



TO BE SIGNED AND
RETURNED TO
GRANT THORNTON

Financial Statements

**Board of Management for the Ralph Thornton
Community Centre**

December 31, 2011

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Independent Auditor's Report

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To the Council of the Corporation of the
City of Toronto, 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, 2011, the statement of changes in net assets, the statement of operations and statement of 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 generally accepted accounting principles, 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 qualified audit opinion.

Basis for qualified opinion

In common with many non-profit organizations, the Centre derives revenue from donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues 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 revenues, excess of 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 Ralph Thornton Community Centre** as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 6, 2012

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

**Board of Management for the
Ralph Thornton Community Centre
Statement of Financial Position**

December 31 2011 2010

Assets

Current

Cash and short term investments	\$ 100,422	\$ 55,040
Receivables - City of Toronto	49,328	65,340
- Other	25,657	109,843
Prepays	<u>2,690</u>	<u>2,180</u>
	<u>178,097</u>	<u>232,403</u>

Long term

Receivable - City of Toronto (Note 3)	152,485	159,442
Capital assets (Note 4)	<u>46,582</u>	<u>54,494</u>
	<u>199,067</u>	<u>213,936</u>
	<u>\$ 377,164</u>	<u>\$ 446,339</u>

Liabilities

Current

Payables and accruals - City of Toronto	\$ 3,798	\$ 5,258
- Other	80,554	95,700
Deferred revenue (Note 5)	<u>32,017</u>	<u>80,183</u>
	116,369	181,141

Long term

Deferred capital contribution (Note 6)	44,821	50,072
Employee benefits payable (Note 3)	<u>152,485</u>	<u>159,442</u>
	<u>313,675</u>	<u>390,654</u>

Net Assets

Invested in capital assets	43,356	52,413
Unrestricted program funds	<u>20,133</u>	<u>3,271</u>
	<u>63,489</u>	<u>55,684</u>
	<u>\$ 377,164</u>	<u>\$ 446,339</u>

Commitments (Note 10)

Approved on behalf of the Board of Management

 Chair

 Treasurer

See accompanying notes to the financial statements.

**Board of Management for the
Ralph Thornton Community Centre
Statement of Changes in Net Assets**

Year Ended December 31, 2011

	Invested in <u>Capital assets</u>	<u>Unrestricted</u>	Total <u>2011</u>	Total <u>2010</u>
Net assets, beginning of year	\$ 52,413	\$ 3,271	\$ 55,684	\$ 96,070
Excess of revenue over expenditures (expenditures over revenue)	-	7,805	7,805	(40,386)
Transfer of amortization to invested in capital assets	<u>(9,057)</u>	<u>9,057</u>	<u>-</u>	<u>-</u>
Net assets, end of year	\$ <u>43,356</u>	\$ <u>20,133</u>	\$ <u>63,489</u>	\$ <u>55,684</u>

See accompanying notes to the financial statements.

**Board of Management for the
Ralph Thornton Community Centre
Statement of Operations**

Year Ended December 31

2011

2010

Program revenue

Grants

Provincial government	\$ 100,268	\$ 103,375
Government of Canada (Note 7)	6,959	17,002
Other Grants	68,615	44,650
Foundations	32,814	41,883
City of Toronto	<u>104,158</u>	<u>106,763</u>

	312,814	313,673
Donations and fundraising	92,245	74,130
Rental fees	18,005	10,290
User fees	2,432	5,151
Other	<u>88</u>	<u>4,938</u>
	<u>425,584</u>	<u>408,182</u>

Program expenditures

Salaries and wages	293,022	308,499
Employee benefits	45,736	40,785
Purchase of services	39,436	40,686
Materials and supplies	30,528	48,728
Depreciation expense	<u>9,057</u>	<u>9,870</u>
	<u>417,779</u>	<u>448,568</u>

Excess of revenue over expenditures (expenditures over revenue) – Program	<u>7,805</u>	<u>(40,386)</u>
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Administration revenue

Grant - administration (Note 8)	656,827	680,192
Rental income - Toronto Public Library	<u>39,364</u>	<u>39,364</u>
	<u>696,191</u>	<u>725,336</u>

Administration expenditures

Salaries and wages	449,101	506,086
Employee benefits	141,302	100,454
Purchase of services	78,816	92,523
Materials and supplies	26,972	26,274
Depreciation	2,067	1,425
Amortization of deferred capital contribution	<u>(2,067)</u>	<u>(1,425)</u>

	<u>696,191</u>	<u>725,336</u>
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Excess of revenue over expenditures (expenditures over revenue)	\$ <u>7,805</u>	\$ <u>(40,386)</u>
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See accompanying notes to the financial statements.

