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

For

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

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 THE CENTRAL EGLINTON COMMUNITY CENTRE

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from 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 Centre and we were not able to determine whether any adjustments might be necessary to fundraising, net revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board of Management for the Central Eglinton Community Centre 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 15, 2015.

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	$ 82,306	$ 83,307
Investments (note 4)	360,329	305,000
Accounts receivable - City of Toronto	36,279	42,269
Accounts receivable - Other	8,686	9,355
Prepaid expenses	-	1,054
	487,600	440,985
CAPITAL ASSETS (note 5)	11,857	13,774
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 8)	177,599	176,056
	$ 677,056	$ 630,815
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals - City of Toronto	$ 5,071	$ -
Accounts payable and accrued liabilities - other	83,429	73,032
Deferred revenue	19,932	21,460
Deferred contributions (note 6)	18,246	15,979
	126,678	110,471
DEFERRED CAPITAL CONTRIBUTION (note 7)	11,857	13,774
POST-EMPLOYMENT BENEFITS PAYABLE (note 8)	177,599	176,056
	316,134	300,301
NET ASSETS		
Internally restricted (note 4)	42,175	42,175
Unrestricted	318,747	288,339
	360,922	330,514
	$ 677,056	$ 630,815

Approved by the Board:

INTERIM/ .... Chair

.... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

	Internally Restricted	Unrestricted	Total 2014	Total 2013
Net assets, beginning of year	$ 42,175	$ 288,339	$ 330,514	$ 305,827
Net revenue over expenses	-	30,408	30,408	24,687
Net assets, end of year	$ 42,175	$ 318,747	$ 360,922	$ 330,514

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	Parent/Child Program	Summer Camp Program	Other Programs	Programs Total	Administration	2014	2013
Revenues							
Grants							
City of Toronto	$ 27,284	$ 7,940	$ 26,130	$ 61,354	$ 611,408	$ 672,762	$ 693,062
Province of Ontario	-	3,329	25,398	28,727	-	28,727	28,517
Government of Canada	-	6,545	-	6,545	-	6,545	6,458
	27,284	17,814	51,528	96,626	611,408	708,034	728,037
Program fees	78,610	39,632	61,769	180,011	-	180,011	179,508
Fundraising	-	4,500	23,251	27,751	-	27,751	30,640
Memberships	12,795	2,415	6,050	21,260	-	21,260	21,741
Other revenue	-	-	4,843	4,843	-	4,843	3,848
Rental fees	-	-	2,169	2,169	-	2,169	2,106
	118,689	64,361	149,610	332,660	611,408	944,068	965,880
Expenditures							
Salaries and wages	81,300	52,088	72,176	205,564	427,779	633,343	652,277
Employee benefits	15,369	4,054	13,004	32,427	111,179	143,606	153,368
Materials and supplies	2,240	6,164	12,241	20,645	30,396	51,041	41,349
Purchase of service	9,588	3,680	30,348	43,616	42,054	85,670	94,199
Amortization of capital assets	-	-	-	-	1,917	1,917	1,917
Amortization of deferred capital contributions	-	-	-	-	(1,917)	(1,917)	(1,917)
	108,497	65,986	127,769	302,252	611,408	913,660	941,193
Net revenue over expenses	$ 10,192	$ (1,625)	$ 21,841	$ 30,408	$ -	$ 30,408	$ 24,687

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses	$ 30,408	$ 24,687
Adjustments for non-cash items:		
Amortization of capital assets	1,917	1,917
Amortization of deferred capital contributions	(1,917)	(1,917)
	30,408	24,687
Increase (decrease) resulting from changes in:		
Accounts receivable - City of Toronto	5,990	(10,091)
Accounts receivable - Other	669	(3,380)
Prepaid expenses	1,054	(1,054)
Long-term accounts receivable - City of Toronto	(1,543)	(3,322)
Accounts payable and accruals - City of Toronto	5,071	-
Accounts payable and accrued liabilities - other	10,397	11,151
Deferred revenue	(1,528)	409
Deferred contributions	2,267	10,436
Post-employment benefits payable	1,543	3,322
Cash flows from operating activities	54,328	32,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(55,329)	(4,000)
Purchase of capital assets	-	(15,691)
Cash flows used in investing activities	(55,329)	(19,691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital contribution	-	15,691
Cash flows from financing activities	-	15,691
INCREASE (DECREASE) IN CASH	(1,001)	28,158
CASH AT BEGINNING OF YEAR	83,307	55,149
CASH AT END OF YEAR	$ 82,306	$ 83,307

(See accompanying notes)

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 - 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at 160 Eglinton Avenue East, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Central Eglinton Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profits ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

Program fees, membership fees and rental income are recognized as the services are provided. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Financial instruments

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

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

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

Accrual basis of accounting

Revenues and expenses are recorded on the accrual basis, whereby they are reflected in the accounts in the period in which they have been earned and incurred, respectively, whether or not such transactions have been finally settled by the receipt or payment of money. In the year, gross revenues from all sources totalled $944,068 (2013 - $965,880) and total expenses charged against all funds totalled $913,660 (2013 - $941,193).

