

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
For the year ended
DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the of the

**CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR
APPLEGROVE COMMUNITY COMPLEX**

We have audited the accompanying financial statements of the Board of Management for Applegrove Community Complex, which comprise the statement of financial position as at December 31, 2013, 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 Complex 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 Complex and we were not able to determine whether any adjustments might be necessary to revenues, net revenue over expenses, assets, and net assets.

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 Applegrove Community Complex as at December 31, 2013 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.

Other Matter

The financial statements of the Board of Management for Applegrove Community Complex for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those financial statements on July 29, 2013 for the reasons described in the Basis for Qualified Opinion paragraph.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 28, 2014.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and short term investments	\$ 324,806	\$ 185,422
Accounts receivable - City of Toronto (note 7)	99,438	109,816
Accounts receivable - Other	12,310	38,020
Prepaid expenses	<u>5,759</u>	<u>-</u>
	442,313	333,258
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 6)	253,182	252,176
ACCOUNTS RECEIVABLE - CITY OF TORONTO - OTHER (note 7)	<u>-</u>	<u>58,522</u>
	<u>\$ 695,495</u>	<u>\$ 643,956</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto	\$ -	\$ 1,195
Accounts payable and accrued liabilities - Other	167,701	190,646
Deferred revenue	17,965	-
Deferred contributions (note 5)	31,681	31,099
Advance payable to the City of Toronto	<u>70,000</u>	<u>-</u>
	287,347	222,940
POST-EMPLOYMENT BENEFITS PAYABLE (note 6)	253,182	252,176
ACCOUNTS PAYABLE - CITY OF TORONTO - OTHER	<u>-</u>	<u>58,522</u>
	<u>540,529</u>	<u>533,638</u>
NET ASSETS		
Restricted program funds	108,386	98,893
Unrestricted	<u>46,580</u>	<u>11,425</u>
	<u>154,966</u>	<u>110,318</u>
	<u>\$ 695,495</u>	<u>\$ 643,956</u>

Approved by the Board:

 Chair

 Secretary

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

	<u>Restricted program fund</u>	<u>Unrestricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
Net assets, beginning of year	\$ 98,893	\$ 11,425	\$ 110,318	\$ 113,924
Net revenue over expenses	5,715	38,933	44,648	(3,606)
Transfer between funds	<u>3,778</u>	<u>(3,778)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 108,386</u>	<u>\$ 46,580</u>	<u>\$ 154,966</u>	<u>\$ 110,318</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013

	<u>Program</u>	<u>Administration</u>	<u>2013</u>	<u>2012</u>
Revenue				
Grants				
City of Toronto	\$ 169,256	\$ 372,453	\$ 541,709	\$ 749,296
Province of Ontario	36,374	-	36,374	34,692
Government of Canada	62,018	-	62,018	41,944
Other grants	<u>53,743</u>	<u>-</u>	<u>53,743</u>	<u>46,358</u>
	321,391	372,453	693,844	872,290
Program and membership fees	133,954	-	133,954	86,110
Donations	31,126	-	31,126	41,901
Interest revenue	<u>-</u>	<u>182</u>	<u>182</u>	<u>381</u>
	<u>486,471</u>	<u>372,635</u>	<u>859,106</u>	<u>1,000,682</u>
Expenses				
Salaries and wages	314,541	246,058	560,599	760,875
Employee benefits	54,626	72,567	127,193	130,897
Materials and supplies	49,705	7,596	57,301	53,926
Purchase of services	<u>22,951</u>	<u>46,414</u>	<u>69,365</u>	<u>58,590</u>
	<u>441,823</u>	<u>372,635</u>	<u>814,458</u>	<u>1,004,288</u>
Net revenue over expenses				
(expenses over revenue)	<u>\$ 44,648</u>	<u>\$ -</u>	<u>\$ 44,648</u>	<u>\$ (3,606)</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses (expenses over revenue)	\$ 44,648	\$ (3,606)
Increase (decrease) resulting from changes in:		
Accounts receivable - City of Toronto	10,378	(81,181)
Accounts receivable - Other	25,710	1,841
Prepaid expenses	(5,759)	574
Long-term account receivable - City of Toronto	(1,006)	(80,575)
Long-term accounts receivable - City of Toronto - Other	58,522	(58,522)
Accounts payable and accrued liabilities - City of Toronto	(1,195)	(12,545)
Accounts payable and accrued liabilities - Other	(22,945)	126,311
Deferred revenue	17,965	31,099
Deferred contributions	582	-
Advance payable to the City of Toronto	70,000	-
Post-employment benefits payable	1,006	22,053
Long-term accounts payable - Other	<u>(58,522)</u>	<u>58,522</u>
Cash flows from operating activities	<u>139,384</u>	<u>3,971</u>
INCREASE IN CASH AND SHORT TERM INVESTMENTS	139,384	3,971
CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR	<u>185,422</u>	<u>181,451</u>
CASH AND SHORT TERM INVESTMENTS AT END OF YEAR	<u>\$ 324,806</u>	<u>\$ 185,422</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

