F I N A N C I A L S T A T E M E N T S

For

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON 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 WILLIAM H. BOLTON ARENA

We have audited the accompanying financial statements of the Committee of Management of William H. Bolton Arena, which comprise the statement of financial position as at December 31, 2014, statements of operations, change in net debt, 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 William H. Bolton 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 21, 2015.

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COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	$ 96,562	$ 147,376
Investments (note 5)	51,995	51,428
Accounts receivable - ice rentals and other	-	901
Interest receivable	384	523
Due from City of Toronto - operating deficit (note 6)	142,525	67,938
Inventories	15,809	10,779
	307,275	278,945
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - other	54,322	47,239
Deferred revenue	227,162	205,915
Employee related liabilities (note 7)	15,791	15,791
City of Toronto - working capital advance	10,000	10,000
	307,275	278,945
NET DEBT	-	-
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	21,845	14,526
ACCUMULATED SURPLUS	$ 21,845	$ 14,526

Approved on behalf of the Committee of Management:

....Chair

....Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
Revenue		
Program registration	$ 660,295	$ 635,016
Ice rentals	236,884	235,065
Pro shop operations (Schedule A)	29,911	30,870
Snack bar and vending machine operations (Schedule A)	21,208	24,535
Interest	427	549
Other	6,426	2,960
	955,151	928,995
Expenses		
Salaries and wages	381,855	389,278
Program material and supplies	166,990	181,031
Utilities	151,480	119,011
Repairs and maintenance	124,528	84,074
Employee Benefits	96,512	104,995
General administration	89,398	53,918
Insurance	11,485	10,835
Professional fees	4,796	6,135
Amortization	7,606	4,167
	1,034,650	953,444
Excess expenses over revenues before the following	(79,499)	(24,449)
Vehicle and equipment reserve contribution (note 8)	(10,000)	(10,000)
Operating deficit	(89,499)	(34,449)
Net expenditures receivable from the City of Toronto (note 6)	96,818	45,707
Annual surplus	7,319	11,258
Accumulated surplus, beginning of year	14,526	3,268
Accumulated surplus, end of year	$ 21,845	$ 14,526

(See accompanying notes)

STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED DECEMBER 31, 2014

	2014	2013
Annual surplus	$ 7,319	$ 11,258
Acquisition of tangible capital assets	(14,925)	(15,425)
Amortization of tangible capital assets	7,606	4,167
Change in net debt	-	-
Net debt, beginning of year	-	-
Net debt, end of year	$ -	$ -

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	$ 7,319	$ 11,258
Adjustments for:		
Amortization	7,606	4,167
	14,925	15,425
Non-cash changes to operations:		
Accounts receivable	901	(901)
Interest receivable	139	(191)
Inventories	(5,030)	2,797
Due from City of Toronto - operating deficit	(74,587)	71,142
Accounts payable and accrued liabilities - other	7,083	(6,410)
Deferred revenue	21,247	(5,797)
Employee related liabilities	-	(10,953)
Cash flows from (used in) operating activities	(35,322)	65,112
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(14,925)	(15,425)
Cash flows used in capital transactions	(14,925)	(15,425)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(567)	(358)
Cash flows used in investing activities	(567)	(358)
INCREASE IN CASH	(50,814)	49,329
CASH AT BEGINNING OF YEAR	147,376	98,047
CASH AT END OF YEAR	$ 96,562	$ 147,376

(See accompanying notes)

1. NATURE OF OPERATIONS

The Committee of Management of William H. Bolton 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. 318-71, 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 capital 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, hockey schools and camp fees paid in advance are recorded as deferred revenue.

Financial instruments

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

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

Financial assets measured at amortized cost include cash, investments, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and employee related liabilities.

Inventories

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

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:

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

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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 policies with respect to employee benefit plans:

(a) 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.

(b) The Arena offered to its eligible employees a sick leave benefit until December 31, 2012, which vested and was calculated at the salary levels in effect at the end of each year for all unused vested sick pay credit accruing to employees. The Arena accrued for the accumulated and unused vested sick leave benefits as at December 31, 2012 for those employees that were grandfathered.

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 tangible 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.

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, investments, accounts receivable and amounts receivable from the City of Toronto. The Arena’s cash and investments are with a Canadian chartered bank and as a result management believes the risk of loss on these items 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.

3. **FINANCIAL INSTRUMENTS** - Cont'd.

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 and investments earn 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.

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:

	2014		2013	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 2,755	$ 2,588	$ 4,309	$ 3,976
Furniture and equipment	37,200	15,522	22,275	8,082
	39,955	$ 18,110	26,584	$ 12,058
Accumulated amortization	18,110		12,058	
	$ 21,845		$ 14,526	

5. **INVESTMENT**

The investment consists of a one year cashable G.I.C which matures January 28, 2015.

6. OPERATING DEFICIT DUE FROM THE CITY OF TORONTO

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

	2014	2013
Balance, beginning of year	$ (67,938)	$ (139,080)
Current year's operating deficit	(89,499)	(34,449)
Current year's tangible capital asset purchases	(14,925)	(15,425)
Current year's amortization	7,606	4,167
Net expenditures receivable from the City of Toronto	(96,818)	(45,707)
Received paid during the current year	22,231	116,849
Balance, end of year	$ (142,525)	$ (67,938)

7. EMPLOYEE-RELATED LIABILITIES

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employed plan, on behalf of its full time 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 $26,834 (2013 - $32,953).

