains has templates for various roles. Given the nature of Exhibition Place business, the staff may have tasks that overlap with these pre-packaged roles. Poweruser status is only provided over the payroll accounting for time entry and not to the actual posting of payroll to the Board's payroll service provider, ADP. Only approved time entry batches can be posted to ADP by the Payroll Manager and only payroll staff have control over final posting to ADP. The information in the payroll module is used for job costing of shows so individuals were granted access to payroll module. This approach was also taken to reduce downtime when a staff member is away, which can occur due to the small payroll team. Compensating controls are in place to mitigate risk primarily through detailed review of accounts against budgets and historical information. It should be noted that a change in user's permissions for a particular item may affect their ability to update information that IT staff are not aware of (i.e. restriction in a particular field or table may prevent updates in some of the over 800 back-end system tables in Great Plains. Absolute documentation of all the fields, tables and permission settings are not readily available in Great Plains to guarantee a change or restriction does not impact other accounting or reporting functions. Despite many of the challenges discussed above, management has made an overall

Item	Recommendation	Management's response
		effort to restrict employee access to only the modules and tables needed for their respective job role. Employees in the accounting function have had their access to the payroll module removed and management is finalizing the process of implementing additional controls over preventing cheque writing ability for the employees in the payroll function.

Update on fiscal 2010 recommendations

Item	Recommendation	Management's response
IT Data Backup During our testing of the Board's IT general controls, it was noted that while data is backed up regularly, the restoration of such data is not tested regularly. Hence, if a disaster were to occur, there is a risk that data could not be appropriately restored and lost as a result.	We recommend that the Board implement a policy to ensure that there is a schedule in place to periodically test the restoration of backup data.	Management agrees with this recommendation and has noted that this has already been put in place and tested for the current year.
2011 Update In testing the Board's IT general controls for 2011, we noted that management implemented a policy during the year to ensure data is backed up and also noted that the procedures was tested in the year. This control point is therefore deemed remediated and will not be carried forward.		

Item	Recommendation	Management's response
Data entry of time sheets As part of our review over payroll controls, it was noted that time sheets are input by the payroll clerk and the total hours are reconciled by another individual. However, during our testing we noted that an input error occurred whereby the hours were inputted on a wrong line which caused the employee to be paid at the wrong rate. As a result, there is an increased risk of inaccurate payments to employees and/or incorrect payroll expenses being recorded.	We recommend that an individual with more seniority than the payroll clerk entering the time sheet data, review the inputs to ensure complete and accurate data entry.	Hourly payroll input is reviewed by another staff member to ensure that hours are reconciled to the time sheet; however, due to volume, the number of union agreements and different job rates, the classification of rates is only verified on a sample basis. Going forward, management will increase the sample size in their review. There are also mitigating controls in place whereby management review the payroll registers for hourly and salaried employees on a periodic basis.

Item	Recommendation	Management's response
2011 Update While there have been no changes to the design of controls in place for fiscal 2011, we did not note any errors or exceptions as part of our current year testing. This control point is therefore deemed remediated and will not be carried forward.		

Item	Recommendation	Management's response
Review of census data submitted to actuary As part of our testing over the census data provided to Buck Consultants, it was noted that there were discrepancies in the data provided to Buck and the data returned to management. Differences in data can result in incorrect assumptions used by the actuary and hence a misstated employee future benefits payable.	We recommend that management check, on a sample basis, the data returned to them from Buck to ensure that the data used is accurate and matches that which was provided to them. It was noted through discussions with management that a check is performed to ensure the headcount matches to what was submitted (completeness); however, the accuracy of certain data (such as hire dates, salaries, or birth dates) should also be performed to ensure accuracy.	Management will consider this recommendation for future periods.
2011 Update A full actuarial valuation is only performed every 3 years, and no new census data was submitted to the actuary for fiscal 2011. We will revisit this control recommendation for fiscal 2012, when census data will be submitted and tested for the 2012 actuarial valuation.		

