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GRANT THORNTON

Financial Statements

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

December 31, 2008

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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, 2008 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, 2008 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
March 16, 2009

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

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

Year Ended December 31

2008

2007

Revenue

Ice rentals	\$ 568,136	\$ 536,519
City of Toronto - funding for post retirement costs	6,270	6,152
Snack bar and vending machine operations (Page 8)	11,285	11,664
Pro shop operations (Page 9)	7,778	6,570
Interest	984	3,930
Other	<u>1,872</u>	<u>1,575</u>
	<u>596,325</u>	<u>566,410</u>

Expenditure

Salaries and wages	297,713	311,105
Employee benefits	70,627	79,581
Utilities	129,880	135,996
Maintenance and repairs	61,603	23,552
General administration and service	23,070	20,239
Insurance	9,919	9,718
Professional fees	<u>6,028</u>	<u>3,713</u>
	<u>598,840</u>	<u>583,904</u>

Operating (deficit) (2,515) (17,494)

Vehicle and equipment reserve contribution (Note 6) 2,355 2,355

(Deficit) for the year, recoverable from the City of Toronto \$ (4,870) \$ (19,849)

See accompanying notes to the financial statements.

Year Ended December 31

2007

Operating activities

Financing activities

Net (decrease) increase in cash and short term deposits	(47,897)	62,372
Cash and short term deposits, beginning of year	<u>144,718</u>	<u>82,346</u>
Cash and short term deposits, end of year	\$ 96,821	\$ 144,718

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

December 31, 2008

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. 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.

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

December 31, 2008

3. Accrued liabilities owing to the City of Toronto 2008 2007

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

Light and power	\$ <u>23,228</u>	\$ <u>76,094</u>
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4. Surplus payable to the City of Toronto 2008 2007

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

Surplus 2003	\$ 1,548	\$ 1,548
Surplus 2004	-	38,190
Surplus 2005	-	9,259
Deficit 2006	-	(33,122)
Deficit 2007	(19,849)	(19,849)
Deficit 2008	<u>(4,870)</u>	<u>-</u>
	(23,171)	(3,974)
Hydro over-accrual	<u>39,783</u>	<u>39,783</u>
	16,612	35,809
Add:		
Receipt of 2006 deficit	<u>-</u>	<u>33,122</u>
Balance, end of year	\$ <u>16,612</u>	\$ <u>68,931</u>

5. 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, 2008.

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.

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

December 31, 2008

5. Employee benefits payable (continued)

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

	<u>2008</u>	<u>2007</u>
Long term disability benefits	\$ 12,603	\$ 6,347
Unamortized actuarial loss	<u>(181)</u>	<u>(195)</u>
	\$ <u>12,422</u>	\$ <u>6,152</u>

The continuity of the accrued benefit obligation during 2008 is as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 6,152	\$ -
Current service cost	6,348	6,207
Interest cost	575	290
Amortization of actuarial gain	14	20
Expected benefits paid	<u>(667)</u>	<u>(365)</u>
	\$ <u>12,422</u>	\$ <u>6,152</u>

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its 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 rate of pay. Total contribution by the Arena and the employees during the year was \$18,365. (2007- \$19,155).

6. 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. In 2007, the City of Toronto reduced the requirement for McCormick Playground Arena to \$2,355.

7. Fair value of financial instruments

The carrying value of cash, accounts receivable, due from and to City of Toronto, accounts payable and accrued liabilities reflected in the balance sheet approximate their respective fair value, due to the relatively short term nature of the instruments and/or due to the interest rates on the borrowing.

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

Year Ended December 31

2008

2007

Sales

Snack Bar	\$ 6,840	\$ 7,415
Vending machine	<u>28,314</u>	<u>25,184</u>
	35,154	32,599
 Cost of goods sold	 <u>20,991</u>	 <u>18,200</u>
 Gross profit	 14,163	 14,399
 Direct expenses		
Wages	<u>2,878</u>	<u>2,735</u>
 Net profit	 <u>\$ 11,285</u>	 <u>\$ 11,664</u>

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

Year Ended December 31

2008

2007

Sales	\$ 11,240	\$ 8,894
Cost of goods sold	<u>3,462</u>	<u>2,324</u>
Gross profit	\$ <u>7,778</u>	\$ <u>6,570</u>