1. **NATURE OF OPERATIONS**

Applegrove Community Complex (the "Complex") was incorporated in 1979 as a corporation without share capital and registered as corporation #417388 under the Ontario Corporations Act. Applegrove Community Complex is also registered as a charity authorized with the Canada Revenue Agency, charitable number: 10671 8943 RR0001.

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 the addition to S.H. Armstrong Recreation Centre together with certain classrooms of the Duke of Connaught Public School and the office of the Woodfield Road Public School as a Community Recreation Centre under the Community Recreation Centres Act, known as Applegrove Community Complex ("Complex").

The Municipal Code provides for a Council appointed Board of Management 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.

The Municipal Act, 2001, and the AOCC Governance report, 2003, re-established the Board of Management as a municipal service board.

Board of management

At the Annual Meeting on March 31, 2005, the Complex amended its constitution to specify that the Board of Management would function as a Standing Committee of the Board of Directors for the non-profit corporation.

At the Annual Meeting on March 28, 2007 and in accordance with the City of Toronto's Relationship Framework with the City-funded Community Centres, the Complex amended its constitution so that it had separate constitutions for the incorporated body and the City Agency continuing the structure of the Board of Management as a Standing Committee of the non-profit corporation.

2. **FINANCIAL STATEMENTS**

The Municipal Code requires that audited annual financial statements be submitted by the Board of Management for the Complex to the City covering the management and control of the premises by the Committee. Because the Board of Management is a Standing Committee of the Board of Directors for the Corporation as a whole, separate financial statements have not been prepared. Accordingly, the financial statements reflect the operations of the Applegrove Community Complex as a whole, including the operations of the Board of Management.

BOARD OF MANAGEMENT FOR APPLEROVE COMMUNITY COMPLEX
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

3. **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 Complex follows the restricted fund 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. Contributions not expended are included as surplus for the year. Restricted contributions not expended are included as surplus under the specified program for the year.

Program and membership fees and other similar revenues are recognized on the date the services are performed.

Cash and short term investments

Cash and short term investments include cash on hand, demand deposits, amounts in trust and short-term investments with maturities of less than three months at acquisition.

Financial instruments

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

The Complex 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 materials 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.

Employee related costs

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

- (a) The City of Toronto offers a multiemployer defined benefit pension plan to the Complex's employees. Due to the nature of the plan, the Complex does not have sufficient information to account for the plan as a defined benefit plan; therefore, the multiemployer 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 Complex also offers its employees a defined benefit sick leave plan, a postretirement 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 Complex 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.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

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

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.

4. **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 Complex's financial instruments.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Complex will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities.

The Complex manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Complex believes its overall liquidity risk to be minimal as the Complex'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 Complex's cash and short-term investments earn interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

Credit risk

The Complex is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Complex's maximum exposure to credit risk represents the sum of the carrying value of its cash, short term investments and accounts receivable. The Complex's cash and short term investments are with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote.