Item	Recommendation	Management's response
Management oversight of financial processes managed by third parties The Board utilizes the services of a variety of third parties to manage various aspects of their operations. More notably, Maple Leafs Sports and Entertainment (MLSE) manages the operations of BMO Field on behalf of the Board. While management does perform some checks over the operations of BMO Field (through discussions of management reports, and site visits to view operating activities), random checks into the financial management of the field should be undertaken.	We recommend that the Board periodically review BMO Field to ensure that their financial and accounting practices coincide with the Board's policies and that MLSE is maintaining complete and accurate information.	Management believes that sufficient oversight is provided through periodic walkthroughs and the review of the budget, monthly financial reports and financial analysis of key areas, and analytical comparisons to prior year results. On the expenditure side, BMO Field receives payroll services directly from the Board, which forms a major portion of the expenditures; other major expenditures are contractual in nature and the Board is privy to such agreements and ensures to that they are properly reflected within the consolidated financial statements.
2011 Update There are no updates to provide on this recommendation.		

Item	Recommendation	Management's response
Contract Maintenance While reviewing the Board's lease agreements, it was noted that that Board was continuing to operate under one arrangement with MLSE for use of certain space in the Ricoh west annex whereby the initial annual term had expired and had not been renewed. This poses a legal risk, as without a binding agreement, the Board may not able to enforce the terms of the agreement should the tenant not perform in accordance with the terms of the agreement or should any issues arise that would require legal action.	We recommend that management maintain a listing of all contracts and commitments that are open and track upcoming expirations to ensure that such agreements are renewed on a timely basis.	Management will look into this recommendation for future periods. A comprehensive listing of all leases is currently maintained by both the Corporate Secretary and the Finance department. The annual renewal letter for the continued use of this space was signed by MLSE on March 14, 2011. Management will ensure this arrangement is finalized on an annual basis prior to year-end.
2011 Update In the current year, there were no exceptions noted as a result of our contract review. Furthermore, the MLSE lease agreement for Ricoh west annex was finalized and signed for both the 2011 and 2012 years. This control point is therefore deemed remediated and will not be carried forward.		

Item	Recommendation	Management's response
Daily casino cash reconciliation During our testing over the daily cash reconciliation for the CNE's annual casino, it was noted that there was one deposit where there was a difference between the expected cash deposit per the casino report and the actual amount deposited into the bank which was not detected or investigated by management. Given that much of the revenue is cash-based, there is a higher risk of misappropriation if timely review and follow up of reconciling items does not occur.	We recommend that management enforce the review of the daily reconciliation reports and provide evidence of such review and, where necessary, the appropriate follow up of differences by way of a signature on the reconciliation.	We discussed this item with management who agree that it is important to ensure that the bank deposit and casino sales report are in agreement, reconciled and investigated for differences to detect any potential misappropriation.
2011 Update We did not note any differences in the daily casino cash reconciliations for fiscal 2011 and noted that all reconciliations in the year were appropriately reviewed. This control point is therefore deemed remediated and will not be carried forward.		

6.2011 audit fees

We previously communicated our estimated fees to you when we presented our audit plan on December 14, 2011.

The following is a summary of our fees for 2011 (exclusive of taxes and out-of-pocket expenses).

Service description	Actual fees 2011 $	Estimated fees 2011 (per audit plan) $
Audit of the consolidated financial statements of the Board of Governors of Exhibition Place	37,530	37,530
Ricoh Coliseum – audit of schedule of fixed operating costs for additional rents payable	7,000	7,000
Consultation on PSAS transition*	6,420	-
Total audit and audit related services	**50,950**	**44,530**

* This amount is in the process of being finalized and approved by management.

