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 HARBOURFRONT 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 HARBOURFRONT COMMUNITY CENTRE

We have audited the accompanying financial statements of the Board of Management for the Harbourfront 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 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 Centre and we were not able to determine whether any adjustments might be necessary to donations and 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 Harbourfront 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 29, 2015.

BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	$ 763,871	$ 688,308
Accounts receivable - City of Toronto	71,817	79,961
Accounts receivable - Other	34,921	36,146
Prepaid expenses	-	2,070
	870,609	806,485
ACCOUNT RECEIVABLE - CITY OF TORONTO (note 7)	269,430	301,279
CAPITAL ASSETS (note 4)	6,944	12,996
	$ 1,146,983	$ 1,120,760
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto	$ 1,072	$ 994
Accounts payable and accrued liabilities - Other	170,322	194,488
Deferred revenue	7,447	9,997
Deferred contributions (note 5)	149,845	83,825
	328,686	289,304
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	3,148	6,670
POST-EMPLOYMENT BENEFITS PAYABLE (note 7)	302,573	333,875
	634,407	629,849
NET ASSETS		
Invested in program capital assets	3,796	6,326
Internally restricted - program fund reserves (note 8)	469,256	447,591
Unrestricted program funds	39,524	36,994
	512,576	490,911
	$ 1,146,983	$ 1,120,760

Approved by the Board:

L Ballantyne .... Chair

Marilyn Kay .... Treasurer

(See accompanying notes)

Welch LLP

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BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

	Invested in program capital assets	Internally restricted - program fund reserves	Unrestricted program funds	Total 2014	Total 2013
Net assets, beginning of year	$ 6,326	$ 447,591	$ 36,994	$ 490,911	$ 471,044
Net revenues over expenses	-	-	21,665	21,665	19,867
Transfer of amortization to invested in capital assets	(2,530)	-	2,530	-	-
Transfer of unrestricted to internally restricted program fund reserves	-	21,665	(21,665)	-	-
Net assets, end of year	$ 3,796	$ 469,256	$ 39,524	$ 512,576	$ 490,911

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	Program	Administration	2014	2013
Revenue				
City of Toronto - Administration	$ -	$ 1,194,994	$ 1,194,994	$ 1,174,018
Grants				
Government of Canada	130,689	-	130,689	127,362
City of Toronto	115,650	-	115,650	83,799
Province of Ontario	59,409	-	59,409	55,383
Foundations/Agencies	26,053	-	26,053	29,579
City of Toronto - Children's Services	4,700	-	4,700	4,700
Donations and fundraising	60,317	-	60,317	64,954
Membership and program fees	171,973	-	171,973	177,977
Rental fees	118,914	-	118,914	122,791
Interest	11,099	-	11,099	11,175
	698,804	1,194,994	1,893,798	1,851,738
Expenses				
Salaries and Wages	417,939	807,886	1,225,825	1,240,236
Employee Benefits	41,909	216,663	258,572	262,797
Materials and supplies	121,734	66,091	187,825	187,999
Purchase of services	93,027	104,354	197,381	136,951
Amortization of capital assets	2,530	3,522	6,052	7,097
Amortization of deferred capital contributions	-	(3,522)	(3,522)	(3,209)
	677,139	1,194,994	1,872,133	1,831,871
Excess of revenue over expenses	$ 21,665	$ -	$ 21,665	$ 19,867

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses	$ 21,665	$ 19,867
Adjustments for non-cash items:		
Amortization of capital assets	6,052	7,097
Amortization of deferred capital contributions	(3,522)	(3,209)
	24,195	23,755
Increase (decrease) resulting from changes in:		
Accounts receivable - City of Toronto	8,144	(19,011)
Accounts receivable - Other	1,225	(13,614)
Prepaid expenses	2,070	307
Accounts payable and accrued liabilities - City of Toronto	78	(25,020)
Accounts payable and accrued liabilities - Other	(24,166)	9,919
Deferred revenue	(2,550)	(28,333)
Deferred contributions	66,020	(983)
Long term receivable - City of Toronto	31,849	24,262
Post-employment benefits payable	(31,302)	(23,046)
Cash flows from (used in) operating activities	75,563	(51,764)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets - Administration	-	(5,902)
Cash flows used in investing activities	-	(5,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital contribution	-	5,902
Cash flows from financing activities	-	5,902
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	75,563	(51,764)
CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR	688,308	740,072
CASH AND SHORT TERM INVESTMENTS AT END OF YEAR	$ 763,871	$ 688,308

(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 627 Queens Quay West, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Harbourfront 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 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

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations ("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.