Management believes that the Complex'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 Complex's risk exposures from the prior year.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

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

The continuity of the accrued benefit obligation is as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 252,176	\$ 230,123
Current service cost	3,272	10,813
Interest cost	8,435	11,932
Amortization of actuarial loss (gain)	(2,974)	3,935
Expected benefits paid	<u>(7,727)</u>	<u>(4,627)</u>
Balance, end of year	<u>\$ 253,182</u>	<u>\$ 252,176</u>

Expenditures relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of \$1,006 (2012 - \$22,053) and include the following components:

	<u>2013</u>	<u>2012</u>
Current service cost	\$ 3,272	\$ 10,813
Interest cost	8,435	11,932
Amortization of actuarial loss (gain)	(2,974)	3,935
Expected benefits paid	<u>(7,727)</u>	<u>(4,627)</u>
Total expenditures related to post-retirement and post-employment benefits	<u>\$ 1,006</u>	<u>\$ 22,053</u>

A long-term receivable of \$253,182 (2012 - \$252,176) from the City has resulted from recording 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 is responsible for the benefit liabilities of management staff that may be incurred by the Complex.

The Complex also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of certain employees. 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 \$30,136 in 2013 (2012 - \$39,565).

The most recent actuarial valuation of the OMERS plan as at December 31, 2013 indicates the Plan is not fully funded and the plan's December 31, 2013 financial statements indicate a deficit of \$8.6 billion (less an additional \$341 million 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 Arena's contributions accounted for 0.0017% of the plan's total employer contribution. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

7. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration 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.

	2013 <u>Budget</u> (unaudited)	<u>2013</u>	<u>2012</u>
Administration expenses:			
Salaries and wages	\$ 257,966	\$ 246,058	\$ 299,693
Employee benefits	58,096	72,567	76,548
Materials and supplies	7,896	7,596	8,370
Purchase of services	23,887	46,414	28,384
Contractual obligation accrual	-	-	<u>152,049</u>
	<u>\$ 347,845</u>	<u>\$ 372,635</u>	<u>\$ 565,044</u>
Complex's actual administration revenue:			
Administration budget		\$ 347,845	\$ 411,544
Contractual obligation funding		-	152,049
Other revenue (interest)		<u>182</u>	<u>381</u>
		<u>348,027</u>	<u>563,974</u>
Complex's actual administration expenses:			
Administration expenses per statement of operations		372,635	565,044
Post-employment benefits, not funded by the City until paid, that are included in long-term accounts receivable - City of Toronto		(1,006)	-
Vacation pay accrual		(11,576)	-
Difference between funding received and budgeted		<u>38</u>	<u>-</u>
		<u>360,091</u>	<u>565,044</u>
Administration expenses over approved budget		<u>\$ (12,064)</u>	<u>\$ (1,070)</u>

The under expenditure of \$12,064 (2012 - \$1,070) is recorded in the accounts receivable from the City of Toronto.

To comply with the 10% reduction in the administration budget of 2012 as approved by the City Council on January 27, 2012, contractual obligations of \$93,611 in 2013 and \$58,438 in 2014, totalling to \$152,049 had been recorded along with an equivalent amount of receivable from the City. The 2013 obligation was settled in the same year as \$93,005 even though the funding received from the City was \$93,611, thus leaving an unsettled 2013 obligation of \$606. Accordingly, the remaining severance liability of \$59,044 (\$58,438 plus \$606) and the corresponding recoverable from the City had been carried forward.

8. LEASE COMMITMENTS

The Complex has obtained permitted use of the Corpus Christi Church for Edgewood Connection Family Resources Centre and the lease expires on June 30, 2014. Minimum payments for 2014 amount to \$3,000.

9. COMPARATIVE FIGURES

Comparative figures have been audited by another auditor and have been reclassified where necessary to conform to the presentation adopted in the current year.

**BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
MAJOR PROGRAM ACTIVITIES AND FUNDRAISING
YEAR ENDED DECEMBER 31, 2013**

