

**FINANCIAL STATEMENTS**  
**For**  
**BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**  
**For the year ended**  
**DECEMBER 31, 2013**

## INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

### **CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**

We have audited the accompanying financial statements of the Board of Management for the Cecil Street Community Centre, which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *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 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, 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 the Cecil Street Community Centre 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 the Cecil Street Community Centre for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those financial statements on April 25, 2013 for the reason described in the Basis for Qualified Opinion paragraph.



Chartered Accountants  
Licensed Public Accountants

Toronto, Ontario  
March 27, 2014.

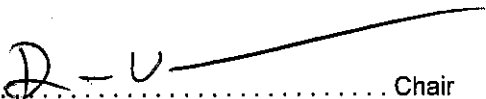
**BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**

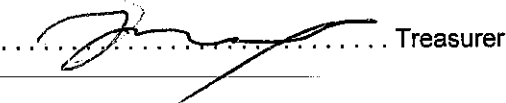
**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and short term investments	\$ 115,508	\$ 110,178
Accounts receivable - City of Toronto (vacation payable)	9,597	5,793
Accounts receivable - Other	7,570	6,912
Prepaid expenses	<u>675</u>	<u>2,071</u>
	133,350	124,954
<b>ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 6)</b>	<u>169,333</u>	<u>171,666</u>
	<u>\$ 302,683</u>	<u>\$ 296,620</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities - City of Toronto	\$ 8,651	\$ 1,797
Accounts payable and accrued liabilities - Other	73,501	60,004
Deferred revenue	-	120
Deferred contributions (note 5)	<u>-</u>	<u>6,250</u>
	82,152	68,171
<b>POST-EMPLOYMENT BENEFITS PAYABLE (note 6)</b>	<u>169,333</u>	<u>171,666</u>
	<u>251,485</u>	<u>239,837</u>
<b>NET ASSETS</b>		
Board designated reserve (note 7)	45,100	45,100
Unrestricted	<u>6,098</u>	<u>11,683</u>
	<u>51,198</u>	<u>56,783</u>
	<u>\$ 302,683</u>	<u>\$ 296,620</u>

Approved by the Board:

  
..... Chair

  
..... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2013

	<u>Board Designated Reserve</u>	<u>Unrestricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
Net assets, beginning of year	\$ 45,100	\$ 11,683	\$ 56,783	\$ 56,629
Net revenue over expenses	<u>-</u>	<u>(5,585)</u>	<u>(5,585)</u>	<u>154</u>
Net assets, end of year	<u>\$ 45,100</u>	<u>\$ 6,098</u>	<u>\$ 51,198</u>	<u>\$ 56,783</u>

(See accompanying notes)

Welch LLP

**BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2013**

	<u>Program</u>	<u>Administration</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>				
Grants				
City of Toronto	\$ 11,010	\$ 705,748	\$ 716,758	\$ 660,797
Province of Ontario	20,415	-	20,415	20,721
Government of Canada	<u>5,557</u>	<u>-</u>	<u>5,557</u>	<u>5,482</u>
	36,982	705,748	742,730	687,000
Rentals	15,053	-	15,053	13,810
Program fees	12,200	-	12,200	11,817
Donations	7,500	-	7,500	7,760
Fundraising	4,744	-	4,744	8,907
Interest	1,697	-	1,697	1,597
Other income	<u>1,118</u>	<u>-</u>	<u>1,118</u>	<u>1,331</u>
	<u>79,294</u>	<u>705,748</u>	<u>785,042</u>	<u>732,222</u>
<b>Expenses</b>				
Salaries and Wages	65,476	508,577	574,053	533,831
Employee benefits	7,483	105,212	112,695	115,685
Materials and supplies	5,467	32,626	38,093	32,579
Purchase of service	6,453	59,333	65,786	49,973
Amortization of capital assets	-	-	-	1,047
Amortization of deferred capital contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,047)</u>
	<u>84,879</u>	<u>705,748</u>	<u>790,627</u>	<u>732,068</u>
<b>Net revenue over expenses</b>				
<b>(expenses over revenue)</b>	<u>\$ (5,585)</u>	<u>\$ -</u>	<u>\$ (5,585)</u>	<u>\$ 154</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net revenue over expenses (expenses over revenue)	\$ (5,585)	\$ 154
Increase (decrease) resulting from changes in:		
Accounts receivable - City of Toronto	(3,804)	1,794
Accounts receivable - Other	(658)	178
Prepaid expenses	1,396	202
Long term account receivable - City of Toronto	(2,333)	(1,869)
Accounts payable and accrued liabilities - City of Toronto	6,854	(4,471)
Accounts payable and accrued liabilities - Other	13,497	(31,514)
Deferred revenue	(120)	-
Deferred capital contributions	(6,250)	(160)
Post-employment benefits payable	<u>2,333</u>	<u>1,869</u>
<b>Cash flows from operating activities</b>	<u>5,330</u>	<u>(33,817)</u>
<b>INCREASE IN CASH AND SHORT TERM INVESTMENTS</b>	5,330	(33,817)
<b>CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR</b>	<u>110,178</u>	<u>143,995</u>
<b>CASH AND SHORT TERM INVESTMENTS AT END OF YEAR</b>	<u>\$ 115,508</u>	<u>\$ 110,178</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

