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# *St. Lawrence Centre for the Arts*

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*2015 year-end report  
to the Board of  
Directors*

*Prepared as of  
May 11, 2016*



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May 11, 2016

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

Dear Members of the Board:

We have substantially completed our audit of the financial statements of St. Lawrence Centre for the Arts (the organization or the Centre) prepared in accordance with Public Sector Accounting Standards including standards that apply only to government not-for profit organizations (PSAS +4200) for the year ended December 31, 2015. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included as Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process. We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to your meeting on May 26, 2016. If you have any questions or concerns prior to the Board of Directors meeting, please do not hesitate to contact me in advance.

Yours very truly,

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

cc: Jim Roe, General Manager  
Hayde Boccia, Director of Finance

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## *Communications to the Board of Directors*

<b><i>Key matters for discussion</i></b>	<b><i>Comments</i></b>
<b>Status of the audit</b>	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> <li>• Legal updates and subsequent events procedures;</li> <li>• Final tie-out of the financial statements;</li> <li>• Signed management representation letter;</li> <li>• Review and approval of the financial statements by the Board of Directors.</li> </ul>
<b>Service deliverables</b>	<p>We performed audit of the organization's financial statements as of December 31, 2015 and for the year then ended prepared in accordance with PSAS + 4200.</p> <p>Our engagement letter, which has been signed by the City of Toronto (the City), sets out the terms and conditions for the audit as the independent auditor of the Centre for the above-mentioned year.</p>
<b>Audit timeline</b>	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> <li>• Interim visit: December 7 – 11, 2015</li> <li>• Year-end visit: March 28 – April 1, 2016</li> <li>• Clearance meeting with management: April 2016</li> <li>• Year-end Board of Directors meeting: May 26, 2016</li> <li>• Delivery of financial statements: upon resolution of above items and Board of Directors' approval.</li> </ul>
<b>Audit approach</b>	<p>Our audit approach is a mixture of tests of internal controls and substantive testing. In the current year, our work included testing of key controls in the following areas:</p> <ul style="list-style-type: none"> <li>• Purchases, payables and disbursements</li> <li>• Payroll</li> </ul> <p>All material areas were subject to tests of detail and substantive analytical testing.</p>
<b>Materiality</b>	<p>Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.</p> <p>We set our materiality at \$121,500 and are reporting unadjusted and adjusted items over \$12,150 to the Board of Directors as a result of the audit.</p>

<b><i>Key matters for discussion</i></b>	<b><i>Comments</i></b>
<b>Significant accounting, auditing and reporting matters discussed with management</b>	
<b>Risk of management override of controls</b>	<p>Canadian auditing standards require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>We have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of items for testing to ensure that the entries represent valid and appropriately authorized transactions. No exceptions were noted from our testing.</p> <p>We also incorporated unpredictable procedures into our audit and noted no exceptions.</p>
<b>Revenue recognition</b>	<p>Management recognizes revenue based on separate criteria per revenue stream and ensures processes are in place to record revenue accurately and in the proper period.</p> <p>We selected a sample of revenue transactions for the year and traced to supporting documentation, including dates of shows held during the year or other available evidence, to ensure proper cut-off and accuracy of the amounts recorded.</p> <p>Amounts deferred on the statement of financial position were also tested using the same testing methodology. We noted no issues as a result of our testing.</p>
<b>Related party transactions – City of Toronto</b>	<p>As a significant amount of activity occurs between the Centre and the City, we requested a confirmation from the City of all amounts received during the year and balances outstanding at the year-end.</p> <p>We received an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Centre at year-end and were able to fully reconcile the amounts per confirmation to the financial statements.</p> <p>We have reviewed the financial statements note disclosure with respect to the relationship, transactions and balances with the City and it appears to be complete and accurate, including appropriate disclosure of amounts written off during the year.</p>
<b>Budgeted figures</b>	<p>Currently, under PSAS for government not-for-profit organizations, presentation of the budgeted figures is not a requirement. This budgeted information has been presented and audited to comply with the City audit team's reporting requirements. We agreed the budgeted figures per the statement of operations to the City of Toronto's approved budget for the Centre. No issues were noted.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
<b>Other required communications</b>	
<b>Summary of unadjusted and adjusted items</b>	As a result of our audit, we did not identify any adjusted or unadjusted misstatements.
<b>Internal control recommendations</b>	During the audit, we did not note any significant deficiencies. Our internal control recommendations are summarized in Appendix B.
<b>Fraud and illegal acts</b>	<p>We discuss fraud risk annually with management and the Board of Directors. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes and have designed our audit procedures to address these risks.</p> <p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures.</p> <p>We wish to reconfirm that the Board of Directors is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
<b>Management's representations</b>	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter has been circulated separately to the Board of Directors.
<b>Subsequent events</b>	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the Board of Directors is not aware of any other subsequent events that might affect the financial statements.</p>

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

## ***Appendix A: Draft auditor's report***

### **Independent Auditor's Report**

#### **To the Board of Directors of St. Lawrence Centre for the Arts**

We have audited the accompanying financial statements of St. Lawrence Centre for the Arts, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and changes in net assets (liabilities) and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Lawrence Centre for the Arts as at December 31, 2015 and the results of its operations, change in its net financial assets (liabilities) and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

#### **Chartered Professional Accountants, Licensed Public Accountants**

## Appendix B: Internal control recommendations

Internal control observation	Recommendation	Management's response
<p><b>Periodic review of accrual balances</b></p> <p>During the audit, we noted certain accrual balances that pertained to prior years, either being cases where services were received but an invoice has not been sent by the vendor, or other ongoing supplies (water charges) where the centre believes the invoices received are not for the correct billing amounts.</p> <p>These accruals have been retained on the books and not reversed as the centre believes they may still be liable for these amounts.</p> <p>This could lead to an overstatement of accruals resulting in an understatement of the excess of revenue over expenses for the year, therefore a lower amount being passed back to the City of Toronto end of the year.</p>	<p>We recommend that management perform an analysis of closing accruals where there are balances over 1 year and reverse or write off on a periodic basis.</p>	<p>Going forward, management will perform an analysis of closing accruals where there are balances over 1 year and reverse or write off on a period basis.</p>
<p><b>Review of manual journal entries</b></p> <p>During the audit, we noted certain instances where manual entries were prepared and posted by the same individuals. A secondary review or approval was not obtained from another staff member or supervisor before posting to the general ledger.</p> <p>Absence of a review of manual entries prior to posting increases the possibility of error and/or fraud and can lead to inaccurate financial records.</p>	<p>We recommend that all entries pass through a proper preparation and review process where accounting staff prepare entries and the Director of Finance reviews entries before they are posted to the general ledger.</p> <p>It is understood that there were exceptional circumstances for the 2015 fiscal year at the centre and this recommendation will be revisited in the following year's audit.</p>	<p>The review process of entry preparation and posting has effectively been in place during the past, however management acknowledges flexibility was given during the past year in an effort to deliver timely financial information. Management will continue to reinforce procedures and reviews accordingly.</p>

