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

For

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

For the year ended

DECEMBER 31, 2014

Welch LLP

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND
COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

We have audited the accompanying financial statements of the Committee of Management of McCormick Playground Arena, which comprise the statement of financial position as at December 31, 2014, statements of operations, change in net financial 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 McCormick Playground 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
April 29, 2015.

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COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	$ 46,190	$ 52,959
Accounts receivable	12,115	9,492
Due from the City of Toronto - operating deficit (note 6)	30,116	43,284
Inventories	3,724	3,527
	92,145	109,262
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto (note 5)	37,572	33,403
Accounts payable and accrued liabilities - other	35,837	39,124
Deferred revenue	8,736	26,735
City of Toronto - working capital advance	10,000	10,000
	92,145	109,262
NET FINANCIAL ASSETS (LIABILITY)	-	-
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	9,493	12,180
ACCUMULATED SURPLUS	$ 9,493	$ 12,180

Approved by the Board:

.... Chair

.... Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
Revenue		
Ice rentals	$ 670,956	$ 642,539
Snack bar and vending machine operations (Schedule A)	6,966	6,543
Pro shop operations (Schedule A)	7,303	7,865
Interest	-	374
Other	867	870
	686,092	658,191
Expenses		
Salaries and wages	359,452	354,553
Employee benefits	100,227	98,974
Utilities	152,818	156,091
Maintenance and repairs	27,731	26,345
General administration	22,579	21,151
Insurance	10,427	10,427
Professional fees	4,800	6,345
Amortization	5,166	4,670
	683,200	678,556
Excess revenue over expenses before the following	2,892	(20,365)
Vehicle and equipment reserve contribution (note 8)	(10,000)	(10,000)
Operating deficit	(7,108)	(30,365)
Net expenditure receivable from the City of Toronto (note 6)	4,421	25,695
Annual deficit	(2,687)	(4,670)
Accumulated surplus, beginning of year	12,180	16,850
Accumulated surplus, end of year	$ 9,493	$ 12,180

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITY)

YEAR ENDED DECEMBER 31, 2014

	2014	2013
Annual deficit	$ (2,687)	$ (4,670)
Acquisition of tangible capital assets	(2,479)	-
Amortization of tangible capital assets	5,166	4,670
Change in net financial assets	-	-
Net financial assets (liability), beginning of year	-	-
Net financial assets (liability), end of year	$ -	$ -

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	$ (2,687)	$ (4,670)
Adjustments for:		
Amortization	5,166	4,670
	2,479	-
Non-cash changes to operations:		
Accounts receivable	(2,623)	4,434
Due from the City of Toronto - operating deficit	13,168	(43,284)
Inventories	(197)	796
Accounts payable and accrued liabilities - City of Toronto	4,169	2,173
Accounts payable and accrued liabilities - other	(3,287)	1,436
Due to the City of Toronto - operating surplus	-	(25,345)
Deferred revenue	(17,999)	9,855
Cash flows used in operating activities	(4,290)	(49,935)
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(2,479)	-
Cash flows used in capital transactions	(2,479)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	36,700
Cash flows from investing activities	-	36,700
DECREASE IN CASH	(6,769)	(13,235)
CASH, AT BEGINNING OF YEAR	52,959	66,194
CASH, AT END OF YEAR	$ 46,190	$ 52,959

(See accompanying notes)

1. NATURE OF OPERATIONS

The Committee of Management of McCormick Playground 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.319-71, 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 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, accounts receivable and amounts due from the City of Toronto.

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

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, accounts receivable and amounts due from the City of Toronto. 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 this financial instrument is negligible.

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

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:

	2014		2013	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 25,830	$ 16,337	$ 23,351	$ 11,171
Accumulated amortization	16,337		11,171	
	$ 9,493		$ 12,180	

5. **ACCRUED LIABILITIES OWING TO THE CITY OF TORONTO**

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

	2014	2013
Light and power	$ 37,572	$ 33,403

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	$ (43,284)	$ 25,345
Current year's operating deficit	(7,108)	(30,365)
Current year's capital assets purchases	(2,479)	-
Current year's amortization	5,166	4,670
Net expenditure receivable from the City of Toronto	(4,421)	(25,695)
Received (paid) during the current year	17,589	(42,934)
Balance, end of year	$ (30,116)	$ (43,284)

7. EMPLOYEE-RELATED LIABILITIES

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its permanent employees. This plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rate of pay. Employer contributions to this pension plan amounted to $32,801 (2013 - $32,898)

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 0.0019% 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.

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 future years. The contribution for the year was $10,000 (2013 - $10,000).

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

YEAR ENDED DECEMBER 31, 2014

SNACK BAR AND VENDING OPERATIONS

	2014	2013
Sales		
Snack bar	$ 7,451	$ 6,524
Vending machine	18,393	18,199
	25,844	24,723
Cost of goods sold	14,614	14,212
Gross profit	11,230	10,511
Wages - snack bar	4,264	3,968
Net revenue	$ 6,966	$ 6,543

PRO SHOP OPERATIONS

	2014	2013
Sales	$ 8,518	$ 9,679
Cost of goods sold	1,215	1,814
Gross profit	$ 7,303	$ 7,865

February 24, 2015

Committee of Management of McCormick Playground Arena
179 Brock Avenue
Toronto, Ontario
M6K 2L7

Attention: Mr. Mike Roach

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 the management and received his comments thereon.

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OTHER DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Lack of segregation of duties - cash receipts

As brought to your attention last year, there is a lack of segregation of duties surrounding cash receipts. We acknowledge that this is not a significant internal control deficiency due to the two staff performing the same tasks which are receiving cash and recording cash receipts, and one can review what the other one did. However, we still want to bring this to your attention as there is risk as a result of lack of segregation of duties between the receipt of cash and recording the cash receipts in the accounting system.

Management's Comments

These duties were only performed by one person in the past. The Board of Management, being made aware of this, are satisfied with the current 2-man system that has been implemented in recent years. Also, it is a small operation of 5 full-time employees, who all collect cash and write receipts. Then, 2 of the 5 employees process the receipts in Simply Accounting and do the banking.

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

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