

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE
For the year ended
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

We have audited the accompanying financial statements of the Board of Management for the Cecil Street Community Centre, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets, and cash flows for the year then ended, and 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 for government not-for-profit organizations, 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.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, net revenue over expenses and cash flow from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016 and net assets as at January 1 and December 31 for both the 2016 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board of Management for the Cecil Street Community Centre as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

A handwritten signature in black ink that reads "Welch LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 22, 2018.

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 137,149	\$ 35,646
Investments (note 3)	63,780	94,541
Due from City of Toronto	7,014	5,204
Accounts receivable	7,379	20,485
Prepaid expenses	<u>2,978</u>	<u>2,752</u>
	218,300	158,628
DUE FROM CITY OF TORONTO (note 5)	<u>180,109</u>	<u>181,093</u>
	<u>\$ 398,409</u>	<u>\$ 339,721</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Due to City of Toronto (note 7)	\$ 16,145	\$ 14,054
Accounts payable and accrued liabilities	75,801	77,703
Deferred contributions (note 4)	<u>60,089</u>	<u>2,500</u>
	152,035	94,257
POST-EMPLOYMENT BENEFITS PAYABLE (note 5)	<u>180,109</u>	<u>181,093</u>
	<u>332,144</u>	<u>275,350</u>
NET ASSETS		
Board designated reserve (note 6)	40,329	40,329
Unrestricted	<u>25,936</u>	<u>24,042</u>
	<u>66,265</u>	<u>64,371</u>
	<u>\$ 398,409</u>	<u>\$ 339,721</u>

Approved by the Board:

 Chair

 Treasurer

(See accompanying notes)

Welch LLP[®]

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BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE
 STATEMENT OF CHANGES IN NET ASSETS
 YEAR ENDED DECEMBER 31, 2017

	<u>Board Designated Reserve</u>	<u>Unrestricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Net assets, beginning of year	\$ 40,329	\$ 24,042	\$ 64,371	\$ 45,268
Net revenue over expenses	<u>-</u>	<u>1,894</u>	<u>1,894</u>	<u>19,103</u>
Net assets, end of year	<u>\$ 40,329</u>	<u>\$ 25,936</u>	<u>\$ 66,265</u>	<u>\$ 64,371</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Administration</u>	<u>2017</u>	<u>2016</u>
Revenue				
Grants				
City of Toronto	\$ 10,096	\$ 699,158	\$ 709,254	\$ 748,671
Province of Ontario	20,415	-	20,415	20,415
Government of Canada	<u>8,030</u>	<u>-</u>	<u>8,030</u>	<u>3,050</u>
	38,541	699,158	737,699	772,136
Rentals	25,581	-	25,581	27,323
Program fees	15,025	-	15,025	12,238
Donations	7,630	-	7,630	23,400
Fundraising	10,996	-	10,996	16,378
Interest	1,421	-	1,421	1,294
Other income	<u>546</u>	<u>-</u>	<u>546</u>	<u>723</u>
	<u>99,740</u>	<u>699,158</u>	<u>798,898</u>	<u>853,492</u>
Expenses				
Salaries and wages	76,998	476,876	553,874	588,250
Employee benefits	8,457	117,135	125,592	137,984
Materials and supplies	4,352	29,143	33,495	42,498
Purchase of services	<u>8,039</u>	<u>76,004</u>	<u>84,043</u>	<u>65,657</u>
	<u>97,846</u>	<u>699,158</u>	<u>797,004</u>	<u>834,389</u>
Net revenue over expenses	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ 1,894</u>	<u>\$ 19,103</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net revenue over expenses	\$ 1,894	\$ 19,103
Increase (decrease) resulting from changes in:		
Due from City of Toronto	(1,810)	2,822
Accounts receivable	13,106	(16,450)
Prepaid expenses	(226)	(19)
Long-term amount due from City of Toronto	984	(5,271)
Due to City of Toronto	2,091	1,900
Accounts payable and accrued liabilities	(1,902)	1,755
Deferred contributions	57,589	(18,800)
Post-employment benefits payable	(984)	5,271
	<u>70,742</u>	<u>(9,689)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Maturity of investments	94,541	93,185
Purchase of investments	<u>(63,780)</u>	<u>(94,541)</u>
	<u>30,761</u>	<u>(1,356)</u>
INCREASE (DECREASE) IN CASH	101,503	(11,045)
CASH AT BEGINNING OF YEAR	<u>35,646</u>	<u>46,691</u>
CASH AT END OF YEAR	\$ <u>137,149</u>	\$ <u>35,646</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995-0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centre of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established the premises at No. 58 Cecil Street, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Cecil Street Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board which, among other matters, shall:

- (a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and
- (b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profits ("PSA-GNPO") as issued by the public sector accounting board (PSAB).

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position.

Rental and similar revenues are recognized on the date of the performance or event.

Financial instruments

The Centre initially measures its financial assets and financial liabilities at fair value.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. Monetary donations are recorded as received.

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Employee related costs

The Centre has adopted the following policies with respect to employee benefit plans:

- (a) The City of Toronto offers a multi-employer defined benefit pension plan to the Centre's eligible employees. Due to the nature of the plan, the Centre does not have sufficient information to account for the plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.
- (b) The Centre also offers its eligible employees a defined benefit sick leave plan, a post-retirement life, health and dental plan, a long-term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Centre recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profits requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining its significant accrued liabilities, the post-employment benefits liabilities and the related costs charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

3. INVESTMENTS

The investments consist of guaranteed investment certificates (GICs) with maturity dates ranging from January 31, 2018 to November 4, 2018 and interest rates ranging from 0.75% to 2.20%.

