May 5, 2008

Board of Directors
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Dear Members of the Board:

Re: Internal control findings from the 2007 audit

Receiving observations and findings on your financial reporting processes and controls is one of the benefits of an annual financial statement audit. Grant Thornton LLP implemented new processes and technology to address the changing standards of conducting a financial statement audit. This approach includes an increased emphasis on internal control.

Our audit is planned and conducted to enable us to express an audit opinion on the annual financial statements. The matter dealt within this letter came to our attention during the conduct of our normal examination, and as a result, this letter does not necessarily include all matters that would be uncovered through a more extensive or special engagement.

The standards of the public accounting profession require us to report annually to you our findings on certain weaknesses and deficiencies in your internal controls. We have categorized our finding as follows:

- **Material weakness** (individual or aggregated deficiencies that could result in a material misstatement in the financial statements due to fraud or error)
- **Significant deficiencies**
- **Other deficiencies and advisory comments**

Significant Deficiencies

1. Segregation of Duties

In an ideal internal control environment, there are certain accounting functions that should not be performed by the same person. For example the same individual should not initiate a purchase, authorize the same purchase and then sign the cheque. By segregating certain functions, a control environment is created that minimizes the risk of misstatements from fraud or error.

As is similar with many small organizations, limited resources restrict the Community Centre's ability to segregate each function to the appropriate extent. The Centre has implemented monitoring controls to compensate for the lack of a proper segregation of duties. The effectiveness of these monitoring controls depends on the timeliness of the review, the level of inquiry and the information reviewed. The Centre should continue to review the monitoring controls to ensure that:

- the reviews are completed on a timely basis;
- the information being reviewed is appropriate; and
- appropriate staff are completing the monitoring function.

> Management response:
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> Clearly in any organization where the number of staff is limited, the ability to segregate duties is a challenge. McCormick Arena has attempted to address this matter by adding a day-staff member to assist with administrative duties. When cash is received, if the manager has received it, the admin assistant does the banking, and vice-versa. Cash receipts are the main area where internal controls are important. Most contracts are paid by cheque or Visa and cash receipts are not large amounts.

Other Deficiencies and Advisory Comments

1. Accounts Receivable:

We noted that an aged accounts receivable list is not printed or reviewed on a timely basis and that some amounts are outstanding for more than 120 days. Consider including the accounts receivable list as part of the monthly financial reporting package and reviewing it for any uncollectible amounts.

> Management response:
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> Each month the manager does prepare a detailed aged listing of Accounts Receivable and includes it with the financial statement package. In our monthly management meetings, the listing is reviewed by the Board and any "old" items are queried. There has been no history of bad debts, and any overdue items are from long-standing customers usually, and have always been successfully collected.

2. Variance Analysis

We noted that no variance analysis is done between actual and budget. Consider doing a variance analysis with explanations of all significant variances.

Management response:
McCormick Arena operates a "seasonal" business with the summer months being obviously less busy than the winter. The types of fluctuations in income and expenses are to be expected and usual. In the monthly Board of Management meetings, all income and expense items are reviewed and any queries are addressed by the manager.

It is management's responsibility to weigh the cost of implementing controls against the benefits that the controls will achieve. The purpose of this letter is to provide you with the information related to the identified risks to so that you can make the necessary decisions.

The matters discussed herein are those that have been noted as of February 14, 2008, and we have not updated our procedures regarding these matters to the current date. In addition, this communication is prepared solely for the information of management and is not intended for any other purposes; we accept no responsibility to a third party who uses this communication.

To complete our files, please provide us with a copy of your response to our comments in the space provided.

Should you require any further information or explanations, please contact us.

Yours sincerely,
Grant Thornton LLP

Grant Thornton LLP

Allister Byrne, FCA
Partner

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