Appendix A: Draft financial statements

Appendix B: Summary of unadjusted and adjusted items

APPENDIX B - SUMMARY OF UNADJUSTED ITEMS

		BALANCE SHEET - Debit (Credit)				DEFICIT
SUM #	Description	Financial Assets	Non-financial Assets	Financial Liabilities	Accumulated Deficit	Deficit
1	Reversal of various historical accruals carried forward for greater than 5 years.			429,564		(429,564)
	Total current year unadjusted items	-		429,564	-	(429,564)

APPENDIX B - SUMMARY OF ADJUSTED ITEMS

		BALANCE SHEET - Debit (Credit)				DEFICIT
SAM #	**Description**	**Financial Assets**	**Non-financial Assets**	**Financial Liabilities**	**Accumulated Deficit**	**Deficit**
1	Correction of error in gross reporting of service revenue/expenses (double counted)					
	DR: Sales of Services (Exhibition Place)					1,791,387
	CR: Cost of Services (Exhibition Place)					(1,791,387)
2	Gross reporting of BMO Field revenue and cost recoveries from third parties					
	DR: Revenue (BMO Field)					(1,824,855)
	CR: Expenses (BMO Field)					1,824,855
3	Gross reporting of BMO Field suite rental revenue and royalty expense					
	DR: Revenue (BMO Field)					(560,832)
	CR: Expenses (BMO Field)					560,832
4	Reclass of credit balance in rent receivable to deferred revenue	1,033,719		(1,033,719)		
	Total current year adjusted items	1,033,719		(1,033,719)	-	-

Appendix C: Draft management representation letter

[Client Letterhead]

[Date]

PricewaterhouseCoopers LLP
North American Centre
5700 Yonge Street, Suite 1900
North York, Ontario
M2M 4K7

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of the Board of Governors of Exhibition Place and its subsidiaries (together the Board) as of December 31, 2011 and December 31, 2010 and for the years then ended (the financial statements) for the purpose of expressing an opinion as to whether such consolidated financial statements present fairly, in all material respects, the financial position, the results of operations and the cash flows 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 dated November 1, 2010. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards;
- We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 in accordance with Canadian public sector accounting standards;
- 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 consolidated financial statements.

We confirm the following representations:

Preparation of consolidated financial statements
The consolidated 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 we are subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the consolidated 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 consolidated 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 an operations account and vice versa. All consolidating entries have been properly recorded. All inter-governmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the consolidated financial statements.

Accounting policies
We confirm that we have reviewed our 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 consolidated financial statements is appropriate in our 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.

Internal controls over financial reporting
We have designed disclosure controls and procedures to provide reasonable assurance that material information relating to us 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 consolidated financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have not identified any deficiency in the design or operation of disclosure controls and procedures and internal control over financial reporting identified as part of our assessment as of December 31, 2011.

Disclosure of information
We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
    - Contracts and related data;
    - Information regarding significant transactions and arrangements that are outside of the normal course of business;
    - Minutes of the meetings of management, directors and committees of directors;
- 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.

Completeness of transactions
All contractual arrangements entered into by us 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 consolidated financial statements in the event of non-compliance.

Fraud
We have disclosed to you:

- The results of our assessment of the risk that the consolidated 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 us 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 consolidated financial statements, communicated by employees, former employees, analysts, regulators or others.

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

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

Accounting estimates and fair value measurements
Significant assumptions used by us 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 our 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 The Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook Section PS 2130, Measurement Uncertainty have been appropriately disclosed.

Related parties
We confirm the completeness of information provided to you regarding the identification of related parties as defined by CAS 550 – Related Parties. We also confirm the completeness of information provided to you regarding the nature of our relationships with and transactions involving those entities.

The list of related parties attached to this letter as Appendix B accurately and completely describes our 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 consolidated 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 our assets and assets pledged as collateral, to the extent material, have been disclosed in the consolidated financial statements.

Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position dates and is not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

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, have been disclosed to you and are appropriately reflected in the financial statements.

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 of which we are aware are included in the consolidated financial statements at December 31, 2011**.**

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

Amounts receivable are considered to be fully collectible, except to the extent for which full allowance has been made in the accounts.

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

Tangible capital assets
All charges to tangible capital asset accounts represented the actual cost of additions to tangible capital assets.

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.