	Unrestricted			Restricted					Total
	Applegrove Drop-in	Edgewood Drop-in	After School Program	Other	Teen Program	Perinatal Program	Therapeutic Play	Summer Camp & Leadership Program	
Program revenues									
Grants									
City of Toronto	\$ 112,428	\$ 20,142	\$ -	\$ 28,121	\$ -	\$ -	\$ -	\$ 8,565	\$ -
Province of Ontario	12,000	-	-	-	-	-	-	2,817	21,557
Federal Government	-	-	-	352	-	34,977	-	14,639	12,050
Non-government grants	1,000	-	250	3,302	11,520	250	26,750	10,421	250
	<u>125,428</u>	<u>20,142</u>	<u>250</u>	<u>31,775</u>	<u>11,520</u>	<u>35,227</u>	<u>26,750</u>	<u>36,442</u>	<u>33,857</u>
Donations	1,555	885	164	7,919	-	186	-	3,000	1,050
Fundraising	2,053	2,108	-	9,370	-	-	-	39,033	2,837
Membership/user fees/other	2,732	-	81,065	6,109	-	100	-	-	4,914
	<u>131,768</u>	<u>23,135</u>	<u>81,479</u>	<u>55,173</u>	<u>11,520</u>	<u>35,513</u>	<u>26,750</u>	<u>78,475</u>	<u>42,658</u>
Program expenditures									
Salaries	101,784	15,853	59,855	27,504	4,300	8,428	19,660	53,074	24,083
Benefits	32,610	6,938	4,218	2,180	254	616	1,561	4,455	1,794
Materials and supplies	3,275	626	6,678	1,408	1,119	14,945	824	11,735	8,455
Furniture and equipment	222	117	-	-	-	267	-	34	-
Purchase of services	1,471	3,333	3,215	9,474	-	182	1,311	1,720	2,245
	<u>139,362</u>	<u>26,867</u>	<u>73,966</u>	<u>40,566</u>	<u>5,673</u>	<u>24,438</u>	<u>23,356</u>	<u>71,018</u>	<u>36,577</u>
Surplus (deficit) from program activities	(7,594)	(3,732)	7,513	14,607	5,847	11,075	3,394	7,457	6,081
Operating surplus (deficit), beginning of year	921	557	26,037	12,049	5,433	8,267	32,647	2,808	21,599
Operating surplus (deficit), end of year	(6,673)	(3,175)	33,550	26,656	11,280	19,342	36,041	10,265	27,680
Transfers (Board approved)	6,673	3,175	(13,626)	-	-	3,778	-	-	-
Operating surplus (deficit), post-transfer	\$ -	\$ -	\$ 19,924	\$ 26,656	\$ 11,280	\$ 23,120	\$ 36,041	\$ 10,265	\$ 27,680
									\$ 154,966

Restricted program funds total \$108,386 including end of year surplus of Teen, Perinatal, Therapeutic Play, Summer Camp and Leadership programs and Seniors Program.

The transfer of \$9,848 from After School Program 2012 surplus to cover the deficit of \$6,673 in Applegrove Drop-in and \$3,175 in Edgewood Drop-in was based on Minutes of the Board on January 27, 2014.

The transfer of \$3,778 from After School Program surplus to cover Perinatal Program worker salaries and benefits was based on Minutes of the Board on January 27, 2014.

REPORT TO THE

**BOARD OF MANAGEMENT FOR
APPLEGROVE COMMUNITY COMPLEX**

For the year ended December 31, 2013

Prepared by:
Welch LLP

AUDIT STATUS

Our audit of the financial statements of Board of Management for Applegrove Community Complex for the year ended December 31, 2013 is substantially complete and we expect to release our auditors' report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- Second partner review by Welch LLP
- Subsequent events review
- Approval of draft financial statements by the Board

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian generally accepted auditing standards.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2013 fiscal year.

MANAGEMENT LETTER OF REPRESENTATION

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The Executive Director has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditors' report.

MISSTATEMENTS

The corrected misstatements identified during our audit are included in Appendix A.

The uncorrected misstatements identified during our audit are included in Appendix B.

Canadian generally accepted auditing standards require that we request that management correct all the misstatements that we present to them.

The uncorrected misstatements identified are as follows; \$9,670 of after-school program revenues received in the 2012 fiscal year relating to the after-school program for the 2013 fiscal year were recognized as revenue of 2012 rather than being reported as deferred revenue and recognized as revenue in 2013. Management has decided not to adjust the financial statements for this item due to the small dollar value involved and that the receipt of after-school program fees received in 2013 related to the 2012 after-school program have been recorded as deferred revenue in 2013. \$1,197 of vacation has been accrued in excess of the unused vacation hours due to a transposition error in the Complex's calculation. Management has decided not to adjust the financial statements for this item due to the small dollar value involved. We agree with management's decision.

