

**FINANCIAL STATEMENTS**  
**For**  
**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL 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 SWANSEA TOWN HALL COMMUNITY CENTRE**

We have audited the accompanying financial statements of the Board of Management for the Swansea Town Hall Community Centre, which comprise the statement of financial position as at December 31, 2014, the statements of operations and 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, 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.

Note 2 to the financial statements explains the Centre's policy for accounting for capital assets. The note indicates that capital assets are expensed as acquired rather than being recognized as a capital asset upon acquisition. This presentation is permitted only if the average annual revenues recognized in the statement of operations for the current and preceding period is less than \$500,000. In this respect the financial statements are not in accordance with Canadian public sector accounting standards for government not-for-profit organizations .

*Qualified Opinion*

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly the financial position of the Board of Management for the Swansea Town Hall 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.



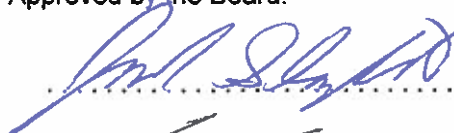
Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
March 26, 2015.

**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 188,820	\$ 118,544
Accounts receivable - City of Toronto (note 6)	-	539
Accounts receivable - Other	7,625	1,018
Inventories	<u>414</u>	<u>370</u>
	196,859	120,471
<b>ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 4)</b>	<u>103,488</u>	<u>100,998</u>
	<u>\$ 300,347</u>	<u>\$ 221,469</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities - City of Toronto (note 6)	\$ 28,276	\$ 1,012
Accounts payable and accrued liabilities - Other	<u>133,054</u>	<u>90,730</u>
	161,330	91,742
<b>POST-EMPLOYMENT BENEFITS PAYABLE (note 4)</b>	<u>103,488</u>	<u>100,998</u>
	264,818	192,740
<b>PROGRAM DEVELOPMENT RESERVE (note 5)</b>	35,529	28,729
<b>NET ASSETS</b>	<u>-</u>	<u>-</u>
	<u>\$ 300,347</u>	<u>\$ 221,469</u>

Approved by the Board:

..... Chair

..... Treasurer

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE**

**STATEMENT OF OPERATIONS AND NET ASSETS**

**YEAR ENDED DECEMBER 31, 2014**

	<u>Program</u>	<u>Administration</u>	<u>2014</u>	<u>2013</u>
<b>Revenue</b>				
Funds provided by the City of Toronto	\$ -	\$ 318,613	\$ 318,613	\$ 269,279
Rental	-	263,674	263,674	256,254
Photocopier	-	1,472	1,472	1,100
Donations and fundraising	1,933	-	1,933	1,839
Event fees	1,928	-	1,928	1,690
Other income	<u>4,922</u>	<u>-</u>	<u>4,922</u>	<u>5,492</u>
	<u>8,783</u>	<u>583,759</u>	<u>592,542</u>	<u>535,654</u>
<b>Expenses</b>				
Salaries and wages	-	312,397	312,397	306,623
Employee benefits	-	72,602	72,602	71,828
Materials and supplies	-	51,028	51,028	64,501
Purchased services	-	147,732	147,732	83,681
Other	<u>1,983</u>	<u>-</u>	<u>1,983</u>	<u>2,353</u>
	<u>1,983</u>	<u>583,759</u>	<u>585,742</u>	<u>528,986</u>
<b>Net revenue over expenses</b>	6,800	-	6,800	6,668
<b>Net assets, beginning of year</b>	-	-	-	-
Transfer to Program Development Reserve (note 5)	<u>(6,800)</u>	<u>-</u>	<u>(6,800)</u>	<u>(6,668)</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net revenue over expenses	\$ 6,800	\$ 6,668
Increase (decrease) resulting from changes in:		
Accounts receivable - City of Toronto	539	55
Accounts receivable - Other	(6,607)	(23)
Inventories	(44)	(20)
Long-term account receivable - City of Toronto	(2,490)	(2,872)
Accounts payable and accrued liabilities - City of Toronto	27,264	335
Accounts payable and accrued liabilities - Other	42,324	19,452
Post-employment benefits payable	<u>2,490</u>	<u>2,872</u>
<b>Cash flows from operating activities</b>	<u>70,276</u>	<u>26,467</u>
<b>INCREASE IN CASH</b>	70,276	26,467
<b>CASH AT BEGINNING OF YEAR</b>	<u>118,544</u>	<u>92,077</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 188,820</u>	<u>\$ 118,544</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**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 95 Lavinia Avenue, as a community recreation centre under the authority of the Municipal Act, known as Swansea Town Hall 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*

These 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 recorded as part of deferred contributions on the statement of financial position.

Rental and similar revenues 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 records 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 and accounts receivables. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

*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 and bequests are recorded as received.

**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

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

*Capital assets*

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not reported in these financial statements. Section PS 4230, capital assets held by not-for-profit organizations, allows small organizations, with average annual revenues recognized in the statement of operations for the current and preceding period of less than \$500,000, to expense capital assets on acquisition. As noted in the Basis for Qualified Opinion paragraph, the Centre exceeded the revenue threshold in 2014 and continued to apply this policy. During 2014, capital assets expensed totalled \$17,432 (2013 - \$18,839) and are included in materials and supplies.

*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 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.



**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

**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 deposited with a Canadian chartered bank earns 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 and accounts receivable. The Centre's cash is deposited with Canadian chartered banks 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 Centre's risk exposures from the prior year.

