



# **The St. Lawrence Centre for the Arts**

**Audit Results - Year Ended 31 December 2009**



**Ernst & Young LLP**  
**Chartered Accountants**  
Ernst & Young Tower  
222 Bay Street, P.O. Box 251  
Toronto, Ontario M5K 1J7  
Tel: 416 864 1234  
Fax: 416 864 1174  
ey.com/ca

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

19 April 2010

Dear Members of the Finance Committee

We are pleased to present the results of our audit of the financial statements of The St. Lawrence Centre for the Arts (the "Centre" or the "Organization").

This report to the Finance 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 Centre. 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 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 Finance 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,

*Ernst & Young LLP*  
**Chartered Accountants**  
**Licensed Public Accountants**

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
<b>Working Capital Deficiency</b>	<ul style="list-style-type: none"> <li>• At December 31, 2009, there is a working capital deficiency of approximately \$543,000. Included in current liabilities are trade payables to the City of Toronto [the "City"] of approximately \$294,000 and a loan from the City for approximately \$224,000.</li> <li>• Management has indicated that they will recover approximately \$136,000 from the 2010 ticket surcharges to cover the 2009 capital funding shortfall.</li> <li>• The loan to the City is due on December 31, 2010.</li> <li>• Management has submitted a request to City management for approval of an extension of the loan to be repaid December 31, 2011. City management is in the process of obtaining proper approvals.</li> </ul>	<ul style="list-style-type: none"> <li>• Management has addressed the Centre's working capital deficiency and per note 1 to the financial statements, any operating deficiency of the Centre will be recovered from the City of Toronto. Therefore, we concur with management that the Centre will continue to operate as a going concern for 2010.</li> </ul>
<b>Related Party Transactions</b>	<ul style="list-style-type: none"> <li>• The Centre has amounts due from and due to the City as well as a loan from the City bearing interest at 5%. The majority of the transactions with the City during the year relate to regular grant funding for operations, interest charges on the loan, and maintenance and utility charges.</li> </ul>	<ul style="list-style-type: none"> <li>• We have confirmed the operating grant, maintenance and utility charges and all year-end balances with the City and, as such, have concluded that all transactions and balances with the City have been appropriately reflected in the accounts of the Centre for 2009.</li> </ul>

**Items of Audit Significance Discussed with Management (continued)**

Item	Description	Audit Results and Comments
Deferred Capital Contribution – CIF	<ul style="list-style-type: none"> <li>• The Centre collects monies for the CIF through a surcharge on tickets sold to patrons.</li> <li>• For tickets that are sold directly through the Centre's box office, the CIF surcharge has historically been included in deferred contributions at the time of sale, (i.e, on a cash basis).</li> <li>• As the surcharge is earned as a contribution only upon the successful completion of a show, recognition of the surcharge collected on future performances as a contribution represents a balance sheet misclassification between advance ticket sales and deferred capital contributions.</li> <li>• For the current year, a total of \$14,213 relating to the CIF surcharge on future performances was reclassified from deferred capital contributions to advance ticket sales.</li> <li>• The prior year amount of \$16,387 was reclassified to conform to current year presentation.</li> </ul>	<ul style="list-style-type: none"> <li>• We concur with the current accounting treatment for the ticket surcharges.</li> </ul>
Future accounting policy changes	<ul style="list-style-type: none"> <li>• Note 2 to the financial statements sets out new rules that are proposed for future periods.</li> </ul>	<ul style="list-style-type: none"> <li>• We concur with the disclosures related to the proposed new rules.</li> </ul>

---

## 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) Deficiency of Revenue over Expenses	
	2009	2008
	\$	\$
Known Audit Differences:		
Understatement of benefit expense	—	1,948
Understatement of presentation and production expense	3,472	—
Total Unadjusted Audit Difference Before Turnaround Effect of Prior Year Differences	3,472	1,948
Turnaround Effect of Prior Year Differences	<u>(1,948)</u>	
Total Unadjusted Audit Differences in Deficiency of Revenue over Expenses	<u>1,524</u>	

---

## 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
<p><b>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</b></p> <p>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.</p> <p>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.</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 31, 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"> <li>▪ Approval from the City on the extension of the loan repayment date to December 31, 2011; and</li> <li>▪ Final procedures relating to the draft of the financial statements and footnotes.</li> </ul>
<p><b>Changes to Audit Approach Outlined in Planning Document</b></p> <p>In our planning document, we indicated that we would follow a substantive audit approach in all aspects of the audit.</p>	<p>There were no changes to the audit approach outlined in the planning document.</p>
<p><b>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</b></p> <p>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.</p> <p>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.</p>	<p>There were no changes to significant accounting policies.</p> <p>We had no discussions with management regarding material alternative accounting treatments.</p>

---

## Required Communications (continued)

---

Area	Comments
<b>Our Judgments About the Quality of the Organization's Accounting Principles</b>	
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.
<b>Sensitive Accounting Estimates and Disclosures</b>	
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
<b>Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</b>	
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.

---

## Required Communications (continued)

Area	Comments
<p><b>Significant Audit Adjustments and Unrecorded Audit Differences Considered by Management to be Immaterial</b></p> <p>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.</p> <p>We inform the Finance 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 were three recorded audit adjustments related to the current year.</p> <p>Refer to "Summary of Audit Differences" section for details of unrecorded differences.</p>
<p><b>Disagreements with Management</b></p>	<p>None.</p>
<p><b>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</b></p>	<p>None.</p>
<p><b>Significant Weaknesses in Internal Controls</b></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><b>Fraud and Illegal Acts</b></p> <p>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.</p> <p>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.</p>	<p>We are not aware of any matters that require communication.</p> <p>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.</p>

---

**Required Communications (continued)**

---

<b>Area</b>	<b>Comments</b>
<b>Consultation with Other Accountants</b>	None of which we are aware.
<b>Other Information in Documents Containing Audited Financial Statements</b>	
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.
<b>Related Party Transactions</b>	
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.
<b>Major Issues Discussed with Management in Connection with Initial or Recurring Retention</b>	None.

---

## Required Communications (continued)

Area	Comments												
<b>Auditors' Independence</b>													
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.												
<b>Other Audit and Non-Audit Services Provided to Your Organization</b>	None.												
<b>Fees</b>	<ul style="list-style-type: none"> <li>A summary of our fees is included below for your reference. <table border="1" style="margin-left: 40px;"> <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>System conversion testing</td> <td style="text-align: right;">3,500</td> <td style="text-align: right;">-</td> </tr> </tbody> </table> </li> <li>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 system conversion testing fee was discussed and agreed with Dorothy Carter, Controller.</li> </ul>		2009	2008		\$	\$	Annual audit fees	19,050	19,050	System conversion testing	3,500	-
	2009	2008											
	\$	\$											
Annual audit fees	19,050	19,050											
System conversion testing	3,500	-											

---

## Independence Letter

---

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

19 April 2010

We have been engaged to audit the financial statements of The St. Lawrence Centre for the Arts 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 April 3, 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 April 3, 2009, the date of our last letter.

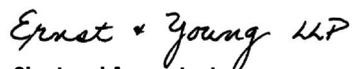
Canadian generally accepted auditing standards require that we confirm our independence to the Finance Committee in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the organization within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 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 Finance 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,



**Chartered Accountants**  
**Licensed Public Accountants**

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



ERNST & YOUNG LLP

[www.ey.com/ca](http://www.ey.com/ca)

© 2009 Ernst & Young LLP  
A Member of Ernst & Young Global