If you disagree with management, and would like management to make the proposed adjustment(s), we request that you inform management and us accordingly.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we identified the following significant deficiencies in internal control:

Issue - Lack of segregation of duties

At present revenues are being recorded by the same person who performs physical bank deposits and records the cash receipts in the accounting system. This process has a lack of segregation of duties. We recommend, that a person independent from the accounting function prepare and make the bank deposit.

Management's Comments

With no ideal options, we would welcome your suggestions on how to approach this issue.

Issue - Significant unused vacation days

We observed that the vacation liability has been increasing consistently every year. As at December 31, 2013 the Complex is carrying a vacation liability of \$37,600 related to the administration staff. One individual has an accumulated balance of unused vacation of over 500 hours, which is significant to the Complex. We understand with limited personnel resources at the Complex, it is difficult to take vacation. Nevertheless, we recommend that either the vacation be paid out in full or partially if that is the Complex's policy or that efforts be made to enable employees to use their accumulated vacation.

Management's Comments

The Board and the employee with significant vacation are endeavouring to manage this issue. The individual is a long-time employee who earns 6 weeks of vacation annually. As a manager, the individual works up to maximum of 105 hours of overtime annually. The City's policy on overtime is as follows:

Lieu time will be granted as leave with pay to compensate employees for working overtime. Lieu time will be granted on a straight time basis to a yearly maximum of 105 hours for a 35-hour work week /120 for a 40-hour work week. This accumulated lieu time may be taken in time-off whenever it is mutually agreeable to the employee and his/her immediate supervisor. Employees are allowed to use lieu time before they use vacation time.

It is not City policy to pay out vacation time. Consequently, although the employee takes 3 weeks of lieu time and at least 3 weeks of vacation annually, there is still an accumulation of vacation.

The Board will consider requesting that the 2015 budget allow for the payout of accumulated vacation, as well as an ongoing payout of lieu time. The Board will also continue to work with the employee to reduce the reliance on overtime.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL - Cont'd.**Issue - Unresolved amount payable**

We noted there is an amount payable of \$9,727 included in the account surplus/deficit which has been carried forward from the 2012 fiscal year. The current Complex staff are unaware of the transactions that comprise this amount. We recommend that the Complex staff resolve this issue in 2014 fiscal.

Management's Comments

This issue will be a priority for the incoming Finance Manager to resolve in this fiscal year.

Issue - Lack of control over payroll

We found there were a few part time program staff that for the period January to September 2013 were paid hourly rates that differed from the hourly rates that were approved. The hourly rates were corrected by the bookkeeper upon her return from maternity leave. The difference between the hourly rates paid and approved was small and immaterial, however it demonstrated that there was a lack of control over payroll input. We recommend that the approved payroll rates entered in AccPac by the bookkeeper be reviewed by senior management.

Management's Comments

This has been identified as an action for the incoming Finance Manager.

Issue - Inadequate resources

We observed during the audit that the Finance Manager and the bookkeeper have to share a computer due to the part time position of the Finance Manager and the lack of capital asset funding for the administration. This has resulted in significantly reducing the efficiency of the work performance of both the Finance Manager and bookkeeper. We recommend the need for additional resources be addressed with the City of Toronto.

Management's Comments

As per your suggestion the Board will include a request for additional resources in the 2015 budget to resolve this issue.

Issue - Insufficient record keeping bank accounts

At present the Complex has a program bank account, an administration bank account, and three other bank accounts with minor balances and very few transactions each year. At present, the program and administration bank accounts are being reviewed and reconciled on a monthly basis, however, only annual bookkeeping is being done for the other three bank accounts and they are not being reconciled. We recommend that monthly bookkeeping and bank reconciliation be performed for the other three accounts.

Management's Comments

This will be implemented immediately.

INDEPENDENCE

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between Board of Management for Applegrove Community Complex and us that, in our professional judgment, may reasonably be thought to bear on our independence.

We evaluated our role and relationship with the organization and determined that there were no independence issues, as outlined in the Rules of Professional Conduct that govern our profession, that would prevent us from performing the audit.

FINANCIAL STATEMENT PRESENTATION

1. Significant Accounting Policies

The organization's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

2. Management's Judgments and Accounting Estimates

During the audit we did not encounter any situations that required significant judgements on the part of management or involved significant estimates.

