

FINANCIAL STATEMENTS
For
NORTH TORONTO MEMORIAL ARENA
For the year ended
DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
THE COMMITTEE OF MANAGEMENT OF NORTH TORONTO MEMORIAL ARENA**

Opinion

We have audited the accompanying financial statements of the Committee of Management of North Toronto Memorial Arena (the "Arena"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Arena as at December 31, 2019 and results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of the Arena in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Arena's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Arena or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Arena's financial reporting process.

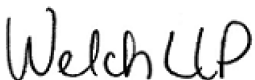
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Arena's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arena's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Arena to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 24, 2021.

**NORTH TORONTO MEMORIAL ARENA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash	\$ 38,137	\$ 8,254
Accounts receivable	<u>121,732</u>	<u>69,650</u>
	<u>159,869</u>	<u>77,904</u>
LIABILITIES		
Due to City of Toronto	-	11,264
Accounts payable and accrued liabilities	124,353	81,377
Government remittances payable	20,722	19,699
Due to City of Toronto - operating surplus (note 3)	365	1,486
Deferred revenue	57,855	7,698
Due to City of Toronto - working capital advance (note 4)	<u>15,000</u>	<u>15,000</u>
	<u>218,295</u>	<u>136,524</u>
NET DEBT	(58,426)	(58,620)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	59,371	59,701
Inventories	<u>58,426</u>	<u>58,620</u>
ACCUMULATED SURPLUS	<u>\$ 59,371</u>	<u>\$ 59,701</u>

Approved on behalf of the Board of Management:

Karen Stintz

.....Chair

Taikenhead

.....Member

(See accompanying notes)

NORTH TORONTO MEMORIAL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Revenue			
Ice rentals	\$ 784,494	\$ 745,838	\$ 736,426
Outdoor rink recoveries (note 6)	112,500	46,967	60,277
Banquet room rentals	30,458	32,385	30,191
Pro shop operations (Schedule A)	13,150	15,544	12,887
Snack bar and vending machine operations (Schedule A)	16,173	10,491	9,547
Advertising	18,000	20,941	23,309
Zamboni replacement - contribution	12,000	10,619	11,000
Arena floor rentals	1,500	1,550	1,450
Gain on sale of zamboni	-	-	11,500
	<u>988,275</u>	<u>884,335</u>	<u>896,587</u>
Expenses			
Salaries and wages	460,295	400,229	409,439
Employee benefits	136,992	115,228	106,514
Utilities	244,911	216,774	210,134
Maintenance and repairs	74,700	76,529	86,724
General administration	42,021	38,641	41,164
Insurance	11,500	14,678	11,264
Professional fees	5,535	5,900	5,700
Amortization of tangible capital assets	-	6,040	5,351
	<u>975,954</u>	<u>874,019</u>	<u>876,290</u>
Excess revenue over expenses before the following	12,321	10,316	20,297
Vehicle and equipment reserve contributions (note 7)	<u>12,000</u>	<u>10,619</u>	<u>11,000</u>
Operating surplus (deficit)	\$ <u>321</u>	(303)	9,297
Net payable to the City of Toronto (note 3)		<u>(27)</u>	<u>(340)</u>
Annual surplus (deficit)		(330)	8,957
Accumulated surplus, beginning of year		<u>59,701</u>	<u>50,744</u>
Accumulated surplus, end of year, end of year		\$ <u>59,371</u>	\$ <u>59,701</u>

(See accompanying notes)

**NORTH TORONTO MEMORIAL ARENA
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
Annual surplus (deficit)	\$ (330)	\$ 8,957
Acquisition of tangible capital assets	(5,710)	(14,308)
Amortization of tangible capital assets	6,040	5,351
Purchase of inventories, net	<u>194</u>	<u>1,157</u>
Changes in net debt	194	1,157
Net debt, beginning of year	<u>(58,620)</u>	<u>(59,777)</u>
Net debt, end of year	<u>\$ (58,426)</u>	<u>\$ (58,620)</u>

(See accompanying notes)

NORTH TORONTO MEMORIAL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (330)	\$ 8,957
Adjustments for:		
Amortization of tangible capital assets	<u>6,040</u>	<u>5,351</u>
	5,710	14,308
Non-cash changes to operations:		
Accounts receivable	(52,082)	(6,299)
Due from City of Toronto	-	41,862
Due to City of Toronto	(11,264)	(11,000)
Accounts payable and accrued liabilities	42,976	(28,399)
Government remittances payable	1,023	1,180
Due to City of Toronto - operating surplus	(1,121)	(931)
Deferred revenue	50,157	(13,502)
Inventories	<u>194</u>	<u>1,157</u>
	<u>35,593</u>	<u>(1,624)</u>
CASH FLOWS USED IN CAPITAL ACTIVITIES		
Purchase of tangible capital assets	<u>(5,710)</u>	<u>(14,308)</u>
INCREASE (DECREASE) IN CASH	29,883	(15,932)
CASH, BEGINNING OF YEAR	<u>8,254</u>	<u>24,186</u>
CASH, END OF YEAR	<u>\$ 38,137</u>	<u>\$ 8,254</u>

(See accompanying notes)

NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

1. NATURE OF OPERATIONS

The North Toronto Memorial Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, By-Law No.22583, as amended. The Arena is located at 174 Orchardview Boulevard. The Board of Management operates and manages the Arena on behalf of the City of Toronto.

Under the By-Law, the Board of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Board over and above that necessary to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Revenue recognition

Revenue and expenditures are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

Ice rentals paid in advance are recorded as deferred revenue.

Financial instruments

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

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

Financial assets measured at amortized cost include cash, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to the City of Toronto.

