



The North York Performing Arts Centre Corporation
(Operating as “The Toronto Centre for the Arts”)

Audit Results - Year Ended December 31, 2009
Report to the Audit Committee of the Board of Directors



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Members of the Audit Committee
of the Board of Directors of
The North York Performing Arts Centre Corporation

19 March 2010

Dear Members of the Audit Committee,

We are pleased to present the results of our audit of the financial statements of The North York Performing Arts Centre Corporation (the "Centre" or the "organization").

This report to the Audit Committee summarizes 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, 2009 financial statements of the organization. In planning the audit, we held discussions with management, considered current and emerging business risk, 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 Audit Committee, the Board of Directors and management, 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 2009 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 Audit Committee in fulfilling its responsibilities.

We are looking forward to meeting 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,

Mark Barrett, Partner / Ann Chan, Manager
(905) 882-3168 / (905) 882-3053

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	<ul style="list-style-type: none"> • The Centre has a net receivable from the City of Toronto ["City"]. The majority of the transactions with the City during the year relate to regular grant funding for operations and Capital Maintenance Reserve Fund charges. In addition, the Centre has a loan payable to the City. 	<ul style="list-style-type: none"> • 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 2009.
License Agreement	<ul style="list-style-type: none"> • The original contract granted the licensee exclusive rights to the Centre's Main Stage Theatre to host performances of the "Jersey Boys" from August 4, 2008 to January 11, 2009, which was extended for an indefinite period of time through an amendment executed on January 9, 2009. • Commencing in fiscal 2009, the Centre is obligated to pay or credit to the licensee certain rebates based on the number of performance days and revenue. • Revenue from the licensee represents 71% of total revenue from operations. 	<ul style="list-style-type: none"> • We concur with management's accounting for and disclosures relating to the license agreement.
Livent Lawsuit	<ul style="list-style-type: none"> • An amount of \$32,000 is included in deferred revenue, representing the remaining funds provided to the Centre by the City for legal costs related to the Livent lawsuit. 	<ul style="list-style-type: none"> • Discussion with the City should be considered concerning the elimination of this balance.

Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Canadian Song Writers Hall of Fame ("CSHF")	<ul style="list-style-type: none"> • The Centre entered into a memorandum of understanding with CSHF on November 30, 2009 to pursue mutually approved initiatives. • These initiatives include, but are not limited to, the development and operation of a hall of fame exhibition in the Centre's lobby space and the hosting of a specified minimum number of CSHF events in each of fiscal years 2010, 2011 and 2012. The Centre will make contribution payments for each event hosted up to a maximum number of events each year. • A \$100,000 contribution was paid to CHSF to terminate its existing tenancy and relocate to the Centre. This has been expensed in other operating expenses for the year. 	<ul style="list-style-type: none"> • We concur with managements accounting treatment relating to these transactions.
Future accounting policy changes	<ul style="list-style-type: none"> • Note 2 to the financial statements sets out new rules that will apply for future periods. 	<ul style="list-style-type: none"> • We concur with the disclosures related to the new rules not yet adopted.

Required Communications

Generally accepted auditing standards in Canada require the auditor to communicate certain matters to the Audit 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
<p>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</p> <p>As set out in the planning document presented to the Audit Committee, we designed our audit to express an opinion on your organization's financial statements.</p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with Canadian generally accepted auditing standards which provides for reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.</p> <p>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.</p>	<p>We anticipate issuing an unqualified audit opinion dated March 12, 2010 upon approval of the financial statements by the Board of Directors and completion of certain outstanding procedures. The following procedures are outstanding:</p> <ul style="list-style-type: none">• Confirmation from the Audit Committee that there are no areas of concern that have not been addressed in this document;• Legal confirmations;• Confirmation from the licensee regarding the completeness of the rebates recorded in the financial statements.• Letter of management representation; and• Final procedures relating to the draft of the financial statements and footnotes;
<p>Changes to Audit Approach Outlined in Planning Document</p> <p>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 where controls will be relied upon.</p>	<p>There were no changes to the audit approach outlined in the planning document.</p>