DIFFICULTIES ENCOUNTERED DURING THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

MATTERS SPECIFICALLY REQUIRED BY OTHER CANADIAN AUDITING STANDARDS TO BE COMMUNICATED

Other sections of Canadian Auditing Standards require us to communicate with those charged with governance in a number of specific circumstances:

- Where we encounter unusual related party transactions or significant matters related to related party transactions;
- Where we encounter other transactions that were unusual or not in the normal course of business;
- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents containing the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

We did not encounter any such matters during the course of our audit.

ACKNOWLEDGEMENTS

During the course of our audit, we received considerable assistance from the organization's staff and management. We would like to take this opportunity to thank them for efforts and for their constructive approach to the audit.

**BOARD OF MANAGEMENT FOR APPLGROVE
COMMUNITY COMPLEX**

60 Woodfield Road
Toronto, Ontario
M4L 2W6

Date to be determined

Welch LLP
36 Toronto Street
Suite 530
Toronto, ON
M5C 2C5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of the Board of Management for Applegrove Community Complex as of December 31, 2013 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Board of Management for Applegrove Community Complex in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for the design and implementation of internal controls to prevent and detect fraud and error.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 23, 2013, for the preparation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - (b) Additional information that you have requested from us for the purpose of the audit; and
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
2. All transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Accounts Receivable

1. Accounts receivable are correctly described in the records and represent valid claims as at the year-end against the persons or companies indicated. These accounts are expected to be collected within twelve months, except for balances disclosed as long-term.
2. The accounts receivable are free from hypothecation or assignment except as disclosed in the notes to the financial statements.
3. Adequate allowance has been made for any losses from uncollectible accounts.
4. Accounts receivable represent valid claims relating to transactions made before the end of the fiscal year. Adequate provision has been made for losses which may be sustained in the collection of receivables.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the organization are included and fairly stated on the statement of financial position.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).
3. The organization has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, the organization had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the organization.
5. All claims outstanding against the organization or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.
6. We understand that any illegal or possibly illegal act could damage the organization or its reputation or give rise to a claim or claims against the organization. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

Statement of Operations

1. All of the revenues of the organization for the year has been recorded in the books of account and disclosed in the financial statements.
2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

Restrictions

All restrictions on the use of the organization's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the financial statements. The organization complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the financial statements.

Corporate Minutes

The minute books of the organization contain an accurate record of all of the business transacted at meetings of the Board of Management up to the date of this letter.

Controlled and Related Entities

The organization does not have relationships with any companies or other not-for-profit organizations that involve control, joint control, or significant influence nor does the organization have an economic interest in any other not-for-profit organization.

Related Party Transactions

1. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards for government not-for-profit organizations.
2. There have been no exchanges of goods or services with any related parties during the year that require disclosure in the financial statements.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
2. The organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
4. The actuarial assumptions and methods used to measure the pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Going Concern

We confirm that we have assessed the entity's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the entity is able to continue as a going concern for the foreseeable future.

General

1. We are unaware of any frauds or possible frauds having been committed by the organization, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
6. In the course of your audit of our financial statements for the year ended December 31, 2013, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our organization.

Events Subsequent to the Year-end

All events subsequent to the date of these financial statements and for which Canadian public sector accounting standards for government not-for-profit organizations require adjustment or disclosures have been adjusted or disclosed.

