The St. Lawrence Centre for the Arts

Audit Results – 31 December 2008

Report to the Finance Committee of the Board of Directors

Ernst & Young
Quality In Everything We Do

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April 3, 2009

Members of the Finance Committee
of the Board of Directors
of St. Lawrence Centre for the Arts

We are pleased to present the results of our audit of the financial statements of St. Lawrence Centre for the Arts (the "Centre" or the "organization").
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This report to the Finance 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 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 Committee, the Board of Directors, 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 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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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
Related Party Transactions	• The Centre has amounts due from and payable to the City of Toronto (the "City") as well as a loan from the City bearing interest at 5%. The majority of the transactions are related to financing obtained through the City's loan for the Centre's renovations, maintenance and utility charges.	• We have confirmed all year-end balances with the City and, as such, have concluded that all balances with the City have been appropriately reflected in the accounts of the Centre for 2008.
Advance Ticket Sales	• Our procedures around advance ticket sales indicated that the Centre has netted receivables owing from licensees of $97,239 [2007 - $90,355] against advance ticket sales for future performances. • It is our understanding that advance ticket sales are payable to the patrons until such time as the performance to which they pertain to has occurred. Once the performance has occurred, these are payable to the licensee.	• Given that these financial assets and liabilities are owing to/from different parties, they should not be offset against one another. Receivable from licensees in the amount of $97,239 [2007 - $90,355] should be reclassified from advance ticket sales to accounts receivable. • We recorded these amounts on the Summary of Audit Differences. Management has agreed to and recorded the adjustments.
Box Office System	• The Centre purchased a new box office system in the final quarter of 2008 through capital contributions. • The box office system was not put to use until February 2009, however this system was being amortized in 2008. • The Centre incurred installation costs for the system in 2008 for which the invoice was not received until January 2009. These costs were not accrued by the Centre.	• As the box office was not put in use during 2008, we have included on the Summary of Audit Differences $4,640, which represents amortization of capital assets and deferred capital contributions, which should not have been recorded. • We have also included in the Summary of Audit Differences $10,169 as an understatement of capital and installation costs. • Management has agreed to and recorded both adjustments.
Payroll Accruals	• We understand that the Centre changed payroll service providers commencing the first payroll in 2009. • The new service provider withdrew funds from the Centre's bank account on December 30th, 2008. These funds were recorded as debit balances in accrued liabilities.	• As $8,376 was drawn from the bank account in advance of the first payroll in 2009, the amount should have been recorded as a prepaid expense rather than a charge to accrued liabilities. We have included this amount in the Summary of Audit Differences.

Item	Description	Audit Results and Comments
Payroll Accruals (continued)	• The old service provider owed funds to the Centre due to an input error in which excess funds were withdrawn from the Centre's account in 2008. This was recorded as a debit to accrued liabilities.	• We recommended that $3,213 relating to funds owing from the previous payroll service provider be reclassified to accounts receivable. • Management has agreed to and recorded both adjustments.
Benefit Payments	• As part of our audit procedures performed on accrued liabilities, we noted that benefit payments for the month of November for which the invoice was not received until January 2009 were neither accrued as a liability nor expensed by the Centre.	• We have included on the Summary of Audit Differences $1,948 as an understatement of liabilities and expenses. See Summary of Audit Differences" section.
Changes to Accounting Policies	• Note 2 sets out details of the changes in accounting policies related to CICA 1535: Capital Disclosures and CICA 4400 related to the elimination of the requirement to separately disclose the amount of net assets invested in capital assets. • Note 13 sets out the required disclosures resulting from the adoption of recommendations related to Capital Disclosures.	• We concur with the accounting for and disclosures related to the new accounting standards.
	• Note 2 also sets out new rules that are effective for fiscal 2009 and will be adopted by the Centre next year. These changes will require some additional disclosures in the notes to next year's financial statements.	• We concur with the disclosures related to the new rules not yet adopted.
Changes to the 2008 Financial Statements	The significant changes to the financial statements not addressed elsewhere are as follows: • Details of net assets invested in capital assets were eliminated from notes 4 and 8. • Note 2, Financial Instruments, makes reference to the fact that the Centre has chosen to continue to apply the financial instruments section related to disclosures and presentations adopted last year, rather than adopting CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation.	• We concur with the changes to the financial statements.

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) Net Assets/Excess of Revenue over Expenses	
	2008	**2007**
	$	$
Unrecorded Audit Differences		
Understatement of benefits expense	(1,948)	—
Total Unadjusted Audit Differences in Revenues over expenses before Turnaround Effect of Prior Year Differences	(1,948)	—
Turnaround Effect of Prior Year Differences in Excess of Revenues over expenses	—	
Total Unadjusted Audit Differences in Excess of Revenue over Expenses	(1,948)	

Required Communications

Generally accepted auditing standards in Canada require the auditor to communicate certain matters to the Finance Committee 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 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 April 3, 2009, upon approval of the financial statements by the Board of Directors and completion of certain outstanding procedures. The following procedures are outstanding: ▪ confirmation from the Finance Committee that there are no areas of concern that have not been addressed in this document; ▪ investment confirmation; ▪ management representation letter; and ▪ final procedures relating to the draft of the financial statements and footnotes.
Changes to Audit Approach Outlined in Planning Document	
In our planning document, we indicated that we would follow a substantive audit approach in all aspects of the audit.	There were no changes to the audit approach outlined in the planning document.
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 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 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.

Required Communications (continued)

Area	Comments
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 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 are likely to be significantly different from the estimates.
Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas	
We determine that the Finance 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 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.	Refer to "Items of Audit Significance Discussed with Management" section for details on recorded adjustments.
We inform the Finance Committee about unrecorded audit differences accumulated by us 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 details on unrecorded amounts.
Disagreements with Management	None.
Serious Difficulties Encountered in Dealing with Management when Performing the Audit	None.

Required Communications (continued)

Area	Comments
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.
Fraud and Illegal Acts	
We report to the Finance 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 Committee related to fraud, including both (1) their views about the risks of fraud, and (2) their knowledge of any actual or suspected fraud.	We would request that the Finance 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 organization.
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 Finance Committee.	Related party amounts are with respect to the City of Toronto. This is disclosed within the financial statements. The City's transactions are conducted in the normal course of operations.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	None.

Area	Comments
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 Finance 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).	None of which we are aware.
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	None.
Fees	• A summary of our fees is included below for your reference.

	2008 $	2007 $
Annual audit fees	19,050	10,000
Other audit related fees	TBD	5,775
Non-audit related fees – Commodity tax	—	4,725

- 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.
- We are in the process of discussing with management additional fees related to assistance with financial statements disclosures. These fees will be agreed with management prior to billing.

Independence Letter

April 3, 2009

Members of the Finance Committee
of the Board of Directors
of The St. Lawrence Centre for the Arts

We have been engaged to audit the financial statements of St. Lawrence Centre for the Arts 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 May 12, 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 the date of our last letter.

Canadian generally accepted auditing standards require that we confirm our independence to the Finance Committee 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 April 3, 2009.

The total fees charged to the organization during this period are set out in the 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 Committee of the Board of Directors, management, and others within the Centre (ultimately the City of Toronto) and should not be used for any other purposes.

Yours truly,

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

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