Inventories

Inventories held for resale are initially valued at cost and subsequently measured at the lower of cost and net realizable value. The cost is determined on a first-in, first-out basis.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Machinery and equipment	- 15 years straight line
Leasehold improvements	- 20 years straight line

Contributed materials and services

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not recorded in these financial statements.

Services provided without charge by the City are not recorded in these financial statements.

NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Employee related costs

The City of Toronto offers a multi-employer defined benefit pension plan to the Arena's eligible employees. Due to the nature of the Plan, the Arena 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.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 tangible capital assets, assessing the allowance of doubtful accounts, recoverability of inventory and significant accrued liabilities. 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 estimates are revised and in any future years affected.

3. DUE TO CITY OF TORONTO - OPERATING SURPLUS

The amount due to the City of Toronto consists of the following:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,486	\$ 2,417
Operating surplus (deficit)	(303)	9,297
Purchase of capital assets	(5,710)	(14,308)
Amortization of tangible capital assets	<u>6,040</u>	<u>5,351</u>
Net payable to the City of Toronto	27	340
Paid during the current year	<u>(1,148)</u>	<u>(1,271)</u>
Balance, end of year	<u>\$ 365</u>	<u>\$ 1,486</u>

4. DUE TO CITY OF TORONTO - WORKING CAPITAL ADVANCE

The Board of Management retains a working cash advance of \$15,000 (2018 - \$15,000) provided by the City, for the management and control of the premises, to be returned to the City upon the Board of Management ceasing to function for any reason.

NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Machinery and equipment	\$ 87,569	\$ 30,020	\$ 81,859	\$ 24,182
Leasehold improvements	4,049	2,227	4,049	2,025
	91,618	\$ 32,247	85,908	\$ 26,207
Less: accumulated amortization	(32,247)		(26,207)	
	\$ 59,371		\$ 59,701	

6. OUTDOOR RINK RECOVERIES

Under an arrangement with the City, the Arena services an artificial outdoor rink located adjacent to the Arena. The Board is reimbursed \$46,967 (2018 - \$60,277) by the City for expenditures incurred in servicing this rink, based upon a budgetary provision, which may not be exceeded without prior approval from the City.

7. VEHICLE AND EQUIPMENT RESERVE CONTRIBUTIONS

These contributions are for the financing of replacement ice resurfacer machines required by the Arena in future years. In the year, the contribution was \$10,619 (2018 - \$11,000).

8. EMPLOYEE-RELATED EXPENSES

The Arena makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of most of its employees. The OMERS plan (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 \$33,428 (2018 - \$23,791).

The most recent actuarial valuation of the Plan as at December 31, 2019 indicates that the Plan is in a surplus position and the Plan's December 31, 2019 financial statements indicate a net surplus of \$1.531 billion (a deficit of \$3.397 billion netted against unrecognized investment returns of \$4.928 billion that will 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. The Arena's contributions accounted for an insignificant portion of the Plan's total employer contributions. Additional contributions, if any, required to address the Arena's proportionate share of a deficit will be expensed during the period incurred.

NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

9. SUBSEQUENT EVENT

In mid-March 2020, subsequent to the Arena's year-end, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of COVID-19.

On March 14, 2020, the Arena was closed in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. The Arena reopened for operations August 10, 2020. On November 23, 2020, the Arena was closed again in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. The Arena plans to reopen for operations on February 22, 2021 unless the lockdown is extended.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Arena's operations will be impacted. Consequently, at the time of issuance of these financial statements, the effect that the abrupt decline in economic activity will have on the Arena's operations, assets, liabilities, revenues and expenses is not yet known.

10. 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 Arena's financial instruments.

Credit risk

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

Liquidity risk

Liquidity risk refers to the adverse consequence that the Arena will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and amounts due to the City of Toronto. The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Arena believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Arena's financial instruments are all denominated in Canadian dollars and the Arena transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

10. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk - Cont'd.

ii) *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 Arena's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Arena is not exposed to significant other price risk.

Changes in risk

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

11. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified as necessary to conform to the current year's presentation.

**NORTH TORONTO MEMORIAL ARENA
YEAR ENDED DECEMBER 31, 2019**

SNACK BAR AND VENDING MACHINE OPERATIONS

	Budget (unaudited)	<u>2019</u>	<u>2018</u>
Sales			
Snack bar and vending machine	\$ 81,000	\$ 69,753	\$ 70,864
Cost of goods sold	<u>35,000</u>	<u>33,299</u>	<u>34,389</u>
	<u>46,000</u>	<u>36,454</u>	<u>36,475</u>
Expenses			
Wages	28,627	25,936	26,666
Maintenance	<u>1,200</u>	<u>27</u>	<u>262</u>
	<u>29,827</u>	<u>25,963</u>	<u>26,928</u>
Excess revenue over expenses	<u>\$ 16,173</u>	<u>\$ 10,491</u>	<u>\$ 9,547</u>

PRO SHOP OPERATIONS

	Budget (unaudited)	<u>2019</u>	<u>2018</u>
Sales			
Pro shop sales	\$ 30,400	\$ 32,621	\$ 30,438
Cost of goods sold	<u>11,000</u>	<u>11,542</u>	<u>9,598</u>
	<u>19,400</u>	<u>21,079</u>	<u>20,840</u>
Expenses			
Wages	5,250	5,500	6,250
Equipment maintenance	<u>1,000</u>	<u>35</u>	<u>1,703</u>
	<u>6,250</u>	<u>5,535</u>	<u>7,953</u>
Excess revenue over expenses	<u>\$ 13,150</u>	<u>\$ 15,544</u>	<u>\$ 12,887</u>