Yours very truly,

BOARD OF MANAGEMENT FOR APPLGROVE
COMMUNITY COMPLEX

Per _____
Susan Fletcher, Executive Director

Board of Management for Applegrove Community Complex

Year End: December 31, 2013

Adjustments

Rev. 10/10/01

Date: 01/01/2013 To 31/12/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	31/12/2013	Contract obligation receivable	107450-191	PL1			-152,049.00		
1	31/12/2013	Deferred Income - Admin	307100-191	PL1			-11,562.00		
1	31/12/2013	Core regular funding-City of Tor. Admin.	601110-191	PL1		163,611.00			
		To adjust for Contract obligation received from the City in 2013.							
2	31/12/2013	Accounts Payable - Admin.	303001-191	PL1-2		93,004.53			
2	31/12/2013	Contract obligation	719200-191	PL1-2			-74,071.00		
2	31/12/2013	Contract obligation	724011-191	PL1-2			-18,933.53		
		To apply Contract obligation payment to accrued Contract obligation							
3	31/12/2013	Vacation exp receivable-City	107400-191				-26,016.02		
3	31/12/2013	Vacation exp receivable-City	107400-191			37,592.12			
3	31/12/2013	Core Perm.Vacation Accrued	303007-191			26,016.02			
3	31/12/2013	Core Perm.Vacation Accrued	303007-191				-37,592.12		
3	31/12/2013	Vacation accrued - Revenue	609101-191			26,016.02			
3	31/12/2013	Vacation accrued - Revenue	609101-191				-37,592.12		
3	31/12/2013	Vacation Exp accrued	714803-191				-26,016.02		
3	31/12/2013	Vacation Exp accrued	714803-191			37,592.12			
		Provided by Client							
4	31/12/2013	Accumulated Surplus/Deficit	508000-191	BB10		12,064.45			
4	31/12/2013	City of Toronto	609120-191	BB10			-12,064.45		
		To record deficit funding receivable for 2013 deficit from City							
5	31/12/2013	Accounts Payable - Admin.	303001-191	BB4			-6,000.00		
5	31/12/2013	Audit	765190-191	BB4		6,000.00			
		To accrue for Audit fees at Dec 31, 13							
6	31/12/2013	CUMBA PAYABLE - ADMIN	303040-191	BB9			-2,079.39		
6	31/12/2013	CUMBA PAYABLE - PROGRAM	303040-200	BB9			-1,535.27		
6	31/12/2013	CUMBA- Administration	721005-191	BB9		2,079.39			
6	31/12/2013	Manulife Expense- Parent/Child	821005-211	BB9		1,263.22			
6	31/12/2013	Manulife Expense-Edgewood	821005-290	BB9		272.05			
		To accrue for Dec 2013 EHC & dental premium.							
7	31/12/2013	Deferred Income-Program	307100-200				-31,681.00		
7	31/12/2013	Retro/Pay Equity Funding	601111-211			1,291.00			
7	31/12/2013	Childcare serv.grant-City	601120-211			25,354.00			
7	31/12/2013	City Grant-Edgewood Connection	601130-290			5,036.00			
		Provided by Client							
8	31/12/2013	Deferred Income-Program	307100-200				-8,033.00		
8	31/12/2013	Deferred Income-Program	307100-200				-8,033.00		
8	31/12/2013	Provincial funding-Senior Connecting Through Ar	601413-232			8,033.00			
8	31/12/2013	Provincial funding-Senior Connecting Through Ar	601413-232			8,033.00			
		Provided by Client							