Board of Management for the Ralph Thornton Community Centre Statement of Cash Flows

Year Ended December 31

2011

2010

Increase (decrease) in cash and short term investments

	2011	2010
Operating activities		
Excess of revenue over expenditures (expenditures over revenue)	\$ 7,805	\$(40,386)
Items not affecting working capital		
Amortization of capital assets	11,124	11,295
Deferred capital contribution	(5,251)	(8,626)
Increase (decrease) resulting in changes in:		
Receivable - City of Toronto	16,012	(33,912)
- Other	84,187	(20,130)
Prepays	(510)	277
Long term account receivable - City of Toronto	(6,957)	10,378
Payables - City of Toronto	(1,460)	972
- Other	(15,146)	32,829
Deferred revenue	(48,166)	(43,297)
Long term employee benefits payable	6,957	(10,378)
	<u>48,595</u>	<u>(100,978)</u>
Investment activity		
Acquisition of capital assets - program	-	(1,257)
- administration	(3,213)	(1,094)
	<u>(3,213)</u>	<u>(2,351)</u>
Net increase (decrease) in cash and short term investments	45,382	(103,329)
Cash and short term investments, beginning of year	<u>55,040</u>	<u>158,369</u>
Cash and short term investments, end of year	\$ <u>100,422</u>	\$ <u>55,040</u>

See accompanying notes to the financial statements.

Board of Management for the Ralph Thornton Community Centre Notes to the Financial Statements

December 31, 2011

1. Establishment and operations

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 - 0448 dated June 26, 1995 to reflect Chapter 25 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 ("Centre"). The City purchased the property March 2004.

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 (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

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the accounting policies summarized below:

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. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the balance sheet. Rental and similar revenues are recognized on the date of the performance or event.

Cash and short term investments

Cash include cash on hand and balances with banks. Short term investments include short term deposits with original maturities of twelve months or less.

Board of Management for the Ralph Thornton Community Centre Notes to the Financial Statements

December 31, 2011

2. Significant accounting policies (continued)

Capital assets

Purchased 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 hardware	- 3 years straight-line
Furniture, fixtures and equipment	- 5 years straight-line
Kitchen improvements	- 10 years straight-line

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. In addition, costs such as computer support, provided without charge by the City, are not reported.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. The employee benefits liabilities and related costs charged to the statement of revenue and expenses depend on certain actuarial and economic assumptions. These estimates and assumptions are based on the Centre's best information and judgement and may change significantly with the next detailed evaluation.

Employee related costs

The Centre has adopted the following policies with respect to employee benefit plans:

- (a) the Centre's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are made; and
- (b) the costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation and expected health care costs.

New accounting standards for Government not-for-profits organizations (GNFPOs)

The Public Sector Accounting Board has issued revised standards for GNFPOs which are effective for fiscal years beginning on or after January 1, 2012. GNFPOs will be required to adopt CICA Public Sector handbook with or without the addition of sections PS 4200 series. The organization has commenced assessing the impact of these new standards and does not expect them to have a significant impact on the financial statements.

Board of Management for the Ralph Thornton Community Centre Notes to the Financial Statements

December 31, 2011

3. Employee benefits

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 administration staff, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave 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 an employee on terminating. The Centre also provides health, dental, life insurance and long term disability benefits to employees. The same health, dental and life insurance benefits are provided to administration retirees until age 65 with reduced benefits thereafter.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed in 2009. The actuarial valuation has resulted in an actuarial loss of \$168,592 which is being amortized on a straight-line basis over 15 years, being the expected average remaining service life of the employees.