**1. NATURE OF OPERATIONS**

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 · 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centre of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous By-laws and established the premises at No. 58 Cecil Street, Toronto, as a community centre under the authority of the Municipal Act, known as Cecil Street Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board which, among other matters, shall:

- (a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and
- (b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profits ("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 are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

Rental and similar revenues are recognized on the date of the performance or event.

*Cash and short term investments*

Cash and short term investments include cash on hand, cash on deposit with financial institutions, demand deposits and short term investments with maturities of less than twelve months at acquisition.

*Financial instruments*

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

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.



BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

*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 are recorded as received.

*Capital assets*

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

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

*Employee related costs*

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

- (a) The City of Toronto offers a multiemployer defined benefit pension plan to the Centre's eligible employees. Due to the nature of the plan, the Centre does not have sufficient information to account for the plan as a defined benefit plan; therefore, the 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 Centre also offers its eligible 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 Centre recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

*Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profits requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its capital assets, significant accrued liabilities, the post-employment benefits liabilities and the related costs charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

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 CECIL STREET COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2013**

**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 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 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, short term investments and accounts receivable. The Centre'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 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. CAPITAL ASSETS**

Capital assets consist of the following:

	2013		2012	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and fixtures	\$ 18,097	\$ 18,097	\$ 18,097	\$ 18,097
Accumulated amortization	18,097		18,097	
	<u>\$ -</u>		<u>\$ -</u>	

**BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2013**

**5. DEFERRED CONTRIBUTIONS**

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 6,250	\$ 6,530
Add: Funds received	736,480	686,720
Less: Amounts recognized as revenue	<u>(742,730)</u>	<u>(687,000)</u>
Balance, end of year	\$ <u>-</u>	\$ <u>6,250</u>

**6. POST EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNT RECEIVABLE**

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its eligible employees. Under the sick leave plan for management staff with ten years of service as of April 1, 2003, unused sick leave accumulated until March 1, 2008, and eligible employees may be entitled to a cash payment when they leave the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and can be taken in cash by an employee upon termination, retirement or death. This sick bank plan was replaced by a Short Term Disability Plan (STD) effective March 1, 2008, for all non-union employees of the City of Toronto. Upon the effective date, individual sick banks were locked with no further accumulation. Grandfathered management staff remains entitled to payout of frozen, banked time, as described above. Under the new STD plan, management employees are entitled to 130 days annual coverage with salary protection at 100 or 75 percent, depending upon years of service. Non-management employees continue to receive sick bank time as stipulated in the applicable Collective Agreement, which specifies no financial conversion of unused sick leave.

The Centre also provides health, dental, accidental death and disability, life insurance and long term disability benefits to eligible employees. Depending on length of service and individuals' election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2012 with projections to December 31, 2013, 2014, and 2015. Assumptions used to project the accrued benefit obligation were as follows:

- long-term inflation rate - 2%
- assumed health care cost trends - range from 3.2% to 6.4 %
- rate of compensation increase - 3%
- discount rates - post-retirement 4.4%, post-employment 3.6 %, sick leave 4.1%

**BOARD OF MANAGEMENT FOR THE CECIL STREET COMMUNITY CENTRE**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2013**

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

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

	<u>2013</u>	<u>2012</u>
Sick leave benefits	\$ 47,303	\$ 51,559
Post retirement benefits	<u>111,773</u>	<u>110,209</u>
	159,076	161,768
 Add: Unamortized actuarial gain	 <u>10,257</u>	 <u>9,898</u>
Post-employment benefit liability	<u>\$ 169,333</u>	<u>\$ 171,666</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 171,666	\$ 169,798
Current service cost	2,677	3,117
Interest cost	5,891	6,430
Amortization of actuarial gain	449	1,288
Expected benefits paid	<u>(11,350)</u>	<u>(8,967)</u>
Balance, end of year	<u>\$ 169,333</u>	<u>\$ 171,666</u>

Expenditures relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of (\$2,333) (2012 - \$1,868) and include the following components:

	<u>2013</u>	<u>2012</u>
Current service cost	\$ 2,677	\$ 3,117
Interest cost	5,891	6,430
Amortization of actuarial gain	449	1,288
Expected benefits paid	<u>(11,350)</u>	<u>(8,967)</u>
Total expenditures related to post-retirement and post-employment benefits	<u>\$ (2,333)</u>	<u>\$ 1,868</u>

A long term receivable from the City of \$169,333 (2012 - \$171,666) has resulted from the recording of sick leave and post-retirement benefits. Funding for these costs continues to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities of administration staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its eligible employees. 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 rates of pay. Employer contributions to this pension plan amounted to \$36,513 in 2013 (2012 - \$37,266).