Board of Management for Applegrove Community Complex

Year End: December 31, 2013

Adjustments

Rev. 10/10/01

Date: 01/01/2013 To 31/12/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
9	31/12/2013	Deferred Income-Program	307100-200			3,659.75			
9	31/12/2013	Province Grant - Leadership	601411-266				-3,659.75		
		Provided by Client							
10	31/12/2013	Deferred Income-Program	307100-200	HH2-1			-6,839.11		
10	31/12/2013	Federal Grant-Perinatal Grant	601311-310	HH2-1		6,839.11			
		To adjust for deferred contribution - Eastview							
11	31/12/2013	Deferred Income-Program	307100-200	HH2-1			-1,396.17		
11	31/12/2013	Federal Grant- Senior CTA	601311-232	HH2-1		1,396.17			
		To adjust for deferred revenue re: Federal CTA							
12	31/12/2013	Deferred Income-Program	307100-200				-9,265.00		
12	31/12/2013	Registration Fees - After School	605201-223			9,265.00			
		Provided by Client 756-2							
13	31/12/2013	Post retire.benefit Payable	403440-191	BB7			-2,585.00		
13	31/12/2013	Sick bank accrued payable	403441-191	BB7		43,546.00			
13	31/12/2013	Unrealized actuarial gain-ben.	540400-191	BB7			-41,967.00		
13	31/12/2013	Administration expenses - employee benefits	721010-191	BB7		1,006.00			
		To adjust post retirement and sick leave benefit liability at year-end.							
14	31/12/2013	A/R Post-retire exp-City	107440-191	BB7		28,695.00			
14	31/12/2013	A/R Sick bank exp-City	107441-191	BB7			-43,546.00		
14	31/12/2013	Unrealized actuarial gain/loss	107442-191	BB7		15,857.00			
14	31/12/2013	Administration revenue - employee benefits	609102-191	BB7			-1,006.00		
		To adjust post retirement and sick leave benefit receivable from the City at year-end							
15	31/12/2013	OMERS PAYABLE - ADMIN	303010-191			88.76			
15	31/12/2013	OMERS PAYABLE - ADMIN	303010-191				-556.98		
15	31/12/2013	OMERS PAYABLE - PROGRAM	303010-200				-88.76		
15	31/12/2013	OMERS PAYABLE - PROGRAM	303010-200			50.27			
15	31/12/2013	OMERS PAYABLE - PROGRAM	303010-200			62.38			
15	31/12/2013	OMERS - Administration	721008-191			556.98			
15	31/12/2013	OMERS - PARENT/CHILD	821008-211			18.58			
15	31/12/2013	OMERS - Edgewood	821008-290				-131.23		
		Provided by Client 758-1 and 758-2							
17	31/12/2013	Deferred Income-Program	307100-200	HH2		36,905.22			
17	31/12/2013	Federal Grant- Senior CTA	601311-232	HH2			-9,429.11		
17	31/12/2013	Federal Grant-Perinatal Grant	601311-310	HH2			-14,042.11		
17	31/12/2013	Charity foundation grant-Teens	602410-228	HH2			-7,513.00		
17	31/12/2013	Charity Foundation - Leadership	602410-266	HH2			-2,921.00		
17	31/12/2013	Foundation charity donation-Summer Camp	603304-261	HH2			-3,000.00		
		To recognize revenue related restricted fund programs							
18	31/12/2013	Core regular funding-City of Tor. Admin.	601110-191			580.21			

Board of Management for Applegrove Community Complex

Year End: December 31, 2013

Adjustments

Rev. 10/10/01

Date: 01/01/2013 To 31/12/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
18	31/12/2013	City Grant - Special Project	601130-246				-580.21		
		To transfer funding rec'd from City from Admin to Program							
19	31/12/2013	Contract obligation receivable	107450-191	PL1		58,438.00			
19	31/12/2013	Deferred Income - Admin	307100-191	PL1		11,562.00			
19	31/12/2013	Advance payable to the City	403500-191	PL1			-11,562.00		
19	31/12/2013	Advance payable to the City	403500-191	PL1			-58,438.00		
		To reclass \$70,000 as advance from the City rather than Contract obligation for F2014.							
						671,784.35	-671,784.35		
Net Income (Loss) ###									

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For Discussion Purposes Only

Board of Management for Applegrove Community Complex

Period ending: December 31, 2013

Summary of unadjusted errors

Rev. 2012-1

Preliminary overall materiality is \$16,000; Final overall materiality is \$nil.

All misstatements over \$800 are to be recorded on this summary. Misstatements below this threshold are considered trivial.

The tax rate used in this schedule is nil%.

Description of Possible Misstatement	WP Ref.	INCOME STATEMENT Overstated or (Understated)			BALANCE SHEET Overstated or (Understated)			F/S Disclosures	Corrected?
		Identified Mis-statement	Likely Aggregate Mis-statement	Likely Aggregate Mis-statement After Tax	Assets	Liabilities	Closing Equity		
Overaccrual of vacation pay	BB3	(1,197)	(1,197)	(1,197)		1,197	(1,197)		No
Understatement of after school program fees - related to 2012F	HH1	(9,670)	(9,670)	(9,670)		9,670	(9,670)		No
Total			(10,867)	(10,867)		10,867	(10,867)		
Effect of Unadjusted Errors From Prior Years			9,670	9,670		(9,670)	9,670		
Aggregate Likely Misstatements			(1,197)	(1,197)		1,197	(1,197)		
Further Possible Misstatements									
Maximum Possible Misstatements			(1,197)	(1,197)		1,197	(1,197)		
Corrected Misstatements									
Uncorrected Misstatements			(1,197)	(1,197)		1,197	(1,197)		
Materiality			16,000	16,000	16,000	16,000	16,000	16,000	
Margin Remaining For Further Possible Misstatements			14,803	14,803	16,000	14,803	14,803	16,000	

Prepared by	Reviewed by	Reviewed by
AZ 16/03/2014		

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