**4. POST EMPLOYMENT BENEFITS PAYABLE 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 non-union management staff, with ten years of service as of July 1, 2009, 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, life insurance, accidental death and long-term disability benefits to eligible employees. Depending upon the 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%

**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

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

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

	<u>2014</u>	<u>2013</u>
Sick leave benefits	\$ 40,588	\$ 37,996
Post-retirement benefits	<u>59,520</u>	<u>46,071</u>
	100,108	84,067
Add: Unamortized actuarial gain	<u>3,380</u>	<u>16,931</u>
Post-employment benefit liability	<u>\$ 103,488</u>	<u>\$ 100,998</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 100,998	\$ 98,126
Current service cost	2,525	2,804
Interest cost	3,658	2,962
Amortization of actuarial gain	(2,038)	(2,079)
Expected benefits paid	<u>(1,655)</u>	<u>(815)</u>
Balance, end of year	<u>\$ 103,488</u>	<u>\$ 100,998</u>

Expenditures relating to employee benefits are included as administration employee benefits on the statement of operations in the amount of \$2,490 (2013 - \$2,872) and include the following components:

	<u>2014</u>	<u>2013</u>
Current service cost	\$ 2,525	\$ 2,804
Interest cost	3,658	2,962
Amortization of actuarial gain	(2,038)	(2,079)
Expected benefits paid	<u>(1,655)</u>	<u>(815)</u>
Total expenditures related to post-retirement and post-employment benefits	<u>\$ 2,490</u>	<u>\$ 2,872</u>

A long-term receivable of \$103,488 (2013 - \$100,998) has resulted from the recording of 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 administration 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. The plan is a defined benefit plan, which specifies the amount of 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 \$21,587 in 2014 (2013 - \$20,822).

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 contributions. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

**BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

**5. PROGRAM DEVELOPMENT RESERVE**

The Board of Management created a Program Development Program in September 2010. These funds are earmarked for program development. In 2014, the excess of program revenue over expenditures of \$6,800 (2013 - \$6,668) was transferred to the Program Development Reserve.

**6. 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)	Actual 2014	Actual 2013
<b>Administration expenditure:</b>			
Salaries and wages	\$ 315,854	\$ 312,397	\$ 306,623
Employee benefits	88,698	72,602	71,828
Materials and supplies	54,358	51,028	64,501
Purchased services	<u>208,488</u>	<u>147,732</u>	<u>83,681</u>
	667,398	\$ 583,759	\$ 526,633
Less: budgeted rental and sundry revenue	<u>403,289</u>		
Budgeted net City funding	<u>\$ 264,109</u>		
 <b>Centre's administration revenue:</b>			
Administration budget		\$ 264,109	\$ 267,394
Rental and sundry revenue		292,146	257,354
Section 37 funding		<u>52,278</u>	<u>-</u>
		<u>608,533</u>	<u>524,748</u>
 <b>Centre's actual administration expense:</b>			
Administration expenses		583,759	526,633
Adjustments for non-cash items:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		(2,490)	(2,872)
Unspent Section 37 funding repayable		<u>27,000</u>	11
Difference between funding received and budgeted		<u>-</u>	<u>(25)</u>
		<u>608,269</u>	<u>523,736</u>
 Administration expenditure under approved budget		<u>\$ 264</u>	<u>\$ 1,012</u>

The under expenditure of \$264 (2013 - \$1,012) is included in account payable to the City.

March 27, 2015

Board of Management for the Swansea Town Hall Community Centre  
95 Lavinia Avenue  
Toronto, Ontario  
M6S 3H9

**PRIVATE AND CONFIDENTIAL**

Attention: Mr. Ed Gaigalas  
Executive Director

Dear Sir:

**Re: Audit of the December 31, 2014 Financial Statements**

During the course of our audit of the financial statements for the year ended December 31, 2014, we identified some matters which may be of interest to management.

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

As a result of our observations, we have outlined matters below along with some suggestions for your consideration.

Please note that under Canadian generally accepted auditing standards we must report significant deficiencies to those charged with governance.

This letter is not exhaustive, and deals with the more important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff. We have discussed the matters in this report with management and received his comments thereon.

## **DEFICIENCY IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS**

### **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 \$25,500. A few employees have an accumulated balance of unused vacation of over 4 weeks, with one key employee who has an accumulated balance of unused vacation of over 7 weeks. 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 a 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**

"57% of the total outstanding balance is attributable to the Executive Director who will either take the vacation or take a payout this year."

### **Bank reconciliation**

Currently bank reconciliations are prepared by the administrative assistant on a monthly basis and reviewed and approved by the Executive Director. During our review of the monthly bank reconciliations, we did not see any evidence or sign-off of such review and approval. As a result, we recommend that going forward, bank reconciliations are signed off and date-stamped by the Executive Director upon completion of the review.

### **Management's Comments**

"The Executive Director will institute a formal sign off procedure this year."

### **Re-earnable performance based payments**

As at December 31, 2014, the accounts payable included \$12,250 of re-earnable performance based payments to be made to senior management upon completion of their performance reviews for the fiscal years 2011, 2012 and 2013. This balance has been accumulating each year and will result in a sizeable cash outflow when settled. We recommend that a plan be put in place to complete the performance reviews and settle the obligation in the coming fiscal year.

### **Management's Comments**

"Planning to complete the performance reviews are part of the work plan for 2015."

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

A handwritten signature in black ink, appearing to read "Bryan Haralovich". The signature is fluid and cursive, with a large initial "B" and "H".

Bryan Haralovich, CPA, CA, CPA (Illinois)