



Grant Thornton

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Financial Statements

Committee of Management for the McCormick
Playground Arena

December 31, 2007

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Grant Thornton

Auditors' Report

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To the Council of the Corporation of the
City of Toronto and the Committee of Management for the
McCormick Playground Arena

We have audited the balance sheet of the **Committee of Management for the McCormick Playground Arena** as at December 31, 2007 and the statements of revenue and expenditure, and cash flows for the year then ended. These financial statements are the responsibility of the Arena's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the **McCormick Playground Arena** as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
February 14, 2008

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

**Committee of Management for the
McCormick Playground Arena
Balance Sheet**

December 31 2007 2006

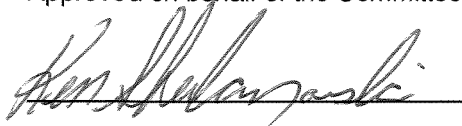
Assets

Current		
Cash and short term deposits	\$ 144,718	\$ 82,346
Receivables - City of Toronto	-	2,070
- Other	31,726	5,902
Inventories	<u>4,687</u>	<u>5,828</u>
	<u>181,131</u>	96,146
Long term		
Receivable - City of Toronto (Note 6)	<u>6,152</u>	-
	<u>\$ 187,283</u>	<u>\$ 96,146</u>

Liabilities

Current		
Payables and accruals	\$ 11,416	\$ 16,163
City of Toronto (Note 4)	76,094	-
Surplus payable to City of Toronto (Note 5)	68,931	55,658
Deferred revenue	<u>14,690</u>	<u>14,325</u>
	<u>171,131</u>	<u>86,146</u>
Long term		
Employee benefits payable (Note 6)	6,152	-
City of Toronto - working capital advance	<u>10,000</u>	<u>10,000</u>
	<u>16,152</u>	<u>10,000</u>
	<u>\$ 187,283</u>	<u>\$ 96,146</u>

Approved on behalf of the Committee of Management

 Chair

 Member

**Committee of Management for the
McCormick Playground Arena
Statement of Revenue and Expenditure**

Year Ended December 31

2007

2006

Revenue

Ice rentals	\$ 536,519	\$ 506,236
City of Toronto - funding for post retirement costs	6,152	-
Snack bar and vending machine operations (Page 7)	11,664	14,741
Pro shop operations (Page 8)	6,570	5,581
Interest	3,930	2,919
Other	1,575	3,873
	<u>566,410</u>	<u>533,350</u>

Expenditure

Salaries and wages	311,105	285,200
Employee benefits	79,581	67,636
Utilities	135,996	135,245
Maintenance and repairs	23,552	35,824
General administration and service	20,239	20,879
Insurance	9,718	8,964
Professional fees	3,713	3,369
	<u>583,904</u>	<u>557,117</u>

Operating (deficit) (17,494) (23,767)

Vehicle and equipment reserve contribution (Note 7) 2,355 9,355

(Deficit) for the year, recoverable from the City of Toronto \$ (19,849) \$ (33,122)

**Committee of Management for the
McCormick Playground Arena
Statement of Cash Flows**

Year Ended December 31 2007 2006

Increase (decrease) in cash and short term deposits

Operating activities

Net (deficit)	\$ (19,849)	\$ (33,122)
(Increase) decrease resulting from changes in:		
Receivables - City of Toronto	2,070	(2,070)
Receivables	(25,824)	4,541
Inventories	1,141	1,228
Increase (decrease) resulting from changes in:		
Payables and accruals - City of Toronto	76,094	(27,792)
- Other	(4,747)	(4,381)
Deferred revenue	365	1,579
	<u>29,250</u>	<u>(60,017)</u>

Financing activity

Receipt of prior years operating deficit	<u>33,122</u>	-
Net increase (decrease) in cash and short term deposits	62,372	(60,017)
Cash and short term deposits, beginning of year	<u>82,346</u>	<u>142,363</u>
Cash and short term deposits, end of year	\$ <u>144,718</u>	\$ <u>82,346</u>

Committee of Management for the McCormick Playground Arena

Notes to the Financial Statements

December 31, 2007

1. Establishment and operations

The McCormick Playground Arena was established as a community recreation centre under By-law 391-71, Chapter 25 of the Community Recreation Centres Act and Section 207(58) of the Municipal Act. The Arena is operated under a Board of Management, which consists of 10 members, including 2 Council members.

Under the By-law, the Committee of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Committee over and above that necessary to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises.

The Committee retains a working cash advance provided by the City, for the management and control of the premises, to be returned to the City upon the Committee's ceasing to function for any reason.

2. Change in accounting policy

The Canadian Institute of Chartered Accountants issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement" the application of which is mandatory for these annual financial statements for the period commencing January 1, 2007.

The new standard requires McCormick Playground Arena to classify all financial assets included on the balance sheet as either held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale categories. In addition, the standards require that all financial assets be measured at fair value with the exception of loans, receivables, and investments classified as held-to-maturity which are measured at amortized cost.

