

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE
For the year ended
DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the
**CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR
THE SWANSEA TOWN HALL COMMUNITY CENTRE**

We have audited the accompanying financial statements of the Board of Management for the Swansea Town Hall Community Centre, which comprise the statement of financial position as at December 31, 2015, the statements of operations and 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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Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from donations, 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, 2015 and 2014, current assets as at December 31, 2015 and 2014 and net assets as at January 1 and December 31 for both the 2014 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

Note 2 to the financial statements explains the Centre's policy for accounting for capital assets. The note indicates that capital assets are expensed as acquired rather than being recognized as a capital asset upon acquisition. This presentation is permitted only if the average annual revenues recognized in the statement of operations for the current and preceding period is less than \$500,000. In this respect the financial statements are not in accordance with Canadian public sector accounting standards for government not-for-profit organizations. Our audit opinion for the year ended December 31, 2014 was modified accordingly for this departure from accounting standards.

Qualified Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly the financial position of the Board of Management for the Swansea Town Hall Community Centre as at December 31, 2015, 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 28, 2016.

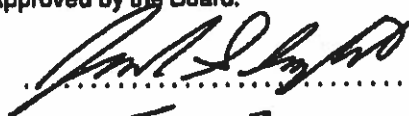
BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 120,045 | \$ 188,820 |
| Accounts receivable - other | 2,972 | 7,625 |
| Inventories | <u>241</u> | <u>414</u> |
| | 123,258 | 196,859 |
| ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 4) | <u>105,640</u> | <u>103,488</u> |
| | <u>\$ 228,898</u> | <u>\$ 300,347</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities - City of Toronto (note 6) | \$ 27,536 | \$ 28,276 |
| Accounts payable and accrued liabilities - other | <u>50,576</u> | <u>133,054</u> |
| | 78,112 | 161,330 |
| POST-EMPLOYMENT BENEFITS PAYABLE (note 4) | <u>105,640</u> | <u>103,488</u> |
| | <u>183,752</u> | <u>264,818</u> |
| NET ASSETS | | |
| Unrestricted | - | - |
| Program development reserve - internally restricted (note 5) | <u>45,146</u> | <u>35,529</u> |
| | <u>45,146</u> | <u>35,529</u> |
| | <u>\$ 228,898</u> | <u>\$ 300,347</u> |

Approved by the Board:

 Chair

 Treasurer

(See accompanying notes)

Welch LLP[®]

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BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE
STATEMENT OF OPERATIONS AND NET ASSETS
YEAR ENDED DECEMBER 31, 2015

| | <u>Program</u> | <u>Administration</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|-----------------------|----------------|----------------|
| Revenue | | | | |
| Funds provided by the City of Toronto | \$ - | \$ 322,790 | \$ 322,790 | \$ 318,613 |
| Rental | - | 271,320 | 271,320 | 263,674 |
| Photocopier | - | 1,240 | 1,240 | 1,472 |
| Donations and fundraising | 6,082 | - | 6,082 | 1,933 |
| Event fees | 1,748 | - | 1,748 | 1,928 |
| Other income | <u>3,728</u> | <u>-</u> | <u>3,728</u> | <u>4,922</u> |
| | <u>11,558</u> | <u>595,350</u> | <u>606,908</u> | <u>592,542</u> |
| Expenses | | | | |
| Salaries and wages | - | 318,179 | 318,179 | 312,397 |
| Employee benefits | - | 83,341 | 83,341 | 72,602 |
| Materials and supplies | - | 49,964 | 49,964 | 51,028 |
| Purchased services | - | 143,866 | 143,866 | 147,732 |
| Other | <u>1,941</u> | <u>-</u> | <u>1,941</u> | <u>1,983</u> |
| | <u>1,941</u> | <u>595,350</u> | <u>597,291</u> | <u>585,742</u> |
| Net revenue over expenses | 9,617 | - | 9,617 | 6,800 |
| Net assets, beginning of year | - | - | - | - |
| Transfer to Program Development Reserve (note 5) | <u>(9,617)</u> | <u>-</u> | <u>(9,617)</u> | <u>(6,800)</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net revenue over expenses | \$ 9,617 | \$ 6,800 |
| Increase (decrease) resulting from changes in: | | |
| Accounts receivable - City of Toronto | - | 539 |
| Accounts receivable - other | 4,653 | (6,607) |
| Inventories | 173 | (44) |
| Long-term account receivable - City of Toronto | (2,152) | (2,490) |
| Accounts payable and accrued liabilities - City of Toronto | (740) | 27,264 |
| Accounts payable and accrued liabilities - other | (82,478) | 42,324 |
| Post-employment benefits payable | <u>2,152</u> | <u>2,490</u> |
| Cash flows from (used in) operating activities | <u>(68,775)</u> | <u>70,276</u> |
| INCREASE (DECREASE) IN CASH | (68,775) | 70,276 |
| CASH AT BEGINNING OF YEAR | <u>188,820</u> | <u>118,544</u> |
| CASH AT END OF YEAR | <u>\$ 120,045</u> | <u>\$ 188,820</u> |

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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 Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at 95 Lavinia Avenue, as a community recreation centre under the authority of the Municipal Act, known as Swansea Town Hall 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-profit organizations ("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 recorded as part of deferred contributions on the statement of financial position.

