

FINANCIAL STATEMENTS
For
CECIL COMMUNITY CENTRE
For the year ended
DECEMBER 31, 2022

Management's Responsibility for the Financial Statements

The financial statements of the Cecil Community Centre (the "Centre") are the responsibility of management and have been approved by the Board.

The financial statements have been prepared in compliance with the Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Centre's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Management is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Centre's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the City of Toronto's City Council, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Centre's financial statements.

Deanne Fisher

..... Chairperson

Ryan Patrick Northfield

..... Vice-Chairperson

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
THE BOARD OF MANAGEMENT FOR THE CECIL COMMUNITY CENTRE***Qualified Opinion*

We have audited the accompanying financial statements of Board of Management for the Cecil Community Centre (the Centre), which comprise the statement of financial position as at December 31, 2022, 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2022 and 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from 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 flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and unrestricted net assets as at January 1 and December 31, 2021 and 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre's financial reporting process.

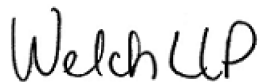
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 27, 2023.

CECIL COMMUNITY CENTRE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 34,995	\$ 85,969
Investments (note 3)	81,915	81,369
Due from City of Toronto - vacation	5,803	7,879
Due from City of Toronto - deficit (note 6)	90,156	-
Accounts receivable	54,869	6,711
Prepaid expenses	<u>8,469</u>	<u>3,173</u>
	276,207	185,101
TANGIBLE CAPITAL ASSETS (note 4)	7,898	4,264
DUE FROM CITY OF TORONTO (note 5)	<u>192,434</u>	<u>170,775</u>
	<u>\$ 476,539</u>	<u>\$ 360,140</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES		
Due to City of Toronto - surplus (note 6)	\$ -	\$ 13,329
Accounts payable and accrued liabilities	67,112	82,076
Deferred contributions (note 7)	<u>114,131</u>	<u>56,635</u>
	181,243	152,040
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	3,447	4,264
POST-EMPLOYMENT BENEFITS PAYABLE (note 5)	<u>192,434</u>	<u>170,775</u>
	<u>377,124</u>	<u>327,079</u>
NET ASSETS (DEFICIT)		
Board designated reserve (note 9)	40,329	40,329
Unrestricted	<u>59,086</u>	<u>(7,268)</u>
	<u>99,415</u>	<u>33,061</u>
	<u>\$ 476,539</u>	<u>\$ 360,140</u>

Approved by the Board:

Deanne Fisher

..... Chairperson

Ryan Patrick Northfield

..... Vice-Chairperson

(See accompanying notes)

CECIL COMMUNITY CENTRE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Board Designated <u>Reserve</u>	<u>Unrestricted</u>	Total <u>2022</u>	Total <u>2021</u>
Net assets (deficit), beginning of year	\$ 40,329	\$ (7,268)	\$ 33,061	\$ 17,139
Net revenue over expenses	<u>-</u>	<u>66,354</u>	<u>66,354</u>	<u>15,922</u>
Net assets, end of year	<u>\$ 40,329</u>	<u>\$ 59,086</u>	<u>\$ 99,415</u>	<u>\$ 33,061</u>

(See accompanying notes)

CECIL COMMUNITY CENTRE
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Administration</u>	<u>2022</u>	<u>2021</u>
Revenue				
Grants				
City of Toronto	\$ 55,513	\$ 879,897	\$ 935,410	\$ 827,121
Province of Ontario	21,879	-	21,879	24,285
Government of Canada	19,332	-	19,332	32,680
Other grants	<u>138,965</u>	<u>-</u>	<u>138,965</u>	<u>48,717</u>
	235,689	879,897	1,115,586	932,803
Rentals	59,652	-	59,652	14,356
Program fees	38,202	-	38,202	29,845
Donations and fundraising	6,345	-	6,345	6,639
Interest	727	-	727	1,396
Other income	11,456	-	11,456	1,747
Amortization of deferred capital contributions (note 8)	<u>1,409</u>	<u>3,361</u>	<u>4,770</u>	<u>6,350</u>
	<u>353,480</u>	<u>883,258</u>	<u>1,236,738</u>	<u>993,136</u>
Expenses				
Salaries and wages	183,282	597,286	780,568	667,331
Employee benefits	18,324	171,820	190,144	149,595
Materials and supplies	30,206	38,273	68,479	42,360
Purchase of services	52,867	72,518	125,385	111,578
Amortization of tangible capital assets	<u>2,447</u>	<u>3,361</u>	<u>5,808</u>	<u>6,350</u>
	<u>287,126</u>	<u>883,258</u>	<u>1,170,384</u>	<u>977,214</u>
Net revenue over expenses	<u>\$ 66,354</u>	<u>\$ -</u>	<u>\$ 66,354</u>	<u>\$ 15,922</u>

(See accompanying notes)

CECIL COMMUNITY CENTRE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net revenue over expenses	\$ 66,354	\$ 15,922
Adjustments for:		
Amortization of tangible capital assets	5,808	6,350
Amortization of deferred capital contributions	<u>(4,770)</u>	<u>(6,350)</u>
	67,392	15,922
Increase (decrease) resulting from changes in:		
Due from City of Toronto - vacation	2,076	(4,410)
Due from City of Toronto - deficit	(90,156)	-
Accounts receivable	(48,158)	12,697
Prepaid expenses	(5,296)	(1,973)
Long-term amount due from City of Toronto	(21,659)	1,292
Due to City of Toronto - surplus	(13,329)	(49,393)
Accounts payable and accrued liabilities	(14,964)	21,368
Deferred contributions	57,496	56,635
Post-employment benefits payable	<u>21,659</u>	<u>(1,292)</u>
	<u>(44,939)</u>	<u>50,846</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	<u>(9,442)</u>	<u>(1,318)</u>
FINANCING ACTIVITIES		
Receipt of deferred capital contributions	<u>3,953</u>	<u>1,318</u>
INVESTING ACTIVITIES		
Maturity of investments	81,369	80,471
Purchase of investments	<u>(81,915)</u>	<u>(81,369)</u>
	<u>(546)</u>	<u>(898)</u>
INCREASE (DECREASE) IN CASH	(50,974)	49,948
CASH, BEGINNING OF YEAR	<u>85,969</u>	<u>36,021</u>
CASH, END OF YEAR	\$ <u>34,995</u>	\$ <u>85,969</u>