Rental and similar revenues are recognized on the date of the performance or event.

Cash and short term investments

Cash and short term investments include cash on hand, cash on deposit with financial institutions, demand deposits and short term investments with maturities of less than twelve months at acquisition.

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, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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:

Computer equipment	- 3 year straight line
Furniture and equipment	- 5 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 and revenue 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. 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 short-term 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, short term investments and accounts receivable. The Centre'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 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 organization's risk exposures from the prior year.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2014		2013	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Administration				
Furniture, fixtures and equipment	$ 155,226	$ 152,077	$ 155,226	$ 148,556
Program				
Furniture, fixtures and equipment	69,691	65,896	69,691	63,365
	224,917	$ 217,973	224,917	$ 211,921
Accumulated amortization	217,973		211,921	
Net book value	$ 6,944		$ 12,996	

5. DEFERRED CONTRIBUTIONS

	2014	2013
Balance, beginning of year	$ 83,825	$ 84,808
Add: Funds received	462,838	364,794
Less: Amounts recognized as revenue	(396,818)	(365,777)
Balance, end of year	$ 149,845	$ 83,825

6. DEFERRED CAPITAL CONTRIBUTIONS

	2014	2013
Balance, beginning of year	$ 6,670	$ 3,977
Add: Contribution deferred in year for capital assets purchases	-	5,902
Less: Amortization of deferred capital contributions	(3,522)	(3,209)
Balance, end of year	$ 3,148	$ 6,670

7. POST-EMPLOYMENT BENEFITS AND LONG-TERM ACCOUNT 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 April 1, 2003, unused sick leave accumulates until March 1, 2008 and eligible employees may be entitled to a cash payment upon leaving the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the employee upon termination, retirement or death.

The Centre 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%

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

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

	2014	2013
Sick leave benefits	$ 219,863	$ 206,160
Post retirement benefits	179,910	144,445
	399,773	350,605
Add: Unamortized actuarial loss	(97,200)	(16,730)
Employee benefit liability	$ 302,573	$ 333,875

The continuity of the accrued benefit obligation is as follows:

	2014	2013
Balance, beginning of year	$ 333,875	$ 356,921
Current service cost	7,259	6,793
Interest cost	14,857	12,030
Amortization of actuarial gain	(2,832)	(5,474)
Expected benefits paid	(50,586)	(36,395)
Balance, end of year	$ 302,573	$ 333,875

Expenditures in 2014 relating to employee benefits are included as employee benefit expenses for program $547 (2013 - $1,215) and administration $(31,849) (2013 - $(24,261)) on the statement of operations and include the following components:

	2014	2013
Current service cost	$ 7,259	$ 6,793
Interest cost	14,857	12,030
Amortization of actuarial gain	(2,832)	(5,474)
Less expected benefits paid during year	(50,586)	(36,395)
Total expenditures related to post-retirement and post-employment benefits	$ (31,302)	$ (23,046)

A long-term receivable of $269,430 (2013 - $301,279) from the City has resulted from recording sick leave and post-retirement benefits. Funding for these costs continue to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefits liabilities of management staff that may be incurred by the Centre. $33,143 (2013 - $32,596) of the employee benefit liabilitiy is the responsibility of the Centre and not the City as it pertains to program management.

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. 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 $87,026 in 2014 (2013 - $85,903).

