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

For

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

For the year ended

DECEMBER 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

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

We have audited the accompanying financial statements of the Board of Management for Applegrove Community Complex, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Complex derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Complex and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, net revenue over expenses, assets, and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board of Management for Applegrove Community Complex as at December 31, 2014 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.

Emphasis of Matter

We draw attention to Note 3 to the financial statements which describes that the Complex made a change in accounting policy regarding its revenue recognition of contributions effective January 1, 2014. Our opinion is not qualified in respect of this matter.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 27, 2015.

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	2014	2013 (as restated) See note 3
ASSETS		
CURRENT ASSETS		
Cash and short term investments	$ 264,999	$ 324,806
Accounts receivable - City of Toronto (note 8)	49,536	99,438
Accounts receivable - Other	24,801	12,310
Prepaid expenses	2,714	5,759
	342,050	442,313
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 7)	255,025	253,182
	$ 597,075	$ 695,495
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - Other	$ 115,050	$ 167,701
Deferred revenue	1,335	17,965
Deferred contributions (note 6)	47,230	68,586
Advance payable to the City of Toronto	10,871	70,000
	174,486	324,252
POST-EMPLOYMENT BENEFITS PAYABLE (note 7)	255,025	253,182
	429,511	577,434
NET ASSETS		
Restricted program funds	134,721	91,404
Unrestricted	32,843	26,657
	167,564	118,061
	$ 597,075	$ 695,495

Approved by the Board:

Chris Sulway . . Chair

. . . . Secretary

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

	Restricted program fund	Unrestricted	Total 2014	Total 2013 (as restated) See note 3
Net assets, beginning of year	$ 91,404	$ 26,657	$ 118,061	$ 110,318
Net revenue over expenses	32,138	17,365	49,503	7,743
Transfer between funds	11,179	(11,179)	-	-
Net assets, end of year	$ 134,721	$ 32,843	$ 167,564	$ 118,061

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	Program	Administration	2014	2013 (as restated) See note 3
Revenue				
Grants				
City of Toronto	$ 139,718	$ 374,114	$ 513,832	$ 541,709
Government of Canada	51,613	-	51,613	38,546
Province of Ontario	36,347	-	36,347	36,374
Other grants	50,137	-	50,137	40,310
	277,815	374,114	651,929	656,939
Program and membership fees	209,672	-	209,672	133,954
Donations and fundraising	28,776	-	28,776	31,126
Interest revenue	-	279	279	182
	516,263	374,393	890,656	822,201
Expenses				
Salaries and wages	327,892	256,509	584,401	560,599
Employee benefits	56,526	77,371	133,897	127,193
Materials and supplies	50,549	9,942	60,491	57,301
Purchase of services	31,793	30,571	62,364	69,365
	466,760	374,393	841,153	814,458
Net revenue over expenses	$ 49,503	$ -	$ 49,503	$ 7,743

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	2014	2013 (as restated) See note 3
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses	$ 49,503	$ 7,743
Increase (decrease) resulting from changes in:		
Accounts receivable - City of Toronto	49,902	10,378
Accounts receivable - Other	(12,491)	25,710
Prepaid expenses	3,045	(5,759)
Long-term account receivable - City of Toronto	(1,843)	(1,006)
Long-term accounts receivable - City of Toronto - Other	-	58,522
Accounts payable and accrued liabilities - City of Toronto	-	(1,195)
Accounts payable and accrued liabilities - Other	(52,651)	(22,945)
Deferred revenue	(16,630)	17,965
Deferred contributions	(21,356)	37,487
Advance payable to the City of Toronto	(59,129)	70,000
Post-employment benefits payable	1,843	1,006
Long-term accounts payable - Other	-	(58,522)
Cash flows (used in) from operating activities	(59,807)	139,384
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(59,807)	139,384
CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR	324,806	185,422
CASH AND SHORT TERM INVESTMENTS AT END OF YEAR	$ 264,999	$ 324,806

(See accompanying notes)

1. NATURE OF OPERATIONS

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

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995-0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established the addition to S.H. Armstrong Recreation Centre together with certain classrooms of the Duke of Connaught Public School and the office of the Woodfield Road Public School as a Community Recreation Centre under the Municipal Act, known as Applegrove Community Complex (the "Complex").

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

(a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices; and

(b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

Board of Management

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

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

2. FINANCIAL STATEMENTS

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

3. CHANGE IN ACCOUNTING POLICY

The Complex decided to change the accounting policy for revenue recognition for contributions from restricted fund method to deferral method of accounting to meet the reporting requirements of various funders. As a result contributions recognized in 2013 was overstated and the related deferred contributions were understated.

The effects of this restatement on the 2013 amounts are outlined below:

	Previously Reported	Adjustments	Restated Amounts
Statement of Financial Position			
Deferred contributions	$ 31,681	$ 36,905	$ 68,586
Net assets, end of year	154,966	(36,905)	118,061
Statement of Operations			
Grants	693,844	(36,905)	656,939
Net revenue over expenses	$ 44,648	$ (36,905)	$ 7,743

4. 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).

Fund Accounting

The accounts of the Centre are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds according to the activity or object specified. The funds are as follows:

(a) Applegrove Drop-in
The fund includes revenues and expenses for the Applegrove Parent/Child Drop-in including trips, special needs, wage enhancement grant, fundraising and charitable donations designated to this program.

(b) Edgewood Drop-in
The fund includes revenues and expenses for the Edgewood Connection family resource program including special needs, fundraising and charitable donations designated to this program.

(c) Teen Program
The fund includes revenues and expenses for the school year program for youth ages 13 to 18 including charitable donations designated to this program.

(d) Perinatal Program
The fund includes revenues and expenses for the Helping Our Babies Grow program including charitable donations designated to this program.

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

Fund Accounting - Cont'd.

(e) Therapeutic Play
The fund includes revenues and expenses for the Over the Rainbow therapeutic play program including charitable donations designated to this program.

(f) Summer Camp and Leadership
The fund consolidates revenues and expenses for the Applegrove Summer Adventure Day Camp and the Applegrove Leadership Adventure including fundraising and charitable donations designated to this program.

(g) After-School Program
The fund includes revenues and expenses for the school year program for children ages 6 to 12 including March Break and PA day programming, trips, fundraising and charitable donations designated to this program.

(h) Seniors Program
The fund includes revenues and expenses for the Older Adults program including trips, New Horizons funding, OACAO funding, EPC funding and charitable donations designated to this program.

(i) Other
The fund accounts for the all of the organization’s activities other than those listed above. It includes individual charitable donations not designated for specific programs, agency fundraising, gaming, etc.

Revenue recognition

The Complex 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.

Program and membership fees and other similar revenues are recognized on the date the services are performed. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Cash and short term investments

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

Financial instruments

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

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

Financial assets measured at amortized cost include cash, short-term investments, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and advances payable to the City of Toronto.

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

Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. Monetary donations are recorded as received.

Employee related costs

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

(a) The City of Toronto offers a Multi-employer defined benefit pension plan to the Complex's employees. Due to the nature of the plan, the Complex does not have sufficient information to account for the plan as a defined benefit plan; therefore, the 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 Complex also offers its employees a defined benefit sick leave plan, a post-retirement life, health and dental plan, a long term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Complex recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

Use of estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

5. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Complex's financial instruments.