Rental and similar revenues are recognized as the services are provided. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Financial instruments

The Centre initially records 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 and accounts receivables. 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 and bequests are recorded as received.

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Capital assets

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not reported in these financial statements. Section PS 4230, capital assets held by not-for-profit organizations, allows small organizations, with average annual revenues recognized in the statement of operations for the current and preceding period of less than \$500,000, to expense capital assets on acquisition. As noted in the Basis for Qualified Opinion paragraph, the Centre exceeded the revenue threshold in 2015 and continued to apply this policy. During 2015, capital assets expensed totalled \$56,977 (2014 - \$17,432) and are included in materials and supplies.

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 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 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 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.

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

3. FINANCIAL INSTRUMENTS

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 following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Centre's financial instruments.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Centre will encounter difficulty in meeting obligations associated with financial liabilities, which 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre's cash deposited with a Canadian chartered bank earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

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 and accounts receivable. The Centre's cash is deposited with Canadian chartered banks and as a result management believes the risk of loss on this item to be remote.

Management believes that the Centre's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Changes in risk

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

4. 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 employees. Under the sick leave plan for non-union management staff, with ten years of service as of July 1, 2009, unused sick leave accumulates and eligible retirees are entitled to a cash payment when they leave the Centre's employment.

The Centre also provides health, dental, life insurance, accidental death and long-term disability benefits to eligible employees. Depending upon the length of service and an individual's 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 6.0%
- rate of compensation increase - 3.0% to 3.5%
- discount rates - post-retirement 3.4%, post-employment 2.5%, sick leave 2.9%

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

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

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

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------------|-------------------|
| Sick leave benefits | \$ 45,300 | \$ 40,588 |
| Post-retirement benefits | <u>47,501</u> | <u>59,520</u> |
| | 92,801 | 100,108 |
| Add: Unamortized actuarial gain | <u>12,839</u> | <u>3,380</u> |
| Post-employment benefit liability | \$ <u>105,640</u> | \$ <u>103,488</u> |

The continuity of the accrued benefit obligation is as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 103,488 | \$ 100,998 |
| Current service cost | 2,849 | 2,525 |
| Interest cost | 3,369 | 3,658 |
| Amortization of actuarial gain | (1,276) | (2,038) |
| Expected benefits paid | <u>(2,790)</u> | <u>(1,655)</u> |
| Balance, end of year | \$ <u>105,640</u> | \$ <u>103,488</u> |

Expenditures relating to employee benefits are included as administration employee benefits on the statement of operations in the amount of \$2,152 (2014 - \$2,490) and include the following components:

| | <u>2015</u> | <u>2014</u> |
|--|-----------------|-----------------|
| Current service cost | \$ 2,849 | \$ 2,525 |
| Interest cost | 3,369 | 3,658 |
| Amortization of actuarial gain | (1,276) | (2,038) |
| Expected benefits paid | <u>(2,790)</u> | <u>(1,655)</u> |
| Total expenditures related to post-retirement and post-employment benefits | \$ <u>2,152</u> | \$ <u>2,490</u> |

A long-term receivable of \$105,640 (2014 - \$103,488) 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 employees. The plan is a defined benefit plan, which specifies the amount of 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 \$30,899 in 2015 (2014 - \$21,587).

The most recent actuarial valuation of the OMERS plan as at December 31, 2015 indicates the Plan is not fully funded and the plan's December 31, 2015 financial statements indicate a deficit of \$6.98 billion (less an additional \$1.7 billion of deferred gains that must 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 0.0017% 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.

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

5. PROGRAM DEVELOPMENT RESERVE

The Board of Management created a Development Program in September 2010. These funds are earmarked for program development. In 2015, the excess of program revenue over expenditures of \$9,617 (2014 - \$6,800) was transferred to the Program Development Reserve.

6. FUNDS PROVIDED BY THE 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.

| | 2015 Budget (unaudited) | Actual 2015 | Actual 2014 |
|---|-------------------------------|----------------|----------------|
| Administration expenditure: | | | |
| Salaries and wages | \$ 336,046 | \$ 318,179 | \$ 312,397 |
| Employee benefits | 93,258 | 83,341 | 72,602 |
| Materials and supplies | 56,746 | 49,964 | 51,028 |
| Purchased services | <u>49,600</u> | <u>143,866</u> | <u>147,732</u> |
| | 535,650 | \$ 595,350 | \$ 583,759 |
| Less: budgeted rental and sundry revenue | <u>214,813</u> | | |
| Budgeted net City funding | <u>\$ 320,837</u> | | |
| Centre's administration revenue: | | | |
| Administration budget | | \$ 320,837 | \$ 264,109 |
| Rental and sundry revenue | | 272,560 | 292,146 |
| Section 37 funding | | <u>-</u> | <u>52,278</u> |
| | | <u>593,397</u> | <u>608,533</u> |
| Centre's actual administration expense: | | | |
| Administration expenses | | 595,350 | 583,759 |
| Adjustments for non-cash items: | | | |
| Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto | | (2,152) | (2,490) |
| Unspent Section 37 funding repayable | | - | 27,000 |
| Difference between funding received and budgeted | | <u>(73)</u> | <u>-</u> |
| | | <u>593,125</u> | <u>608,269</u> |
| Administration expenditure under approved budget | | <u>\$ 272</u> | <u>\$ 264</u> |

The under expenditure of \$272 (2014 - \$264) is included in account payable to the City.