Required Communications (continued)

Area	Comments
<p data-bbox="280 375 1086 446">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</p> <p data-bbox="280 454 1086 614">We determine that the 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.</p> <p data-bbox="280 622 1086 837">In addition, we report to the 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.</p>	<p data-bbox="1086 454 1948 486">There were no changes to significant accounting policies.</p> <p data-bbox="1086 534 1948 598">We had no discussions with management regarding material alternative accounting treatments</p>

Required Communications (continued)

Area	Comments
Our Judgments About the Quality of the Organization's Accounting Principles	
We discuss our judgments about the quality, not just acceptability, of the accounting principles as applied in the organization's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.	We believe the quality of accounting policies disclosed in the financial statements as applied in the financial reporting, the consistency of their application, and the understandability and completeness of the financial statements are reasonable in relation to industry practice.
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.	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.
We determine that the 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.	
Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas	
We determine that the 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.

Required Communications (continued)

Area	Comments
<p>Significant Audit Adjustments and Unrecorded Audit Differences Considered by Management to be Immaterial</p> <p>We provide the 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.</p> <p>We inform the 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.</p>	<p>There was one recorded audit adjustment in the amount of approximately \$7,000. There were no unrecorded audit differences.</p>
<p>Disagreements with Management</p>	<p>None.</p>
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</p>	<p>None.</p>
<p>Significant Weaknesses in Internal Controls</p> <p>We communicate all significant weaknesses in internal control over financial reporting that may have been identified during the course of our audit.</p>	<p>No significant weaknesses in internal control were identified.</p>
<p>Fraud and Illegal Acts</p> <p>We report to the 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.</p> <p>We are also required to make inquiries of the Audit Committee related to fraud, including both (1) their views about the risks of fraud, and (2) their knowledge of any actual or suspected fraud.</p>	<p>We are not aware of any matters that require communication.</p> <p>We would request that the 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.</p>

Required Communications (continued)

Area	Comments
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 Centre containing 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. 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.
Auditors' Independence Canadian generally accepted auditing standards 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.

Required Communications (continued)

Area	Comments																						
Fees	<ul style="list-style-type: none"> A summary of our fees is included below for your reference. <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: right;">2009</th> <th style="text-align: right;">2008</th> </tr> <tr> <th></th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Annual audit fees</td> <td style="text-align: right;">19,050</td> <td style="text-align: right;">19,050</td> </tr> <tr> <td>Other audit related fees:</td> <td></td> <td></td> </tr> <tr> <td> Additional procedures on the art collection</td> <td style="text-align: right;">900</td> <td style="text-align: right;">—</td> </tr> <tr> <td> Accounting treatment of legal fees for license agreement</td> <td style="text-align: right;">—</td> <td style="text-align: right;">1,850</td> </tr> <tr> <td> Accounting for license agreement and related disclosures</td> <td style="text-align: right;">—</td> <td style="text-align: right;">6,500</td> </tr> </tbody> </table> Annual fees for 2009 are inclusive of expenses and plus GST. This is the second 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. The other audit related fee was discussed and agreed with Pim Schotanus. 			2009	2008		\$	\$	Annual audit fees	19,050	19,050	Other audit related fees:			Additional procedures on the art collection	900	—	Accounting treatment of legal fees for license agreement	—	1,850	Accounting for license agreement and related disclosures	—	6,500
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Independence Letter

Members of the Audit Committee
of the Board of Directors
of The North York Performing Arts Centre Corporation

19 March 2010

We have been engaged to audit the financial statements of The North York Performing Arts Centre Corporation (the "Centre" or "Organization") for the year ended December 31, 2009.

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 March 16, 2009, 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 March 16, 2009, the date of our last letter.

Canadian generally accepted auditing standards require that we confirm our independence to the Audit 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 March 19, 2010.

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 Audit Committee of the Board of Directors, management, and others within the Organization (ultimately the City of Toronto) and should not be used for any other purposes.

Yours truly,

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants