



Grant Thornton

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Attention: Members of the finance committee of the Applegrove Community Complex

We are pleased to report that we have now substantially completed our audit of the financial statements of **Applegrove Community Complex** for the year ended **December 31, 2012**. The results of these audits are included in this letter.

Status of the audit

The following items need to be addressed before the release of our audit report:

- Receipt of signed management representation letter;
- Approval of the financial statements by the board.

Our responsibility

Our function as auditors of Applegrove Community Complex is to report to the board by expressing an opinion on whether the financial statements are free from material misstatement and present fairly the financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards for government not for profit organizations. We conducted our audits in accordance with Canadian generally accepted auditing standards. 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. 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. Our audit was designed to provide reasonable but not absolute assurance that there are no misstatements in the financial statements resulting from fraud because fraud is usually accompanied by acts designed to conceal its existence.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our audit was undertaken on a risk based approach; more audit effort is directed in areas where there is a higher risk of material misstatement.

Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to Applegrove Community Complex; and
- Confirming the independence of our engagement team members.

In accordance with the *Canadian Institute of Chartered Accountants (CICA) Handbook* Section 260.17, we advise that we are independent of Applegrove Community Complex.

Internal control

The primary objective of an audit is to express an opinion on the financial statements. To meet this objective, we obtained an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement. In making those risk assessments, we considered internal control 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 internal control.

During the course of performing our audit, we again noted that the organization has a segregation of duties issue, as reported in our management letter issued after the 2007 audit, dated May 13, 2008. We understand that the board continues to monitor the financial reporting process to compensate for the lack of segregation of duties identified.

We also noted that many adjustments were made by your replacement accountant after the year end. We recommend that that a board continue to monitor the financial reporting of the organization going forward.

Summary of misstatements

Our audit identified the adjusted and/or unadjusted non-trivial misstatements noted below.

Misstatements identified and adjusted in the financial statements by Applegrove Community Complex as a result of our audit procedures are attached to this report.

Non-trivial misstatements noted during the course of our audit but not adjusted in the financial statements are also attached to this report.

Transition to Canadian public sector accounting standards for government not for profit organizations (“PSAS – NPOs”)

The current year transition to PSAS – NPOs, resulted in additional audit procedures specific to the transition that were needed. These procedures included the following:

- a) Management’s election of optional exemptions
 - Identified optional elections chosen and the impact on the financial statements

- Identified changes to accounting policies and the impact on the financial statements
 - Tested that the chosen changes resulting from the optional exemptions are appropriately recognized, measured and presented in accordance with PSAS – NPOs (management did not elect any optional exemptions).
- b) Transition adjustments
- Identified and reviewed the appropriateness and application of the revised policies
 - Tested the completeness and accuracy of adjustments if required by the first-time adoption of PSAS – NPOs (transition adjustments were limited to changes to the post-employment benefits and compensated absences liability)
- c) Additional note disclosures
- Identified and reviewed the appropriateness and application of the revised policies

Fraud and illegal acts

Our inquiries of management did not reveal any fraud or illegal acts. Furthermore, nothing has come to our attention that indicates any director, officer or senior employee may have an interest that is in conflict with their responsibilities to Applegrove Community Complex.

Legal or regulatory issues

There were no legal matters or regulatory matters that require disclosure in the financial statements.

Additional services

We did not provide any services in addition to providing an audit opinion.

Significant new accounting policies

New accounting policies implemented during the year were as a result of the change to the new Canadian public sector accounting standards for government not for profit organizations and included the revised policy and disclosure for the Organization's financial instruments and the change to the post-employment benefits and compensated absences liability.

Cooperation during the audit

We report that we received cooperation from management and the employees of Applegrove Community Complex. To our knowledge, we were provided access to all necessary records and other documentation and any issues that arose as a result of our audit were discussed with management and have been resolved to our satisfaction.

Consultations with other accountants

To our knowledge, management did not seek the advice or opinion of other external accountants on financial reporting or accounting matters.

Yours sincerely
Grant Thornton LLP

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Donald C. Morris, CA
Principal

c.c. Susan Fletcher, Executive Director
Board of Management