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 RALPH THORNTON COMMUNITY CENTRE

For the year ended

DECEMBER 31, 2014

Welch LLP

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

We have audited the accompanying financial statements of the Board of Management for the Ralph Thornton 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.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board of Management for the Ralph Thornton 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
June 24, 2015.

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BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	$ 147,814	$ 255,359
Short-term investments	136,000	-
Accounts receivable - City of Toronto (note 8)	28,185	18,304
Accounts receivable - Other	24,285	16,396
Prepaid expenses	2,299	2,000
	338,583	292,059
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 7)	101,519	122,267
CAPITAL ASSETS (note 4)	19,680	29,792
	$ 459,782	$ 444,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payables and accrued liabilities - City of Toronto (note 8)	$ 2,589	$ 2,589
Accounts payable and accrued liabilities - Other	120,494	53,637
Deferred contributions (note 5)	103,615	138,631
Deferred capital contribution (note 6)	16,993	26,206
	243,691	221,063
POST-EMPLOYMENT BENEFITS PAYABLE (note 7)	101,519	122,267
	345,210	343,330
NET ASSETS		
Invested in capital assets	2,687	3,586
Unrestricted	111,885	97,202
	114,572	100,788
	$ 459,782	$ 444,118

Approved by the Board:

.... Chair

.... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

	Invested in Capital assets	Unrestricted	Total 2014	Total 2013
Net assets, beginning of year	$ 3,586	$ 97,202	$ 100,788	$ 78,559
Net revenue over expenses	-	13,784	13,784	22,229
Purchase of program capital assets	-	-	-	-
Amortization of capital assets	(10,112)	10,112	-	-
Amortization of deferred capital contributions	9,213	(9,213)	-	-
Net assets, end of year	$ 2,687	$ 111,885	$ 114,572	$ 100,788

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	Program	Administration	2014	2013
Revenue				
Grants				
City of Toronto	$ 43,890	$ 666,465	$ 710,355	$ 646,802
Government of Canada	8,815	-	8,815	-
Foundations	28,500	-	28,500	32,120
Other	74,873	-	74,873	53,320
	156,078	666,465	822,543	732,242
Donations	1,266	-	1,266	4,834
Rental income	21,279	39,364	60,643	60,100
User fees	1,063	-	1,063	2,838
Other revenue	3,300	-	3,300	-
	182,986	705,829	888,815	800,014
Expenses				
Salaries and wages	128,927	341,732	470,659	502,489
Employee benefits	16,276	104,686	120,962	78,598
Materials and supplies	2,217	88,577	90,794	66,350
Purchase of services	20,883	170,834	191,717	129,448
Amortization of capital assets	9,109	1,003	10,112	10,443
Amortization of deferred capital contributions	(8,210)	(1,003)	(9,213)	(9,543)
	169,202	705,829	875,031	777,785
Net revenues over expenses	$ 13,784	$ -	$ 13,784	$ 22,229

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses	$ 13,784	$ 22,229
Adjustments for:		
Amortization of capital assets	10,112	10,443
Amortization of deferred capital contributions	(9,213)	(9,543)
	14,683	23,129
Changes in non-cash working capital components:		
Accounts receivable - City of Toronto	(9,881)	-
Accounts receivable - Other	(7,889)	1,990
Prepaid expenses	(299)	1,018
Long-term account receivable - City of Toronto	20,748	29,904
Accounts payables and accrued liabilities - City of Toronto	-	2,451
Accounts payable and accrued liabilities - Other	66,857	(2,694)
Deferred capital contributions	(35,016)	49,373
Post-employment benefits payable	(20,748)	(29,904)
Cash flows from operating activities	28,455	75,267
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets - Program	-	(1,150)
Purchase of short-term investments	(136,000)	-
Cash flows used in investing activities	(136,000)	(1,150)
INCREASE (DECREASE) IN CASH	(107,545)	74,117
CASH AT BEGINNING OF YEAR	255,359	181,242
CASH AT END OF YEAR	$ 147,814	$ 255,359

(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 No. 765 Queen Street East, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Ralph Thornton Community Centre (the "Centre"). The City purchased the property March 2004. 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 Canada 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.

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.

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.

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

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
Kitchen 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 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 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. CAPITAL ASSETS

Capital assets consist of the following:

	2014		2013	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Program				
Building and kitchen improvements	$ 82,100	$ 65,138	$ 82,100	$ 56,928
Computer hardware	39,710	39,326	39,710	38,943
Furniture, fixtures and equipment	17,068	14,764	17,068	14,248
	138,878	119,228	138,878	110,119
Administrative				
Furniture, fixtures and equipment	10,338	10,308	10,338	9,305
	149,216	$ 129,536	149,216	$ 119,424
Accumulated amortization	129,536		119,424	
	$ 19,680		$ 29,792	

5. DEFERRED CONTRIBUTIONS

	2014	2013
Balance, beginning of year	$ 138,631	$ 89,258
Add: Funds received	121,062	166,993
Less: Amounts recognized as revenue	(156,078)	(117,620)
Balance, end of year	$ 103,615	$ 138,631

6. DEFERRED CAPITAL CONTRIBUTION

Contributions relating to the renovation of the kitchen, a program asset, are being deferred and amortized over the life of the asset (10 years). Funds from the City of Toronto related to the purchase of administrative capital assets are also being deferred over the life of the assets (5 years). The deferred capital contribution balances related to program capital assets and administration capital assets are $16,963 and $30 respectively.