The gain or loss arising from a change in the fair value of a financial asset classified as held for trading is included in excess of revenues over expenditures in the period in which it arises. If the financial asset is classified as available for sale, the gain or loss is recognized in a separate account within the general fund balance until the financial asset is derecognized and the cumulative gains and losses are then recognized in excess of revenues over expenditures. On initial adoption of these accounting policies prior period comparative financial information would not be restated and the opening adjustment would be made to the opening general fund balance.

Similarly, the standard requires that all financial liabilities be measured at fair value on the balance sheet when they are held for trading. Other financial liabilities are measured at amortized cost.

Committee of Management for the McCormick Playground Arena Notes to the Financial Statements

December 31, 2007

2. Change in accounting policy (continued)

The Arena has classified its cash and short term deposits, receivables and payables and accruals and deferred revenue as held-for-trading. Upon adoption, as of January 1, 2007, there is no impact from this change in accounting policy.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government as prescribed by the Public Sector Accounting Board. Significant accounting policies include the following:

Sources of generally accepted accounting principles

- (a) Revenues and expenditures are recorded on an accrual basis.
 - (b) Inventories held for resale are valued at cost.
 - (c) Furniture and equipment - any acquisitions are recorded as expenditures in the year of acquisition.
 - (d) Major capital expenditures are financed by the City of Toronto, which owns the facility. Major capital expenditures and services provided without charge by the City are not recorded in these financial statements.
 - (e) Ice rentals paid in advance are recorded as deferred revenue.
 - (f) Services provided without charge by the City are not recorded in these financial statements.
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4. Accrued liabilities owing to the City of Toronto

2007

2006

The amount due to the City of Toronto consists of the following:

Light and power	\$ <u>76,094</u>	\$ <u>-</u>
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**Committee of Management for the
McCormick Playground Arena
Notes to the Financial Statements**

December 31, 2007

5. Surplus payable to the City of Toronto 2007 2006

The surplus payable to City of Toronto consists of the following:

Surplus 2003	\$ 1,548	\$ 1,548
Surplus 2004	38,190	38,190
Surplus 2005	9,259	9,259
Deficit 2006	(33,122)	(33,122)
Deficit 2007	<u>(19,849)</u>	-
	(3,974)	15,875
Hydro over-accrual	<u>39,783</u>	<u>39,783</u>
	35,809	55,658
Add:		
Receipt of 2006 deficit	<u>33,122</u>	-
Balance, end of year	<u>\$ 68,931</u>	<u>\$ 55,658</u>

6. Employee benefits payable

The Arena participates in a benefit plan provided by the City of Toronto. It provides administrative employees with long term disability benefits and the continuation of health, dental and life insurance benefits to disabled employees.

Due to the complexities in valuing the benefit plan, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed during 2007 and has been extrapolated to provide the accrued benefit obligation as at December 31, 2007.

A long term receivable from the City of Toronto has resulted from the recording of administration staff benefit costs such as long term disability for administrative employees. 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 Arena.

Information about the Arena's employee benefits, is as follows:

	<u>2007</u>	<u>2006</u>
Long term disability benefits	\$ 6,347	\$ -
Unamortized actuarial loss	<u>(195)</u>	-
	<u>\$ 6,152</u>	<u>\$ -</u>

**Committee of Management for the
McCormick Playground Arena
Notes to the Financial Statements**

December 31, 2007

6. Employee benefits payable (continued)

The continuity of the accrued benefit obligation during 2007 is as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ -	\$ -
Current service cost	6,207	-
Interest cost	290	-
Amortization of actuarial gain	20	-
Expected benefits paid	<u>(365)</u>	<u>-</u>
	\$ <u>6,152</u>	\$ <u>-</u>

The organization was not eligible for post-employment benefits until 2007.

7. Vehicle and equipment replacement reserve

This reserve represents contributions made to the City of Toronto for the financing of replacement ice resurfacer machines required by the Arena Boards in future years. The Board will contribute \$9,355 per year for the first five years for the Vehicle and Equipment reserve commencing in 2004. During the year, City of Toronto made an exception for McCormick Playground Arena which allowed the Arena to contribute only \$2,355 in 2007.

**Committee of Management for the
McCormick Playground Arena
Schedule of Snack Bar and Vending Machine Operations**

Year Ended December 31

2007

2006

Sales		
Snack Bar	\$ 7,415	\$ 7,041
Vending machine	<u>25,184</u>	<u>27,245</u>
	32,599	34,286
Cost of goods sold	<u>18,200</u>	<u>16,949</u>
Gross profit	14,399	17,337
Direct expenses		
Wages	<u>2,735</u>	<u>2,596</u>
Net profit	\$ 11,664	\$ 14,741

**Committee of Management for the
McCormick Playground Arena
Schedule of Pro Shop Operations**

Year Ended December 31	2007	2006
Sales	\$ 8,894	\$ 8,748
Cost of goods sold	<u>2,324</u>	<u>3,168</u>
Gross profit	\$ <u>6,570</u>	\$ <u>5,581</u>