4. DEFERRED CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 2,500	\$ 21,300
Add: Funds received	800,229	758,607
Less: Amounts recognized as revenue	<u>(742,640)</u>	<u>(777,407)</u>
Balance, end of year	<u>\$ 60,089</u>	<u>\$ 2,500</u>

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

5. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM ACCOUNT RECEIVABLE

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its eligible employees. Under the sick leave plan for management staff with ten years of service as of April 1, 2003, unused sick leave accumulated until March 1, 2008, and eligible employees may be entitled to a cash payment when they leave the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and can be taken in cash by an employee upon termination, retirement or death. This sick bank plan was replaced by a Short-Term Disability Plan (STD) effective March 1, 2008, for all non-union employees of the City of Toronto. Upon the effective date, individual sick banks were locked with no further accumulation. Grandfathered management staff remains entitled to payout of frozen, banked time, as described above. Under the new STD plan, management employees are entitled to 130 days annual coverage with salary protection at 100 or 75 percent, depending upon years of service. Non-management employees continue to receive sick bank time as stipulated in the applicable Collective Agreement, which specifies no financial conversion of unused sick leave.

The Centre also provides health, dental, accidental death and disability, life insurance and long-term disability benefits to eligible employees. Depending on length of service and individuals' election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2015 with projections to December 31, 2016, 2017, and 2018. Assumptions used to project the accrued benefit obligation were as follows:

- long-term inflation rate - 2.0%
- assumed health care cost trends - range from 3.0% to 4.0%
- rate of compensation increase - 3.0% to 3.5%
- discount rates - post-retirement 3.2%, post-employment 2.8%, sick leave 3.0%

Information about the Centre's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

	<u>2017</u>	<u>2016</u>
Sick leave benefits	\$ 114,387	\$ 117,941
Post retirement benefits	<u>111,183</u>	<u>101,685</u>
	225,570	219,626
Unamortized actuarial gain	<u>(45,461)</u>	<u>(38,533)</u>
Post-employment benefit liability	\$ <u>180,109</u>	\$ <u>181,093</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 181,093	\$ 175,822
Current service cost	2,318	2,275
Interest cost	7,063	6,919
Amortization of actuarial gain	4,703	5,009
Plan amendment	(799)	-
Expected benefits paid	<u>(14,269)</u>	<u>(8,932)</u>
Balance, end of year	\$ <u>180,109</u>	\$ <u>181,093</u>

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

5. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM ACCOUNT RECEIVABLE - Cont'd.

A long-term receivable from the City of \$180,109 (2016 - \$181,093) has resulted from the recording of sick leave and post-retirement benefits. Funding for these costs continues to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities of administration staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its eligible employees. This Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$41,588 in 2017 (2016 - \$45,869).

The most recent actuarial valuation of the OMERS plan as at December 31, 2017 indicates the Plan is not fully funded and the Plan's December 31, 2017 financial statements indicate a net surplus of \$605 million (a deficit of \$5.403 billion net against unrecognized investment returns of \$6.008 billion that will be recognized over the next four years). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Centre's contributions accounted for 0.0024% of the Plan's total employer contribution. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

6. BOARD DESIGNATED RESERVE

In 1992, the Board created a reserve for the establishment of new and expanded programs in future years. The Board did not approve a transfer from the reserve account in 2017 or 2016.

7. FUNDS PROVIDED BY CITY OF TORONTO - ADMINISTRATION

Funding for administration expenses is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, excluding those accruals for long-term employee benefits, are funded by the Centre unless Council approval has been obtained for additional funding.

	2017 <u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Administration expenses:			
Salaries and wages	\$ 479,078	\$ 476,876	\$ 521,166
Employee benefits	137,458	117,135	130,255
Materials and supplies	34,924	29,143	33,792
Purchase of services	<u>53,624</u>	<u>76,004</u>	<u>58,378</u>
	<u>\$ 705,084</u>	<u>\$ 699,158</u>	<u>\$ 743,591</u>
Centre's actual administration revenue:			
Administration budget		<u>\$ 705,084</u>	<u>\$ 751,225</u>
Centre's actual administration expenses:			
Administration expenses per statement of operations		<u>699,158</u>	<u>743,591</u>
Administration expenses under approved budget		<u>\$ 5,926</u>	<u>\$ 7,634</u>

The under expenditure of \$5,926 in 2017 (2016 - \$7,634) is included in Due to the City of Toronto.

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

8. FINANCIAL INSTRUMENTS

The Centre is exposed to and manages various financial risks resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The Centre's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre's maximum exposure to credit risk represents the sum of the carrying value of its cash, investments and accounts receivable. The Centre's cash and investments are deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. The Centre manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. As a result, management believes that the Centre's credit risk with respect to accounts receivable is limited.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its obligations as they become due. The Centre's financial liabilities are comprised of accounts payable and accrued liabilities. The Centre manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal as the Centre's financial assets are considered to be highly liquid.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Centre's financial instruments are all denominated in Canadian dollars and the Centre transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Centre's cash and investments earn interest at prevailing market rates. As a result, management believes that the interest rate exposure related to these financial instruments is negligible.

iii) Other price risk

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management does not believe the Centre is exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Centre's risk exposures from the prior year.

9. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.