(See accompanying notes)

CECIL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 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 ("PSAS-GNFPO"), including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

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, due to City of Toronto and accounts receivable. Financial liabilities measured at amortized cost include accounts payable, due from City of Toronto and accrued liabilities.

Contributed materials and services

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

CECIL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

2. **SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

Capital assets

Capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Computers	3 years straight line
Furniture and equipment	5 years straight line

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 the useful lives of capital assets, 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.

3. **INVESTMENTS**

The Centre's investment portfolio consists of the following:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 27,472	\$ 27,309
Guaranteed investment certificates	<u>54,443</u>	<u>54,060</u>
	<u>\$ 81,915</u>	<u>\$ 81,369</u>

The guaranteed investment certificates mature between August 17, 2023 to November 4, 2023 and are earning interest rates ranging from 4.10% to 4.16% (2021 - 0.25% to 1.20%).

CECIL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	\$ 21,515	\$ 19,581	\$ 19,952	\$ 19,210
Computers	25,818	19,854	17,939	14,417
	47,333	\$ 39,435	37,891	\$ 33,627
Less: accumulated amortization	(39,435)		(33,627)	
	\$ 7,898		\$ 4,264	

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, 2022 with projections to December 31, 2024. 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 6.0%
- rate of compensation increase - 3.0% to 3.5%
- discount rates - post-retirement 4.7%, post-employment 4.1%, sick leave 4.2%

CECIL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

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

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

	<u>2022</u>	<u>2021</u>
Post retirement benefits	\$ 187,798	\$ 218,980
Sick leave benefits	<u>101,434</u>	<u>127,740</u>
	289,232	346,720
Unamortized actuarial gain (loss)	<u>(96,798)</u>	<u>(175,945)</u>
Post-employment benefit liability	<u>\$ 192,434</u>	<u>\$ 170,775</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 170,775	\$ 172,067
Current service cost	13,600	3,807
Interest cost	8,800	3,788
Amortization of actuarial gain	11,593	1,939
Expected benefits paid	<u>(12,334)</u>	<u>(10,826)</u>
Balance, end of year	<u>\$ 192,434</u>	<u>\$ 170,775</u>

A long-term receivable from the City of \$192,434 in 2022 (2021 - \$170,775) 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. The OMERS plan (the "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 \$50,024 in 2022 (2021 - \$45,077).

The most recent actuarial valuation of the Plan as at December 31, 2022 indicates the Plan is in a deficit position and the Plan's December 31, 2022 financial statements indicate a net deficit of \$6,100 million (a deficit of \$6,678 million plus adjustment of \$578 million of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a five-year period). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Centre's contributions accounted for an insignificant portion of the Plan's total employer contributions. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

CECIL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

6. 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.

	2022 <u>Budget</u> (unaudited)	<u>2022</u>	<u>2021</u>
Administration expenses:			
Salaries and wages	\$ 572,418	\$ 597,286	\$ 538,459
Employee benefits	147,336	171,820	137,154
Materials and supplies	29,812	38,273	24,621
Purchase of services	47,558	72,518	66,617
Amortization of tangible capital assets	-	3,361	3,081
	<u>\$ 797,124</u>	<u>\$ 883,258</u>	<u>\$ 769,932</u>
Centre's actual administration revenue:			
Administration budget		<u>\$ 797,124</u>	<u>\$ 738,925</u>
Centre's actual administration expenses:			
Administration expenses		883,258	769,932
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		(21,659)	1,292
Amortization of tangible capital assets funded by deferred capital contribution		(3,361)	(3,081)
Vacation pay asset (liability, not funded by the City until paid, that are included in due from City of Toronto)		2,076	(4,410)
Administration tangible capital asset acquisition		<u>840</u>	<u>1,318</u>
		<u>861,154</u>	<u>765,051</u>
Administration expenses over approved budget		<u>\$ (64,030)</u>	<u>\$ (26,126)</u>

The Due to (from) the City of Toronto balance is comprised of:

	<u>2022</u>	<u>2021</u>
2019 surplus payable	\$ -	\$ 28,670
2020 surplus payable	-	10,734
2021 deficit receivable	(26,126)	(26,126)
2022 deficit receivable	(64,030)	-
Miscellaneous trade payables	-	51
	<u>\$ (90,156)</u>	<u>\$ 13,329</u>

7. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 56,635	\$ -
Add: contributions received	1,173,082	989,438
Less: amounts recognized as grant revenue	<u>(1,115,586)</u>	<u>(932,803)</u>
Balance, end of year	<u>\$ 114,131</u>	<u>\$ 56,635</u>

CECIL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 4,264	\$ 9,296
Add: capital contributions received	3,953	1,318
Less: amounts recognized as revenue	<u>(4,770)</u>	<u>(6,350)</u>
Balance, end of year	<u>\$ 3,447</u>	<u>\$ 4,264</u>

9. 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 2022 or 2021.

10. 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.

CECIL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

10. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk - Cont'd.

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.

11. **COMPARATIVE FIGURES**

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