	2014	2013
Balance, beginning of year	$ 26,206	$ 35,749
Less: Amortization of deferred capital contributions	(9,213)	(9,543)
Balance, end of year	$ 16,993	$ 26,206

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCE LIABILITY

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 3.0% to 6.0 %
- rate of compensation increase - 3%
- discount rates - post-retirement 3.0%, post-employment 2.8 %, sick leave 3.2%

7. **POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCE LIABILITY** - 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
Income benefits	$ 36,388	$ 53,456
Sick leave benefits	5,270	7,240
Post-retirement benefits	57,601	51,003
	99,259	111,699
Add: Unamortized actuarial gain	2,260	10,568
Post-employment benefit liability	$ 101,519	$ 122,267

The continuity of the accrued benefit obligation is as follows:

	2014	2013
Balance, beginning of year	$ 122,267	$ 152,171
Current service cost	5,117	3,832
Interest cost	4,099	4,191
Amortization of actuarial (gain) loss	(43)	(171)
Expected benefits paid	(29,921)	(37,756)
Balance, end of year	$ 101,519	$ 122,267

Expenditures relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of $20,704 (2013 - $29,904) and include the following components:

	2014	2013
Current service cost	$ 5,117	$ 3,832
Interest cost	4,099	4,191
Amortization of actuarial (gain) loss	(43)	(171)
Expected benefits paid	(29,921)	(37,756)
Total expenditures related to post-retirement and post-employment benefits	$ (20,748)	$ (29,904)

A long-term receivable of $101,519 (2013 - $122,267) from the City 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 management and union employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employee based on the length of service and rates of pay. Employer contributions to this pension plan amounted to $27,045 in 2014 (2013 - $30,078).

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 0.0015% 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. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration expense 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
Budgeted administration expenditure:			
Salaries and Wages	$ 428,588	$ 341,732	$ 411,592
Employee Benefits	129,846	104,686	64,785
Materials and supplies	62,281	88,577	60,000
Purchase of services	77,930	170,834	117,609
	698,645	705,829	653,986
Less: rental revenue	(39,400)	(39,364)	(39,364)
	$ 659,245	$ 666,465	$ 614,622
Centre's actual administration revenue:			
Administration budget		$ 659,245	$ 646,985
Rental revenue		39,364	39,364
		698,609	686,349
Centre's actual administration expenses:			
Administration expenses		705,829	653,986
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		20,748	29,904
Difference between funding received and budgeted		217	8
		726,794	683,898
Administration expenditure (over) under approved budget		$ (28,185)	$ 2,451

The over expenditure of $28,185 is included in the accounts receivable from the City and the under expenditure from 2013 of $2,451 is included in accounts payable to the City.

9. LEASE COMMITMENTS

The minimum operating lease payments required for the Centre are as follows:

2015	$ 2,400
2016	2,400
2017	1,200

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

PROGRAM INCOME STATEMENT - Summer Camps

YEAR ENDED DECEMBER 31, 2014

(supplemental information - unaudited)

	2014	2013
Revenue		
Grant from City of Toronto Children's Services	$ 11,000	$ 11,000
Grant from Toronto Star Foundation	10,000	10,000
Grant from Federal Government	8,815	-
Fundraising and other income	2,245	1,810
	32,060	22,810
Expenses		
Salaries and wages	23,748	21,186
Employee benefits	1,671	1,620
Program supplies	9,782	7,633
	35,201	30,439
Program deficit	$ (3,141)	$ (7,629)

Welch LLP

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March 27, 2015

Board of Management for the Ralph Thornton Community Centre
765 Queen Street East
Toronto, Ontario
M4M 1H3

PRIVATE AND CONFIDENTIAL

Attention: Mr. John Campey,
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 John Campey and received his comments thereon.

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OTHER DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Cheque requisition forms not used consistently by employees when submitting claims for reimbursement of expenses.

The Centre should ensure all employees submit a cheque requisition with supporting receipts when requesting a reimbursement of expenses so that they can properly monitor expenses being claimed. The form should also be modified to allow for advances to be inputted and then used to reconcile advances against expenses being claimed. This would ensure that the employee is not being reimbursed twice for the same expenses.

Management's Comments

Management will adjust and implement changes to the cheque requisition form it in a way that more clearly accounts for advances and commits to consistent use of the cheque requisition form for employee expenses being the practice from the beginning of 2015.

Issue – There is lack of evidence that time sheets are being approved for payroll purposes. While some time sheets do have evidence of approval, it is not consistent.

Time sheets should be approved and sign-off for all employees to ensure that they are being paid for the correct number of hours.

Management's Comments

With greater stability and continuity in management staff, and with the imminent hiring of a Business Manager whose responsibilities will specifically include ensuring that all time sheets are appropriately reviewed and authorized, Management will ensure that this matter is attended to appropriately.

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

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