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 Centre's contributions accounted for 0.0021% of the plan's total employer contribution. 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 CECIL STREET COMMUNITY CENTRE**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2013**

**7. BOARD DESIGNATED RESERVE**

In 1992, the Board created a reserve for the establishment of new and expanded programs in future years.

**8. FUNDS PROVIDED BY CITY OF TORONTO - ADMINISTRATION**

Funding for administration expenses is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, excluding those accruals for long term employee benefits, are funded by the Centre unless Council approval has been obtained for additional funding.

	2013 <u>Budget</u> (unaudited)	<u>2013</u>	<u>2012</u>
<b>Administration expenses:</b>			
Salaries and wages	\$ 468,082	\$ 508,577	\$ 469,397
Employee benefits	116,400	105,212	108,497
Materials and supplies	34,600	32,626	25,408
Purchase of services	<u>56,000</u>	<u>59,333</u>	<u>40,420</u>
	<u>\$ 675,082</u>	<u>\$ 705,748</u>	<u>\$ 643,722</u>
<b>Centre's actual administration revenue:</b>			
Administration budget		\$ 675,082	\$ 642,246
Severance pay funding		<u>37,180</u>	<u>-</u>
		<u>712,262</u>	<u>642,246</u>
<b>Centre's actual administration expenses:</b>			
Administration expenses per statement of operations		705,748	643,722
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		2,333	(1,868)
Difference between funding received and budgeted		<u>13</u>	<u>-</u>
		<u>708,094</u>	<u>641,854</u>
Administration expenses under approved budget		<u>\$ 4,168</u>	<u>\$ 392</u>

The under expenditure of \$4,168 in 2013 (2012 - \$392) is included in account payable to the City of Toronto.

**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.

REPORT TO THE BOARD OF DIRECTORS

OF THE

**BOARD OF MANAGEMENT FOR THE  
CECIL STREET COMMUNITY CENTRE**

For the year ended December 31, 2013

Prepared by:  
Welch LLP

## **AUDIT STATUS**

Our audit of the financial statements of Board of Management for the Cecil Street Community Centre 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 confirmation from actuary
- File review by a second partner at Welch LLP
- Final subsequent events review
- Receipt of the signed management representation letter

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**

During our audit we did not identify any misstatements that needed to be corrected.

## **SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

During our audit we identified the following deficiency in internal control:

At present revenues are being recorded by the same person who receives cash receipts, 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:

The Centre has procedures in place to ensure that the bank deposits are thoroughly reviewed by the Executive Director before the Business Manager takes them to the credit union. The bank deposit sheet is double-checked and initialed by the Executive Director and the monies recounted by the Executive Director, before the Business Manager takes them to be deposited.

## **INDEPENDENCE**

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between Board of Management for the Cecil Street Community Centre 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 THE CECIL STREET COMMUNITY CENTRE

58 Cecil Street  
Toronto, Ontario  
M5T 1N6

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 the Cecil Street Community Centre 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 the Cecil Street Community Centre 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 as 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.

### **Temporary and Portfolio Investments**

1. All investments that are owned by the organization are recorded in the accounts.
2. The organization has good title to all investments recorded in the accounts and these investments are free from hypothecation.
3. These investments were valued at cost computed on an average cost basis as at December 31, 2013.
4. All income earned on the investments for the year has been recorded in the accounts.
5. Where there has been a significant adverse change in the expected timing or amount of future cash flows from an investment, it has been appropriately written down.

### **Capital Assets**

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the organization during the year.
2. All capital assets sold or dismantled have been properly accounted for in the books of the organization.
3. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous period.
4. The organization has good title to the properties represented by the balance carried in the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the organization.
5. Where the value of any capital assets has been impaired, this fact has been disclosed to you.
6. The organization has not acquired any capital assets in the year.

## **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 balance sheet.
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.

**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 THE CECIL  
STREET COMMUNITY CENTRE

Per \_\_\_\_\_  
Julie Goldstein, Executive Director

DRAFT  
For Discussion Purposes Only