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Contributed material and services

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

Capital assets

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

Computers	- 3 years straight line
Furniture and equipment	- 5 years straight line
Leasehold improvements	- 10 years straight line

Employee related costs

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

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

Use of estimates

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

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

3. FINANCIAL INSTRUMENTS

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

Liquidity risk

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

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

Interest rate risk

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

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre's maximum exposure to credit risk represents the sum of the carrying value of its cash, investments and accounts receivable. The Centre'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 Centre's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Changes in risk

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

4. INVESTMENTS

The investments consist of a one year cashable GIC which matures on July 15, 2015 and a one year redeemable term deposit which matures on November 27, 2015. Investments include $42,175 specifically reserved for expenditures related to the 50+ Program only.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2014		2013	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 19,354	$ 17,266	$ 19,354	$ 16,570
Leasehold improvements	12,211	2,442	12,211	1,221
	31,565	$ 19,708	31,565	$ 17,791
Accumulated amortization	19,708		17,791	
	$ 11,857		$ 13,774	

6. DEFERRED CONTRIBUTIONS

	2014	2013
Balance, beginning of year	$ 13,774	$ -
Add: Funds received	-	15,691
Less: Amounts recognized as revenue	(1,917)	(1,917)
Balance, end of year	$ 11,857	$ 13,774

7. DEFERRED CAPITAL CONTRIBUTION

	2014	2013
Balance, beginning of year	$ 13,774	$ -
Add: Capital contributions received	-	15,691
Less: Amortization recognized as revenue	(1,917)	(1,917)
Balance, end of year	$ 11,857	$ 13,774

8. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNTS RECEIVABLE

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of July 1, 2008, unused sick leave accumulates and eligible retirees are entitled to a cash payment when they leave the Centre's employment.

The Centre also provides health, dental, accidental death and disability, life insurance and long term disability benefits to eligible employees. Depending upon length of service and an individual's 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%

8. **POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNTS RECEIVABLE** - Cont'd.

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

	2014	2013
Post-retirement benefits	$ 123,463	$ 98,718
Sick leave benefits	69,295	71,041
	192,758	169,759
Add: unamortized actuarial gain (loss)	(15,159)	6,297
Post-employment benefit liability	$ 177,599	$ 176,056

The continuity of the accrued benefit obligation is as follows:

	2014	2013
Balance, beginning of year	$ 176,056	$ 172,734
Current service cost	5,513	5,543
Interest cost	7,341	6,204
Amortization of actuarial gain	(3,274)	(3,102)
Expected benefits paid	(8,037)	(5,323)
Balance, end of year	$ 177,599	$ 176,056

Expenditures relating to employee benefits are included as administration employee benefits on the statement of operations in the amount of $1,543 (2013 - $3,322) and include the following components:

	2014	2013
Current service cost	$ 5,513	$ 5,543
Interest cost	7,341	6,204
Amortization of actuarial gain	(3,274)	(3,102)
Expected benefits paid	(8,037)	(5,323)
Total expenditures related to post-retirement and post-employment benefits	$ 1,543	$ 3,322

A long-term receivable of $177,599 (2013 - $176,056) 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 continues to be responsible for the benefit liabilities of administrative staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. This plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to $48,677 in 2014 (2013 - $50,608).

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, 2013 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 0.0028% 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.

9. **FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION**

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

	2014 Budget (unaudited)	2014	2013
Administration expenses:			
Salaries and wages	$ 421,948	$ 427,779	$ 448,285
Employee benefits	125,482	111,179	121,498
Materials and supplies	21,297	30,396	21,332
Purchase of services	37,766	42,054	41,762
	$ 606,493	$ 611,408	$ 632,877
Centre's actual administration revenue:			
Administration budget		$ 606,493	$ 579,494
Sick pay funding		-	40,003
Section 37 funding		-	15,691
		$ 606,493	$ 635,188
Centre's actual administration expenses:			
Administration expenses		$ 611,408	$ 632,877
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		(1,543)	(3,322)
Vacation pay liability, not funded by the City until paid, that are included in accounts receivable - City of Toronto		(4,161)	(9,956)
Capital asset acquisitions (administration)		-	15,691
Difference between funding received and budgeted		538	24
		606,242	635,314
Administration expenses under (over) approved budget		$ 251	$ (126)

The under (over) expenditure of $251 in 2014 (2013 - ($126)) is included in account payable from the City of Toronto.

10. **LEASE COMMITMENTS**

The centre has entered into agreements to lease office equipment which expire in 2017 and 2019. Minimum amounts payable for the office equipment, in aggregate for each of the next five years are as follows:

2015	$ 5,202
2016	5,202
2017	4,299
2018	4,217
2019	2,109

Welch LLP

March 25, 2015

Board of Management for the Central Eglinton Community Centre
160 Eglinton Avenue East
Toronto, Ontario
M4P 3B5

PRIVATE AND CONFIDENTIAL

Attention: Ms. Paula Cornett,
Executive Director

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 – Unused vacation

We observed that the vacation liability has been increasing consistently every year. As at December 31, 2014 the Centre is carrying a vacation liability of $47,094 related to the administration staff. A few key employees have an accumulated balance of unused vacation of over 4 weeks, especially with one key employee who has an accumulated balance of unused vacation of over 9 weeks, which is significant to the Centre. We understand with limited personnel resources at the Centre, it is difficult to take vacation. Nevertheless, the absence of a key employee on paid leave could have impact on the operations and control environment of the Centre. We recommend that either the vacation be paid out in full or partially if that is the Centre's policy or plan be established to reduce the vacation accumulated. The Centre should consider monitoring vacation on a regular basis to avoid accumulations of vacation beyond the annual entitlement.

Management's Comments

The Board is aware of the issue of vacation liability and has already reduced the amount considerably through staff attrition. The Board's HR Committee will be drafting a new policy regarding acceptable vacation usage, which will be implemented within this calendar year.

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

Bryan Haralovich, CPA, CA
Partner