TORONTO

REPORT FOR ACTION

Association of Community Centres Settlement of Operating Results for Year Ended 2017

Date: May 13, 2019
To: Budget Committee and Executive Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2017 based on audited financial results.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council direct that the accumulated surpluses of $6,490 from six Association of Community Centres (AOCCs) be paid to the City of Toronto and be used to fund the operating deficits of $8,965 for the core administration operations of two Centres, resulting in a net payable of $2,475 for operating over-expenditures as detailed in Table II.

FINANCIAL IMPACT

The total surpluses of $6,490 from six Community Centres will partially offset the operating deficits totalling $8,965 from two Community Centres, resulting in a net payment of $2,475 from the City to the AOCCs in 2017 arising primarily from the Core Administration Operations' year end results for 2017. For the 2017 year-end, the remaining Centres, 519 Church Street Community Centre and Waterfront Neighbourhood Centre, reported a $0 net variance.

DECISION HISTORY

At its meeting of July 24, 25 and 26, 2001, City Council adopted Policy and Finance Committee Report 11, Clause 6, entitled “Association of Community Centres (AOCCs), Community Centres Deficits”. Among others, Council directed that the Chief Financial Officer and Treasurer report on the AOCC surplus/deficit upon receipt of the annual audited financial statements, as the practice in the former City of Toronto.

At its meeting of April 14, 15, and 16, 2003, City Council adopted Policy and Finance Committee Report 3, Clause 11, entitled “Governance Review of the Association of Community Centres (AOCCs)”. Among others, Council determined that the City continue to provide core administration funding to the AOCCs; the Centres' Boards are expected to operate within the approved budgets; that administrative surpluses be returned to the City and administrative deficits be funded by the City, upon Council approval. This treatment of year-end financial results is consistent with all city-funded agencies.

The AOCCs’ financial statements are prepared under the Canadian Generally Accepted Accounting Principles (GAAP) that are applicable to the Public Sector Accounting Board (PSAB) requirements for government and not-for-profit entities. Accounting and reporting under PSAB requires that all known liabilities, including liabilities related to post-employment benefits as well as those related to retirees, be reflected in the public sector financial statements.

At its meeting of September 25, 26 and 27, 2006, City Council adopted Policy and Finance Report 7, Clause 17, entitled "Association of Community Centres (AOCCs), City of Toronto Relationship Framework". Among others, Council directed that the AOCC Boards shall not make or incur a liability for any capital work without first obtaining Council approval. Additionally, the Boards shall not make, permit or allow any capital work including alterations, renovations, additions or improvements to the premises without first obtaining the consent of the Chief Corporate Officer. Council also directed that the City must approve any policy or practice that affects employee compensation including changes to salary ranges, job evaluation, performance pay, salary and benefits.

BACKGROUND

Table I on the following page summarizes the operating surplus/deficit and the net payment for operating over-expenditures from 2012 to 2016. Over the 5 years prior to 2017, the AOCCs had an accumulated surplus of $66,230 paid to the City of Toronto which was used to partially fund the payment of accumulative operating deficits of $285,521 resulting in a net payment of $219,291 for operating over-expenditures.

Table I: Association of Community Centres 5 Year Summary of Net Payable to City/Community Centres from 2012 to 2016			
Budget Year	**Net Surplus (payable to City)**	**Net (Deficit) (payable to Centre)**	**Total Net Adjusted Settlement to City/(Centre)**
2012	526	(117,998)	(117,472)
2013	8,089	(22,830)	(14,741)
2014	1,594	(79,423)	(77,829)
2015	7,391	(38,544)	(31,153)
2016	48,630	(26,726)	21,904
TOTAL	**$ 66,230**	**$ (285,521)**	**$ (219,291)**

At its meeting of November 9th, 2015, while considering the report EX.10.9 Association of Community Centres Settlement of Operating Results for Year 2014, City Council requested the City Manager to write to the Association of Community Centres' Boards and reinforce with the Boards the requirement to seek Council's approval for over-expenditures before incurring them and remind them of their obligation to comply with the City's financial policies.

In keeping with this direction, an "Over-Expenditure Pre-Approval" process was established in 2016 by the Financial Planning Division and was communicated by the City Manager to the Association of Community Centres' Boards.

COMMENTS

Settlement of 2017 Operating Results

The 2017 financial statements for AOCCs were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to the Public Sector Accounting Board (PSAB) requirements for government not-for-profit entities. Funding for sick leave, post-retirement benefits and accrued vacation pay continue to be provided by the City as these benefit costs are paid out to employees. Accounting and reporting under PSAB requires entities to accrue all known liabilities on the financial statements. The unpaid employee benefits and the post-employment benefits are reported as liabilities on the Statement of Financial Position. As mentioned earlier, the City of Toronto is responsible for these benefits and, accordingly, a corresponding receivable from the City is recorded on the Statement of Financial Position for each Community Centre.

The City also funds AOCCs' capital expenditures. In accordance with Canadian GAAP-PSAB requirements, government not-for-profit entities are required to report capital assets on the Statement of Financial Position. For funding purposes, the City funds capital expenditures that the AOCCs have incurred, thus creating a difference between accounting and funding requirements. As such, adjustments were made to each

Community Centre's year-end statements to ensure consistency and comparability with its Approved Operating Budget, which is based on cash requirements.

A review of the audited financial statements for the year ended December 31, 2017 indicates that six (6) Community Centres reported a surplus amounting to $6,490 while two (2) Community Centres realized a year-end deficit of $8,965, resulting in a net overall deficit of $2,475. The year-end variance for the 519 Church Street Community Centre and Waterfront Neighbourhood Centre were $0 net. Details are summarized in Table II below.

Table II: Association of Community Centres
Summary of Net Payable to City / Community Centres for 2017

Community Centre	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/(Centre)
519 Church Street Community Centre	nil	nil	nil
Applegrove Community Complex		(5,211)	(5,211)
Cecil Street Community Centre	5,926		5,926
Central Eglinton Community Centre	178		178
Community Centre 55	14		14
Eastview Neighbourhood Community Centre	128		128
Ralph Thornton Community Centre		(3,754)	(3,754)
Scadding Court Community Centre	15		15
Swansea Town Hall Community Centre	229		229
Waterfront Neighbourhood Centre	nil	nil	nil
TOTAL	**$ 6,490**	**$ (8,965)**	**$ (2,475)**

The key year-end financial results are driven by:

Applegrove Community Complex
The over-expenditure of $5,211 is primarily related to higher than budgeted telephone costs. The 2017 budget was developed after taking into consideration savings arising from the installation of a new phone system effective January 1st which was delayed and installed in mid-September 2017.

Cecil Street Community Centre
The under-expenditure of $5,926 is primarily due to lower than expected utility costs resulting from weather fluctuations.

Ralph Thornton Community Centre
The over-expenditure of $3,754 is primarily due to higher than expected audit fees as a result of a new contract; unexpected costs related to emergency tree pruning to mitigate health and safety risks; and unexpected elevator service call costs related to upgrades to the fire detection system, which was a project overseen by the City's Facilities and Real Estate Division.

As per the Over-Expenditure Pre-Approval process established in 2016, Financial Planning Division is taking all necessary steps to ensure AOCCs continue to comply with the pre-approval process for all over-expenditures.

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SIGNATURE

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