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

	<u>2011</u>	<u>2010</u>
Income benefits	\$ 102,492	\$ 122,164
Continuation of benefits to disabled employees	27,368	35,242
Sick leave benefit plan	7,637	7,343
Post-retirement benefits	<u>183,266</u>	<u>153,189</u>
	<u>320,763</u>	317,938
Less: Unamortized actuarial (loss)	<u>(168,278)</u>	<u>(158,495)</u>
Employee benefit liability	<u>\$ 152,485</u>	<u>\$ 159,443</u>

The continuity of the accrued benefit obligation during 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 159,443	\$ 169,820
Current service cost	8,941	13,822
Interest cost	14,736	10,075
Amortization of actuarial loss	9,807	8,405
Expected benefits paid	<u>(40,442)</u>	<u>(42,680)</u>
Balance, end of year	<u>\$ 152,485</u>	<u>\$ 159,443</u>

Board of Management for the Ralph Thornton Community Centre Notes to the Financial Statements

December 31, 2011

3. Employee benefits (continued)

Expenditures in 2011 relating to employee benefits are included as administration expenses on the statement of operations and include the following components:

	<u>2011</u>	<u>2010</u>
Current service cost	\$ 8,941	\$ 13,822
Interest cost	14,736	10,075
Amortization of actuarial loss	9,807	8,405
Expected benefits paid	<u>(40,442)</u>	<u>(42,680)</u>
Total expenditures related to post-retirement and post-employment benefits	\$ <u>(6,958)</u>	\$ <u>(10,378)</u>

A long term receivable of \$152,485 (2010 - \$159,443) has resulted from recording sick leave and post retirement benefits for administration staff. Funding for these costs are 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 the retirement benefit to be received by the employees based on the length of service and rates of pay.

4. Capital assets			<u>2011</u>	<u>2010</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Program				
Building and kitchen improvements	\$ 82,100	\$ 40,505	41,595	\$ 49,802
Computer hardware	38,560	38,379	181	368
Furniture, fixtures and equipment	<u>13,083</u>	<u>11,503</u>	<u>1,580</u>	<u>2,242</u>
	133,743	90,387	43,356	52,412
Administration				
Furniture, fixtures and equipment	<u>10,338</u>	<u>7,112</u>	<u>3,226</u>	<u>2,082</u>
	\$ <u>144,081</u>	\$ <u>97,499</u>	\$ <u>46,582</u>	<u>54,494</u>

Board of Management for the Ralph Thornton Community Centre Notes to the Financial Statements

December 31, 2011

5. Deferred revenue	<u>2011</u>	<u>2010</u>
Toronto Community Housing	\$ -	\$ 20,000
City of Toronto	3,251	4,723
Other - grants for Children Youth program	5,212	5,535
Other - grants for kitchen	8,408	23,425
Ministry of Training, Colleges and Universities	6,776	-
Canadian Tire	-	10,000
Toronto Arts Council	2,370	9,000
Ontario Arts Council	<u>6,000</u>	<u>7,500</u>
	\$ <u>32,017</u>	\$ <u>80,183</u>

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 \$41,595 and \$3,226 respectively.

7. Grants - Government of Canada	<u>2011</u>	<u>2010</u>
Human Resources Development Canada	\$ <u>6,959</u>	\$ <u>17,002</u>

Board of Management for the Ralph Thornton Community Centre Notes to the Financial Statements

December 31, 2011

8. Funds provided - administration

Funding for administration is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, other than long-term employee benefits, are payable to the Centre subject to Council approval.

	<u>2011</u>	<u>2010</u>
Budgeted Administration expenditure:		
Approved budget for 2011 administration expenses	\$ 663,450	\$ 643,320
Settlement – COLA increase as per collective agreement	-	8,347
Add: Rental Income - Toronto Public Library	<u>39,364</u>	<u>39,364</u>
	<u>702,814</u>	<u>691,031</u>
Actual administration expenditure:		
Administration expenditures as per financial statements	696,191	725,336
Purchase of administration capital assets	3,213	1,095
Add: Post retirement benefits	<u>6,958</u>	<u>10,378</u>
Funding allowed by City	<u>706,362</u>	<u>736,809</u>
Administration expenditure (over) approved budget	\$ <u>(3,548)</u>	\$ <u>(45,778)</u>

The over expenditure of \$3,548 in 2011 (2010 - \$45,778) is included in accounts receivable from the City. The over expenditure is receivable from the Centre subject to council approval.

9. Financial instruments

Fair value of financial instruments

The estimated fair values of cash and short term investments, accounts receivables, accounts payables and amounts due to/from City of Toronto approximate carrying value due to the relatively short term nature of the instruments.

10. Lease commitments

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

2012	\$ <u>3,032</u>
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**Board of Management for the
Ralph Thornton Community Centre
Notes to the Financial Statements**

December 31, 2011

11. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.