Liquidity risk

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Complex's cash and short-term investments earn interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

Credit risk

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

Management believes that the Complex's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Changes in risk

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

6. DEFERRED CONTRIBUTIONS

	2014	2013 (as restated) See note 3
Balance, beginning of year	$ 68,586	$ -
Add: Funds received	630,573	728,525
Less: Amounts recognized as revenue	(651,929)	(659,939)
Balance, end of year	$ 47,230	$ 68,586

7. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNT RECEIVABLE

The Complex participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its 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 leaving the Complex'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 (STP) 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 remain entitled to payout of frozen, banked time, as described above. Under the new STP 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 Complex 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% to 6 %
- rate of compensation increase - 3%
- discount rates - post-retirement 3.0%, post-employment 2.8%, sick leave 3.2%

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

	2014	2013
Sick leave benefits	$ 47,277	$ 45,287
Post-retirement benefits	223,637	192,038
	270,914	237,325
Add: Unamortized actuarial gain (loss)	(15,889)	15,857
Post-employment benefit liability	$ 255,025	$ 253,182

The continuity of the accrued benefit obligation is as follows:

	2014	2013
Balance, beginning of year	$ 253,182	$ 252,176
Current service cost	3,850	3,272
Interest cost	10,271	8,435
Amortization of actuarial gain	(2,491)	(2,974)
Expected benefits paid	(9,787)	(7,727)
Balance, end of year	$ 255,025	$ 253,182

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

Expenditures relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of $1,843 (2013 - $1,006) and include the following components:

	2014	2013
Current service cost	$ 3,850	$ 3,272
Interest cost	10,271	8,435
Amortization of actuarial loss gain	(2,491)	(2,974)
Expected benefits paid	(9,787)	(7,727)
Total expenditures related to post-retirement and post-employment benefits	$ 1,843	$ 1,006

A long-term receivable of $255,025 (2013 - $253,182) from the City has resulted from recording sick leave and post-retirement benefits. Funding for these costs continues to be provided by the City as benefit costs are paid and the City is responsible for the benefit liabilities of management staff that may be incurred by the Complex.

The Complex also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of certain employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to $35,683 in 2014 (2013 - $40,754).

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 Centre's contributions accounted for 0.0012% 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.

8. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

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

	2014 Budget (unaudited)	2014	2013
Administration expenses:			
Salaries and wages	$ 259,451	$ 256,509	$ 246,058
Employee benefits	71,608	77,371	72,567
Materials and supplies	7,896	9,942	7,596
Purchase of services	23,288	30,571	46,414
	$ 362,243	$ 374,393	$ 372,635
Complex's actual administration revenue:			
Administration budget		$ 362,243	$ 347,845
Contractual obligation funding		691	-
Other revenue (interest)		279	182
		363,213	348,027
Complex's actual administration expenses:			
Administration expenses per statement of operations		374,393	372,635
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term accounts receivable - City of Toronto		(1,843)	(1,006)
Vacation pay liability, not funded by the City until paid, that are included in accounts receivable - City of Toronto		(10,412)	(11,576)
Difference between funding received and budgeted		260	38
		362,398	360,091
Administration expenses under (over) approved budget		$ 815	$ (12,064)

The under (over) expenditure of $815 (2013 - $12,064) is recorded in the accounts receivable from the City of Toronto.

