



April 29, 2008

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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:

We are pleased to report that the Centre continues to review the monitoring controls noted on a regular basis to compensate for the lack of segregation of duties given the size of our organization and the restrictions stemming from limited resources. A full list of control measures that are implemented at our Centre are documented in the system notes of our operations, which are reviewed annually with Grant Thornton staff at the time of audit field work.

Please be assured that the Board is committed to effective oversight of the Centre operations to ensure that appropriate and workable fiscal controls are and will continue to be in place.

### **Other deficiencies and Advisory Comments**

*1. Financial reporting package*

Due to human resource constraints, the Centre relies extensively on monitoring controls. The Centre's Board should periodically review the critical processes of the Centre to ensure that the monthly reporting package contains the proper information to allow the Board to effectively perform their monitoring function. The monthly reporting package can include certain information on a rotational basis to compensate for the limited human resources.

The Centre's monthly Board package should include certifications from management as to monitoring and reporting activities. This will confirm that critical processes were completed in the preparation of the monthly reporting package.

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 so that you can make the necessary decisions.

The matters discussed herein are those that have been noted as of April 7, 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



Allister Byrne, FCA  
Partner