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

The most recent actuarial valuation of the plan as at December 31, 2014 indicates the OMERS Multi-employer 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 0.0050% of the plan's total employer contributions. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

8. **INTERNALLY RESTRICTED - PROGRAM FUND RESERVES**

	2014	2013
Mission and Strategic Priority Reserve		
Children and Youth Reserve	$ 83,211	$ 78,615
Replacement of Capital Equipment	19,193	19,193
Special Project - Community Development	58,075	58,075
Special Project - Summer Program	35,000	35,000
Special Project - Capital Equipment	51,635	51,635
Special Project - Program Financial Subsidy	36,936	19,867
	284,050	262,385
Program Administration Reserve	185,206	185,206
	$ 469,256	$ 447,591

The Mission and Strategic Priority Reserve represents funds set aside by the Board of Management for future special projects relating to children and youth or special project initiatives, identified through strategic planning processes and for expenditures required to maintain the Centre's facility and/or for purchases of capital items not funded through other sources. The Program Administration Reserve represents funds set up to meet legal and financial obligations in the event of future funding uncertainties and legal and financial obligations for program salary and benefits not otherwise covered by city administration funds. Internally restricted net assets are not available for other purchases without approval of the Board of Management.

9. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration expenditures is provided by the City according to Council approved budgets. Surplus amounts in administration are repayable to the City. Deficits, other than long-term employee benefits, are to be funded by the Centre unless Council approval has been obtained for additional funding.

	2014 Budget (unaudited)	2014	2013
Administration expenditure:			
Salaries and Wages	$ 810,240	$ 807,886	$ 814,430
Employee Benefits	242,594	216,663	206,902
Materials and supplies	80,570	66,091	69,958
Purchase of services	87,032	104,354	82,728
	$ 1,220,436	$ 1,194,994	$ 1,174,018
Centre's actual administration revenue:			
Administration budget		$ 1,220,436	$ 1,193,581
Centre's actual administration expenses:			
Administration expenses		$ 1,194,994	$ 1,174,018
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		31,849	24,261
Vacation pay liability, not funded by the City until paid, that are included in accounts receivable - City of Toronto		19,133	(10,476)
Capital asset acquisitions (administration)		-	5,902
		1,245,976	1,193,705
Administration expenditure over approved budget		$ (25,540)	$ (124)

The over expenditure of $25,540 (2013 - $124) is included in account receivable from the City.

10. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

SCHEDULE OF PROGRAM AND ADMINISTRATIVE REVENUE AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2014

	Budget	2014	2013
Program revenue			
Grants			
City of Toronto	$ 117,722	$ 115,650	$ 83,799
Province of Ontario	60,794	59,409	55,383
Government of Canada	131,111	130,689	127,362
Other foundations/agencies	26,054	26,053	29,579
City of Toronto- Children's Services	4,700	4,700	4,700
Donations and fundraising	53,448	60,317	64,954
Memberships and program fees	172,148	171,973	177,977
Rental fees	115,000	118,914	122,791
Interest	8,000	11,099	11,175
	688,977	698,804	677,720
Program expenditures			
Salaries and Wages	412,880	417,939	425,806
Employee Benefits	46,530	41,909	55,895
Materials and supplies	134,324	121,734	118,041
Purchase of services	88,449	93,027	54,223
Amortization of capital assets	-	2,530	3,888
	682,183	677,139	657,853
Excess of revenues over expenditures	6,794	21,665	19,867
Administration expenditures			
Salaries and Wages	810,240	807,886	814,430
Employee Benefits	242,594	216,663	206,902
Materials and supplies	80,570	66,091	69,958
Purchase of services	87,032	104,354	82,728
Amortization of capital assets	-	3,522	3,209
Amortization of deferred capital contributions	-	(3,522)	(3,209)
	1,220,436	1,194,994	1,174,018
Fund provided by City of Toronto - Administration	1,220,436	1,194,994	1,174,018
Administration excess of expenditures over revenue	-	-	-
Excess of revenues over expenditures - Program	$ 6,794	$ 21,665	$ 19,867

April 7, 2015

Board of Management for the Harbourfront Community Centre
627 Queen's Quay West
Toronto, Ontario
M5V 3G3

PRIVATE AND CONFIDENTIAL

Attention: Ms. Leona Rodall

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 did not identify any matters which would be of interest to management.

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

As a result of our observations, we have discussed our findings, which were minor matters, verbally with your staff and provided some suggestions for their consideration.

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