

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
For the year ended
DECEMBER 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**

We have audited the accompanying financial statements of the Committee of Management of Forest Hill Memorial Arena, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net assets (liability), 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, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Committee of Management of Forest Hill Memorial Arena as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 7, 2015.

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash	\$ 97,902	\$ 94,721
Accounts receivable - ice rentals and other	80,847	94,123
Inventories	<u>28,782</u>	<u>25,128</u>
	<u>207,531</u>	<u>213,972</u>
 FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - Other	144,419	156,378
Due to City of Toronto - operating surplus (note 5)	10,076	11,617
Deferred revenue	43,036	35,977
City of Toronto - working capital advance	<u>10,000</u>	<u>10,000</u>
	<u>207,531</u>	<u>213,972</u>
 NET FINANCIAL ASSETS (LIABILITY)	-	-
 NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>24,526</u>	<u>22,056</u>
 ACCUMULATED SURPLUS	<u>\$ 24,526</u>	<u>\$ 22,056</u>

Approved on behalf of the Committee of Management:

.....Chair
Leonard J. Freed
Member
Donald Greenbaum

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
Revenue		
Ice rentals	\$ 930,268	\$ 897,751
Snack bar and vending machine operations (Schedule A)	57,287	61,182
Pro shop operations (Schedule A)	45,700	35,529
Other	<u>39,229</u>	<u>35,701</u>
	<u>1,072,484</u>	<u>1,030,163</u>
Expenses		
Salaries and wages	550,184	509,328
Employee benefits	146,181	140,810
Utilities	200,325	192,023
Maintenance and repairs	95,546	103,647
General administration	38,507	25,890
Insurance	10,864	10,864
Professional fees	5,116	5,040
Amortization	10,836	9,602
Bad debts	-	3,916
Loss on disposal of tangible capital assets	-	400
	<u>1,057,559</u>	<u>1,001,520</u>
Excess revenues over expenses before the following	14,925	28,643
Vehicle and equipment reserve contribution (note 7)	<u>(10,000)</u>	<u>(10,000)</u>
Operating surplus	4,925	18,643
Net revenue payable to the City of Toronto (note 5)	<u>(2,455)</u>	<u>(7,620)</u>
Annual surplus	2,470	11,023
Accumulated surplus, beginning of year	<u>22,056</u>	<u>11,033</u>
Accumulated surplus, end of year	<u>\$ 24,526</u>	<u>\$ 22,056</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
STATEMENT OF CHANGE IN NET ASSETS (LIABILITY)
YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
Annual surplus	\$ 2,470	\$ 11,023
Acquisition of tangible capital assets	(13,306)	(21,025)
Amortization of tangible capital assets	10,836	9,602
Loss on disposal of tangible capital assets	<u>-</u>	<u>400</u>
Change in net financial assets (liability)	-	-
Net financial assets (liability), beginning of year	<u>-</u>	<u>-</u>
Net financial assets (liability), end of year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 2,470	\$ 11,023
Adjustments for:		
Amortization	10,836	9,602
Loss on disposal of tangible capital assets	<u>-</u>	<u>400</u>
	13,306	21,025
Non-cash changes to operations:		
Accounts receivable - ice rentals and other	13,276	(17,769)
Inventories	(3,654)	5,825
Accounts payable and accrued liabilities - Other	(11,959)	29,645
Due to City of Toronto - operating surplus	(1,541)	3,198
Deferred revenue	<u>7,059</u>	<u>11,858</u>
Cash flows from operating activities	<u>16,487</u>	<u>53,782</u>
 CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(13,306)</u>	<u>(21,025)</u>
Cash flows used in capital transactions	<u>(13,306)</u>	<u>(21,025)</u>
 INCREASE IN CASH	3,181	32,757
 CASH AT BEGINNING OF YEAR	<u>94,721</u>	<u>61,964</u>
 CASH AT END OF YEAR	<u>\$ 97,902</u>	<u>\$ 94,721</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

1. NATURE OF OPERATIONS

The Committee of Management of Forest Hill Memorial Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, By-Law No. 361-70 of the former Village of Forest Hill, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

Revenues and expenditures are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

Ice rentals paid in advance are recorded as deferred revenue.

Financial instruments

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

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

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to the City of Toronto.

Inventories

Inventories held for resale are initially valued at cost and subsequently at the lower of cost and net realizable value. The cost is determined on a first-in, first-out basis.