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 contributions. At this time, the Arena's contributions accounted for 0.0015 % 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.

The Committee also provides a liability for employees' sick day entitlements. The sick leave benefit payable at year end is $15,791 (2013 - $15,791).

8. VEHICLE AND EQUIPMENT REPLACEMENT RESERVE

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

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

YEAR ENDED DECEMBER 31, 2014

SNACK BAR AND VENDING OPERATIONS

	2014	2013
Sales		
Snack bar	$ 37,246	$ 37,688
Vending machine	12,592	15,128
	49,838	52,816
Cost of goods sold	28,630	28,281
Gross profit	$ 21,208	$ 24,535

PRO SHOP OPERATIONS

	2014	2013
Sales		
Pro shop sales	$ 31,855	$ 27,928
Skate sharpening	24,841	23,900
	56,696	51,828
Cost of goods sold	26,785	20,958
Gross profit	$ 29,911	$ 30,870

Welch LLP

May 8, 2015

Committee of Management of William H. Bolton Arena
40 Rossmore Road
Toronto, Ontario
M6G 2M7

Attention: Mr. Mario Carpino

PRIVATE AND CONFIDENTIAL

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 identified some matters which may 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.

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DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Un-deposited Items
At present cash receipts and deposits are being processed through the accounting records using a clearing account called "un-deposited items". During our audit we determined that this account was not being reconciled on a regular basis and as a result there had been revenue not recorded in the accounting records but the deposit of the cash receipt had been. We recommend that the un-deposited items account be reconciled on a regular basis.

Management's Comments

You brought this to our attention after last year's audit but we did not have time to set it up. We plan for this to be implemented in the near future.

Issue – Program Documentation
During our audit we noted that program registration lists, team lists and other program documents are not always saved and stored once the season is complete, making it difficult to review program activity subsequent to the season. We recommend that program documents, ie. registration lists, team lists, etc.. be maintained and stored for the same period of time as other financial documents.

Management's Comments

Mario, with input from other staff, will set some goals and controls for creating and maintaining the required records. Dave will undertake some training in related computer programs.

Issue – Termination and release letter
During our audit we noted that a termination and release letter for a full-time employee was not maintained on file by the Arena. Not having critical contractual agreements on file could expose the organization to possible litigation and related liability risks. We recommend that all critical agreements be obtained and stored in a secure location.

Management's Comments

Personnel files will be maintained correctly in the future.

Issue – Capital asset log
At present a capital asset log which details the assets included in the Arena's books, when they were acquired and where they are located is not maintained. We recommend the Arena maintain a capital asset log that details the assets that exist at the Arena, when assets are disposed of and when they are acquired as well as where they are located.

Management's Comments

Management will build upon the one created by Welch.

Issue – Payroll Registers
At present the manager submits the payroll and the bookkeeper posts the payroll to the accounting records but there is no review of the Arena's payroll registers by someone other than the manager. Without a review by someone other than the preparer of the payroll errors in the payroll can exist and go undetected. We recommend that the payroll registers be reviewed by the bookkeeper for reasonableness and that the payroll register be initialed when reviewed to provide evidence of the review.

Management's Comments

Mario does review the payroll registry in that he calls in the hours worked to Ceridian, and Jean double checks the figures when she is entering them in the books. However, Jean can review and sign for her approval in the future.

Issue – Employee files
During our audit we noted that employee files are not up-to-date with employees current wage rates. We recommend that management document the current wage rate for each staff member and that the committee of management review and approve the current wage rates and the employee files be updated with the reviewed and approved wage rates.

Management's Comments

Management has the documentation for the past year's wage rate and will create a schedule for each employee's files

Issue – Invoicing of ice rental fees
At present the Arena does not have a process in place regarding ice rental revenues which is consistent across all users. The current process at the Arena is to invoice certain users which are on-going users and have a contract in place and to record the revenue for one-time users based on the cash receipt issue. During our audit we determined that invoices were not always prepared for users with contracts. We recommend that invoices be issued for all ice rental revenue regardless of the type of user and that the invoices be generated in Simply Accounting using the sales module. We recommend that for contract users, the invoices be created when the contract is signed for each month of the contract, dated the first day of each month and for one-time users that the invoice be created when the ice is booked and be dated for the date the ice is rented. This will enable better control of accounts receivable.

Management's Comments

This was brought to our attention last year. Contracts and invoicing for ice rental sales are now up to date and documented. Your recommendation for entering the sales each month will be implemented starting in April.

Issue – Bank Reconciliations
At present bank reconciliations are being prepared on a monthly basis however there is no evidence that the reconciliations are being reviewed and approved. Without reviews, errors in the accounting records and bank balances could go undetected over many months. The accounting records should be monitored on a regular basis to identify whether there are inaccuracies or miscalculations in the reconciliations and bank statements. We recommend that bank reconciliations be reviewed on a monthly basis by the manager or someone else independent from the preparation of the reconciliations and that the reconciliation be initialed when reviewed to provide evidence of the review.

Management's Comments

Management will implement this in the future.

Issue – Year-end Accruals
Currently the Manager and bookkeeper flag all invoices related to the current fiscal year not posted after year-end and those invoices are brought to the attention of the auditor for accruals to be made. We would recommend that the Arena to not rely on the auditors to complete this process and have management implement proper accrual cut-off at year-end.

Management's Comments

Proper procedures will be followed in the future

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, CPA, CA, CPA (Illinois)
Partner