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

MAJOR PROGAM ACTIVITIES AND FUNDRAISING

YEAR ENDED DECEMBER 31, 2014

	Internally restricted funds								General	
	Applegrove Drop-in	Edgewood Drop-in	After School Program	Teen Program	Perinatal Program	Therapeutic Play	Summer Camp & Leadership Program	Seniors Program	Other	Total
Program revenues										
Grants										
City of Toronto	$ 108,764	$ 21,568	$ -	$ -	$ -	$ -	$ 9,386	$ -	$ -	$ 139,718
Federal Government	-	-	-	-	30,732	-	15,874	5,007	-	51,613
Non-government grants	1,000	-	350	8,313	-	26,750	8,421	2,350	(47)	47,137
Province of Ontario	12,000	-	-	-	-	-	1,368	* 22,979	-	36,347
	121,764	21,568	350	-	30,732	26,750	35,049	30,336	(47)	274,815
Membership/user fees/other	(986)	-	156,409	-	-	-	41,915	6,925	5,409	209,672
Donations and fundraising	3,320	297	-	50	48	-	6,449	1,857	19,754	31,775
	124,098	21,865	156,759	8,363	30,780	26,750	83,413	39,118	25,116	516,262
Program expenditures										
Salaries	94,743	15,639	93,389	5,629	10,283	22,986	55,848	28,034	1,342	327,893
Benefits	31,546	7,225	7,474	438	766	1,945	4,771	2,230	131	56,526
Materials and supplies	3,813	428	8,980	611	15,411	337	11,087	9,261	620	50,548
Purchase of services	1,381	2,366	9,194	280	4,268	1,380	3,955	3,310	5,658	31,792
	131,483	25,658	119,037	6,958	30,728	26,648	75,661	42,835	7,751	466,759
Net revenues over expenses (expenses over revenues)	(7,385)	(3,793)	37,722	1,405	52	102	7,752	(3,717)	17,365	49,503
Net assets, beginning of year	-	-	19,923	3,767	9,078	36,041	4,344	18,251	26,657	118,061
Transfers (Board approved)	7,386	3,793	-	-	-	-	-	-	(11,179)	-
Net assets, end of year	$ 1	$ -	$ 57,645	$ 5,172	$ 9,130	$ 36,143	$ 12,096	$ 14,534	$ 32,843	$ 167,564

The transfer of $11,179 from Other (Board fundraising) surplus to cover the deficits of $7,386 in Applegrove Drop-in and $3,793 in Edgewood was based on Minutes of the Board on January 28, 2015.

*Grants from Province of Ontario for the Elderly Persons Centres for 2014	$ 30,984
Less: surplus repayment re: 2012-2013	(8,005)
Total grant from Province of Ontario for the Elderly Persons Centre for 2014	$ 22,979

March 10, 2015

Board of Management for Applegrove Community Complex
60 Woodfield Road
Toronto, Ontario
M4L 2W6

Attention: Ms. Susan Fletcher

PRIVATE AND CONFIDENTIAL

Dear Madam:

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 her comments thereon.

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OTHER DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Unresolved amount payable to the City

There is an unreconcilied amount of $9,727 included in the account surplus/deficit which has been carried forward from the 2012 fiscal year. We recommend that the Complex staff resolve this issue.

Management's Comments

This repeated issue has had some attention in the last year by the Finance Manager, and will remain a priority item for resolution. In reviewing the 2014 closing & 2015 opening balances, the Bookkeeper discovered several ACCPAC set-up irregularities that may contribute to this issue. Financial staff will do the same review of earlier years to see if similar irregularities have impacted prior closing balances; this will likely determine if the $9,727 in this account truly reflects funds owed to the City, or if this balance has arisen, in full or in part, from a series of closing errors.

Issue – Significant unused vacation days

The vacation liability has been increasing consistently every year. As at December 31, 2014 the Complex is carrying a vacation liability of $48,000 related to the administration staff. One individual has an accumulated balance of unused vacation of over 600 hours, which is significant to the Complex. We acknowledge that it is difficult to reduce the unused vacation hours at a reasonable level due to the limited personnel resources. However, we want to bring this to your attention as there is risk as a result of carrying a vacation liability at a such large amount.

Management's Comments

This issue is a high priority for the Board's Personnel Committee. It is a challenging issue to resolve, but the Board continues to move to resolution of this liability. It will likely take several years to resolve.

Issue – Lack of segregation of duties - cash receipts

There is a lack of segregation of duties surrounding cash receipts. We acknowledge that this is common in small organizations due to the limited staff resources. 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

This repeated issue has been brought to the Board's attention previously; we would welcome any suggestions for resolution. As you suggested the limiting factor is the staff resources. We have made a request to the City of Toronto for additional resources to address the issue but have been unsuccessful to date. We will continue to look for mitigative actions.

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
Partner