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	- 5 years straight line
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Contributed materials and services

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not recorded in these financial statements.

Services provided without charge by the City are not recorded in these financial statements.

Employee related costs

The Arena has adopted the following policy with respect to the employee benefit plan:

The City of Toronto offers a Multi-employer defined benefit pension plan to the Arena's eligible employees. Due to the nature of the plan, the Arena does not have sufficient information to account for the plan as a defined benefit plan; therefore, the Multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 useful life of its capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities. 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 estimates are revised and in any future years affected.

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2014

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 Arena's financial instruments.

Credit risk

The Arena is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Arena's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. The Arena's cash is 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 Arena'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.

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 Arena's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

Liquidity risk

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

The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Arena believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

Changes in risk

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

4. **TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and equipment	\$ 54,181	\$ 29,655	\$ 48,010	\$ 25,954
Accumulated amortization	<u>29,655</u>		<u>25,954</u>	
	<u>\$ 24,526</u>		<u>\$ 22,056</u>	

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2014

5. **OPERATING SURPLUS DUE TO THE CITY OF TORONTO**

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

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 11,617	\$ 8,419
Current year's operating surplus	4,925	18,643
Current year's tangible capital assets purchase	(13,306)	(21,025)
Current year's amortization	10,836	9,602
Current year's loss on disposal of tangible capital assets	-	400
Net revenue payable to the City of Toronto	<u>2,455</u>	<u>7,620</u>
Paid during the current year	<u>(3,996)</u>	<u>(4,422)</u>
Balance, end of year	<u>\$ 10,076</u>	<u>\$ 11,617</u>

6. **EMPLOYEE-RELATED LIABILITIES**

The Committee participates in the Ontario Municipal Employees Retirement System (OMERS), which is a Multi-employer plan, on behalf of its eligible 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 \$40,860 (2013 - \$39,115).

The most recent actuarial valuation of the OMERS plan as at December 31, 2014 indicates the Plan is not fully funded and the plan's December 31, 2014 financial statements indicate a deficit of \$7.08 billion (less an additional \$1.8 billion of deferred gains that must be recognized over the next four years). The plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Arena's contributions accounted for 0.0023% of the plan's total employer contributions. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

7. **VEHICLE AND EQUIPMENT REPLACEMENT RESERVE**

This reserve represents contributions made to the City of Toronto for the financing of replacement ice resurface machines required by the Arena Boards in the future years. This year's contribution was \$10,000 (2013 - \$10,000).

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
YEAR ENDED DECEMBER 31, 2014

SNACK BAR AND VENDING OPERATIONS

	<u>2014</u>	<u>2013</u>
Snack bar sales	\$ 109,178	\$ 115,853
Cost of goods sold	<u>51,891</u>	<u>54,671</u>
Gross profit	<u>\$ 57,287</u>	<u>\$ 61,182</u>

PRO SHOP OPERATIONS

	<u>2014</u>	<u>2013</u>
Pro shop sales	\$ 56,264	\$ 49,834
Cost of goods sold	<u>10,564</u>	<u>14,305</u>
Gross profit	<u>\$ 45,700</u>	<u>\$ 35,529</u>

April 21, 2015

Committee of Management of Forest Hill Memorial Arena
340 Chaplin Crescent
Toronto, Ontario
M5N 2N3

PRIVATE AND CONFIDENTIAL

Attention: Mr. Tim Macri

Dear Sir:

Re: Audit of the December 31, 2014 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2014, we did not identify any matters which would be of interest to management.

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. In addition, an audit cannot be expected to disclose defalcations and other irregularities and it is not designed to express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively.

As a result of our observations, we have outlined matters below along with some suggestions for your consideration.

Please note that under Canadian generally accepted auditing standards we must report significant deficiencies to those charged with governance.

This letter is not exhaustive, and deals with the more important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff. We have discussed the matters in this report with management and received their comments thereon.

OTHER DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Bank reconciliations

During our audit we noted that bank reconciliations are prepared on a monthly basis, however there is no evidence that they are reviewed. Given that the bank reconciliations are prepared by the same individual that records receipts and payments we recommend that the reconciliations be reviewed by someone other than the preparer and that their review be documented by initialing the bank reconciliations prepared.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from management and their staff.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

Welch LLP



Per: Bryan Haralovich, CA, CPA, CPA (Illinois)
Partner