All lease agreements covering assets leased by or from the Board have been disclosed to you and classified as leased tangible capital assets or operating leases.

Leased tangible capital assets are being amortized on a systematic basis over the period of expected use.

There have been no events, conditions or changes in circumstances that indicate that a tangible capital asset no longer contributes to the Board's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of the Board's long-lived tangible capital assets is fully recoverable in accordance with PS 3150.

Deferred revenue
All material amounts of deferred revenue meet the definition of a liability and 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 the date of the last actuarial valuation, have been identified to you.

The actuarial valuation completed as of December 31, 2009 incorporates management's best estimates, detailed as follows:

- post-retirement health benefits have are covered to age 65; post age 65 coverage for non-union grandfathered employees only are 100% employer paid
- post-retirement drugs are covered to age 65 which is 100% employer paid
- post-retirement dental is covered to age 65; post age 65 for non-union grandfathered employees only are 100% employer paid
- post-retirement life is 2 times the final earnings pre-age 65 and $5,000 post age 65
- cumulative sick leave benefits are paid out 50% at termination, death or retirement to a maximum of 3 months for 10-14 years of service, 4 months for 15-19 months of service, 5 months for 20-24 months of service, and 6 months for 25 or more years service
- the Association continues to pay life, health, and dental premiums for disabled employees on long-term disability to age 65
- the City is liable for future WSIB claims
- 190 employees under the plan, of which 167 are active, 20 are retired, and 3 are on long-term disability

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 fund'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 fund assets.

The Board's actuaries have been provided with all information required to complete their valuation as at December 31, 2009 and their extrapolation to December 31, 2011. We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

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

- The significant accounting policies that the Board has adopted in applying PS 3250 and PS 3255 are accurately and completely disclosed in the notes to the consolidated 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 rates at the measurement date on high-quality debt

instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

- The assumptions included in the actuarial valuation are those that management instructed Buck Consultants 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 consolidated financial statements, in accordance with PS 3250.
- In arriving at these assumptions, management has obtained the advice of Buck Consultants who assisted in reaching best estimates, but 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 and 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.

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

Government transfers
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 period 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 PS 3200, Liabilities.

The major kinds of transfers recognized have all been disclosed in the consolidated 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 consolidated financial statements which is relevant to the users of consolidated financial statements. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results.

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 consolidated financial statements are free of material misstatements, including omissions.

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

The adjusted misstatements identified during your audit and summarized in the attached table (Appendix A) have been approved by us and adjusted 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 consolidated financial statements, and have effected such adjustment or disclosure.

Yours very truly,

Board of Governors of Exhibition Place

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Dianne Young, Chief Executive Office

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Hardat Persaud, Chief Financial Officer

Appendix D: Independence letter

April 27, 2012

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

Dear Members of the Finance and Audit Committee:

We have been engaged to audit the consolidated financial statements of Board of Governors of Exhibition Place (the Board) for the year ended December 31, 2011.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Board, its management and us that 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 Institute of Chartered Accountants of Ontario and applicable legislation covering such matters as:

a. holding a financial interest, either directly or indirectly, in a client;
b. serving as an officer or director of a client;
c. performance of management functions for an assurance client;
d. personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or its management;
e. economic dependence on a client;
f. long association of senior personnel with a listed entity audit client;
g. finance and audit committee approval of services to a listed entity audit client; and
h. provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 20, 2011, the date of our last letter.

We are not aware of any relationships between the Board or its management and PricewaterhouseCoopers LLP that may reasonably be thought to bear on our independence that have occurred from April 20, 2011 to April 27, 2012.

We hereby confirm that we are independent with respect to the Board within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 27, 2012.

This report is intended solely for the use of the Finance and Audit Committee, the Board of Directors, management and others within the Board and should not be used for any other purpose.

PricewaterhouseCoopers LLP, Chartered Accountants
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: +1 416 218 1500, F: +1 416 218 1499, www.pwc.com/ca

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

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on May 7, 2012.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants