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RETURNED TO  
GRANT THORNTON



Financial Statements

**Board of Management for the Harbourfront  
Community Centre**

December 31, 2012

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# Independent Auditor's Report

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To the Council of the Corporation of the  
**City of Toronto and the Board of Management for the  
Harbourfront Community Centre**

We have audited the accompanying financial statements of **Harbourfront Community Centre**, which comprise the statement of financial position as at December 31, 2012, 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 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, surplus, 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 the financial position of **Harbourfront Community Centre** as at December 31, 2012, 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.

**Comparative Information**

Without modifying our opinion, we draw attention to Note 11 to the financial statements which describes that the Organization adopted Canadian public sector accounting standards for government not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statement of operations, statement of changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Toronto, Ontario  
May 29, 2013



Chartered Accountants  
Licensed Public Accountants



# Board of Management for the Harbourfront Community Centre Statement of Operations

Year ended December 31

	<u>Program</u>	<u>Administration</u>	<u>Total 2012</u>	Total 2011 (unaudited - Note 11)
Revenue				
City of Toronto - Administration	\$ -	\$ 1,182,386	<b>\$ 1,182,386</b>	\$ 1,257,965
Grants				
Government of Canada	124,108		<b>124,108</b>	125,013
Provincial	53,324		<b>53,324</b>	54,982
City of Toronto	105,508		<b>105,508</b>	114,674
Other foundations/agencies	37,639		<b>37,639</b>	34,320
Donations/Fundraising/Other	93,105		<b>93,105</b>	67,223
Program and membership fees (Note 8)	159,429		<b>159,429</b>	136,672
Rental fees	108,655		<b>108,655</b>	92,176
Interest	<u>10,349</u>		<b><u>10,349</u></b>	<u>9,565</u>
	<u>692,117</u>	<u>1,182,386</u>	<b><u>1,874,503</u></b>	<u>1,892,590</u>
Expenditures				
Salaries and wages	445,935	811,329	<b>1,257,264</b>	1,281,112
Employee benefits	61,306	227,120	<b>288,426</b>	304,850
Materials and supplies	135,348	57,345	<b>192,693</b>	173,514
Purchase of services	48,113	86,592	<b>134,705</b>	137,190
Amortization of capital assets	5,029	3,377	<b>8,406</b>	9,811
Amortization of deferred capital contributions	<u>-</u>	<u>(3,377)</u>	<b><u>(3,377)</u></b>	<u>(3,377)</u>
	<u>695,731</u>	<u>1,182,386</u>	<b><u>1,878,117</u></b>	<u>1,903,100</u>
Excess of expenditures over revenues	<u>\$ (3,614)</u>	<u>\$ -</u>	<b><u>\$ (3,614)</u></b>	<u>\$ (10,510)</u>

See accompanying notes to the financial statements.

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

Year ended December 31

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	<u>Invested in Capital assets</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<b><u>Total 2012</u></b>	Total <u>2011</u> (unaudited - Note 11)
Net assets, beginning of year	\$ 15,243	\$ 427,724	\$ 31,691	\$ <b>474,658</b>	\$ 485,168
Excess of expenditures over revenues			(3,614)	<b>(3,614)</b>	(10,510)
Transfer of capital asset additions to invested in capital assets					-
Transfer of amortization to invested in capital assets	<u>(5,029)</u>		<u>5,029</u>		-
Net assets, end of year	<u>\$ 10,214</u>	<u>\$ 427,724</u>	<u>\$ 33,106</u>	<u>\$ <b>471,044</b></u>	<u>\$ 474,658</u>

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See accompanying notes to the financial statements.

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## Board of Management for the Harbourfront Community Centre Statement of Cash Flows

Year Ended December 31	2012	2011
		(unaudited - Note 11)
Increase (decrease) in cash and short term investments		
<b>Operating activities</b>		
Excess of expenditures over revenues	\$ (3,614)	\$ (10,510)
Amortization of capital assets	8,406	9,811
Amortization of deferred capital contributions	(3,377)	(3,377)
Increase (decrease) resulting from changes in:		
Receivable - City of Toronto	26,413	(33,398)
- Other	30,835	(38,762)
Prepays	(2,109)	(267)
Payables - City of Toronto	(303)	20,903
- Other	(986)	(12,379)
Deferred revenue	(41,369)	82,188
Long term receivable - City of Toronto	(19,895)	(28,735)
Post-employment benefits and compensated absences liability	<u>23,406</u>	<u>31,546</u>
	<u>17,407</u>	<u>17,020</u>
<b>Investing activities</b>		
Acquisition of capital assets - program	-	(12,651)
Net increase in cash and short term investments	17,407	4,369
Cash and short term investments, beginning of year	<u>722,665</u>	<u>718,296</u>
Cash and short term investments, end of year	<u>\$ 740,072</u>	<u>\$ 722,665</u>

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See accompanying notes to the financial statements.



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# **Board of Management for the Harbourfront Community Centre Notes to the Financial Statements**

December 31, 2012

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## **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 627 Queens Quay West, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Harbourfront Community Centre (the “Centre”).

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 (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.

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## **2. Significant accounting policies**

The financial statements have been prepared in accordance with Public Sector Accounting Standards for government not-for-profit organizations (“PSA-GNPO”) as issued by the Public Sector Accounting Board (PSAB). This is the first time that the Organization has prepared its financial statements in accordance with PSA-GNPO, having previously prepared its financial statements in accordance with Not-For-Profit accounting standards in Part V of the Canadian Institute of Chartered Accountants (CICA) Handbook. On January 1, 2012, the organization early adopted the Public Sector Accounting Handbook Sections 3450 – Financial Instruments. The new standards provide the classification, recognition and measurement requirements for financial instruments and is effective for years beginning on or after April 1, 2012, however, earlier adoption is permitted. This accounting policy change did not result in any adjustments at January 1, 2012.

Details of how the transition has affected the financial position and financial performance are disclosed in Note 11.

### **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 assets. 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.

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# Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2012

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## 2. Significant accounting policies (continued)

### Financial assets and liabilities

During the year, the Centre applied the recommendations of new Sections PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments, of the CICA *Public Sector Accounting Handbook*. These new sections require prospective application and, accordingly, comparative amounts are presented in accordance with the accounting policies which the Centre applied before adoption of these new sections.

#### *Initial measurement*

The Centre recognizes a financial asset or a financial liability on the statement of financial position when, and only when, it becomes party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

#### *Subsequent measurement*

At each reporting date, the Centre measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

The Centre determines whether there is any objective evidence of impairment of the financial assets, for financial assets subsequently measured at amortized cost. Any financial asset impairment is recognized in the statement of operations.

### 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 equipment	- 3 years straight-line
Furniture and equipment	- 5 years straight-line

In the year of acquisition half of above rates is applied.

### Deferred capital contribution

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.

### Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

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# **Board of Management for the Harbourfront Community Centre Notes to the financial statements**

December 31, 2012

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## **2. Significant accounting policies (continued)**

### **Use of estimates**

The preparing of the financial statements in conformity with Public Sector Accounting Standards for government not-for-profits (PSA-GNPO) requires management to make estimates and assumptions. For example, the employee benefits liabilities and related costs charged to the statement of revenue and expenditures depend on certain actuarial and economic assumptions. Estimates and assumptions are based on the Centre's best information and judgement and may differ significantly from actual results.

### **Employee related costs**

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

- (a) The City of Toronto offers a multiemployer defined benefit pension plan to the Centre's employees. The Centre's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are made; and
- (b) The Centre also offers its eligible 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.

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## **3. Post-employment benefits and compensated absences 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 April 1, 2003, unused sick leave accumulates and eligible employees may be entitled to a cash payment upon leaving 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 the employee upon termination, retirement or death. The Centre also provides health, dental, accidental death & disability, life insurance and long-term disability benefits to eligible employees. Depending on length of service and individuals' election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

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## Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2012

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### 3. Post-employment benefits and compensated absences liability (continued)

Due to complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed in 2012 and has been extrapolated to provide the accrued benefit obligation as at December 31, 2012. The actuarial valuation has resulted in an actuarial gain of \$67,218 which is being amortized on a straight-line basis over 16 years, being the expected average remaining service life of the employees. Assumptions used to project the accrued benefit obligations were as follows:

- long term inflation rate – 2%
- assumed health care cost trends – range from 3.4% to 6.8%
- rate of compensation increase – 3%
- discount rates – post retirement 3.8%, post employment 3.1%, sick leave 3.5%

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

	<b>December 31, <u>2012</u></b>	December 31, <u>2011</u> (unaudited)	January 1 <u>2011</u> (unaudited)
Sick leave benefit plan	\$ 219,467	\$ 207,253	\$ 180,252
Post-retirement benefits	<u>108,856</u>	<u>163,861</u>	<u>123,907</u>
	<b>328,323</b>	371,114	304,159
Add: Unamortized actuarial (loss) gain	<u>28,598</u>	<u>(37,600)</u>	<u>10,772</u>
Employee benefit liability	<b>\$ <u>356,921</u></b>	<b>\$ <u>333,514</u></b>	<b>\$ <u>314,931</u></b>

The continuity of the accrued benefit obligation during 2012 is as follows:

	<u>2012</u>	<u>2011</u> (unaudited)
Balance, beginning of year	\$ 333,514	\$ 314,931
Current service cost	12,254	9,979
Interest cost	13,917	14,186
Amortization of actuarial gain	(1,020)	(3,806)
Expected benefits paid	<u>(1,744)</u>	<u>(1,776)</u>
Balance, end of year	<b>\$ <u>356,921</u></b>	<b>\$ <u>333,514</u></b>

# Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2012

### 3. Post-employment benefits and compensated absences liability (continued)

Expenditures in 2012 relating to employee benefits are included as employee benefit expenses for program (\$3,511) and administration (\$19,896) on the Statement of Revenue and Expenditures and include the following components:

	<u>2012</u>	<u>2011</u> (unaudited)
Current service cost	\$ 12,254	\$ 9,979
Interest cost	13,917	14,186
Amortization of actuarial gain	<u>(1,020)</u>	<u>(3,806)</u>
	25,151	20,359
Less expected benefits paid during the year	<u>(1,744)</u>	<u>(1,776)</u>
Total expenditures related to post-retirement and post-employment benefits	<u>\$ 23,407</u>	<u>\$ 18,583</u>

A long-term receivable of \$325,541 (2011 - \$305,646) 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 is responsible for the City approved administration staff benefit liabilities that may be incurred by the Centre. Sick leave and post retirement benefit liabilities for program staff amounted to \$31,380 (2011 - \$27,868) are the responsibility of the Centre and are not recoverable from the City.

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>December 31,</u> <u>2012</u>		December 31, <u>2011</u>	January 1, <u>2011</u>
	<u>Cost</u>	Accumulated <u>Depreciation</u>	<u>Net</u> <u>Book Value</u>	Net <u>Book Value</u> (unaudited)
Program furniture, fixtures and equipment	\$ 69,691	\$ 59,477	\$ 10,214	\$ 15,243
Administration furniture, fixtures and equipment	<u>149,324</u>	<u>145,347</u>	<u>3,977</u>	<u>7,354</u>
	<u>\$ 219,015</u>	<u>\$ 204,824</u>	<u>\$ 14,191</u>	<u>\$ 22,597</u>
			<u>\$ 19,758</u>	

# Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2012

5. Deferred revenue	December 31, <u>2012</u>	December 31, <u>2011</u> (unaudited)	January 1, <u>2011</u> (unaudited)
Government of Canada	\$ 9,256	\$ 4,741	\$ -
City of Toronto	53,128	57,815	51,550
Other	<u>60,754</u>	<u>101,951</u>	<u>30,769</u>
	<u>\$ 123,138</u>	<u>\$ 164,507</u>	<u>\$ 82,319</u>

## 6. Deferred capital contributions

Deferred capital contribution represents the unamortized amount of restricted grants received from the City for the purchase of capital assets for use in administrative activities. The amortization of deferred capital contribution is recorded as revenue in the Statement of Operations when the associated asset is brought into service.

7. Reserve program funds	<u>2012</u>	<u>2011</u> (unaudited)
Mission and Strategic Priority Reserve		
Children and Youth Reserve	\$ 78,615	\$ 78,615
Replacement of Capital Equipment	19,193	19,193
Special Project – Community Development	58,075	58,075
Special Project – Summer Program	35,000	35,000
Special Project – Capital Equipment	<u>51,635</u>	<u>51,635</u>
	<u>242,518</u>	242,518
Program Administration Reserve	<u>185,206</u>	<u>185,206</u>
	<u>\$ 427,724</u>	<u>\$ 427,724</u>

The Mission and Strategic Priority Reserve represents funds set aside by the Board of Management for future special projects relating to children and youth or special project initiatives, identified through strategic planning processes and for expenditures required to maintain the Centre's facility and/or for purchases of capital items not funded through other sources. The Program Administration Reserve represents funds set up to meet legal and financial obligations in the event of future funding uncertainties and legal and financial obligations for program salary and benefits not otherwise covered by city administration funds. Internally restricted net assets are not available for other purchases without approval of the Board of Management.

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## Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2012

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### 8. Restatement

The December 31, 2011 Provincial Program revenue was increased by \$7,114 and the Program and membership fees were decreased by \$7,114, as this amount was incorrectly recorded as membership fees.

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### 9. Funds provided - administration

Funding for administration expenditures is provided by the City according to Council approved budgets. Surplus amounts in administration are payable back to the City. Deficits, other than long-term employee benefits, are to be funded by the Centre unless Council approval has been obtained for additional funding.

The Centre's approved budget for 2012 administration was \$1,139,207 (2011 - \$1,231,539). The actual administration expenditures amounted to \$1,182,386 (2011 - \$1,257,965)

Funding receivable from the City in 2012 is \$13,831 (2011 – receivable from the City of \$57).

	<u>2012</u>	<u>2011</u>
Administration grant paid by the City	\$ <u>1,139,207</u>	\$ <u>1,231,539</u>
<b>Funding allowed by the City</b>		
Administration expenditure per financial statements	1,182,386	1,257,965
Less:		
Expenditures not eligible for current year funding		
Vacation pay liability	(9,453)	(5,317)
Sick leave liability	602	(9,529)
Post retirement benefits obligations	(20,497)	(11,523)
Funding allowed by the City	\$ <u>1,153,038</u>	\$ <u>1,231,596</u>
Funding receivable from the City	\$ <u>13,831</u>	\$ <u>57</u>

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# **Board of Management for the Harbourfront Community Centre Notes to the financial statements**

December 31, 2012

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## **10. Financial instruments**

The Centre's financial instruments are exposed to certain financial risks, including credit risk and liquidity risk.

### **Credit Risk**

Credit risk arises on outstanding receivables. It is management's opinion that the risk related to receivables is minimal as most receivables are from the City of Toronto.

### **Liquidity risk**

Liquidity risk is the risk that the Centre will not be able to meet its cash flow obligations as they fall due. The Organization mitigates this risk by maintaining no debt and monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

There have been no significant changes from the previous year in the exposure to risk or in methods used to measure the risk.

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## **11. Conversion to Public Sector Accounting Standards**

These financial statements are the Organization's first financial statements prepared using the new Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSA-GNPO). The date of transition to the new accounting standards is January 1, 2011. The accounting policies presented in Note 2 to the financial statements were used to prepare the financial statements for the year ended December 31, 2012, the comparative information and opening statement of financial position as at the date of transition.

The adoption of PSA-GNPO resulted in adjustments to the previously reported assets and liabilities related to the post retirement and post-employment benefits liability (Note 3). The transition to PSA-GNPO also resulted in changes to the statement of cash flows. On the statement of cash flows the change in long term account receivable from the City of Toronto and the long term employee benefits payable were both restated by \$7,684 in 2011 to reflect the change in this liability and long term receivable under PSA-GNPO.



## Board of Management for the Harbourfront Community Centre Schedule of program and administration revenue and expenditures

December 31, 2012	Budget	2012	2011 (unaudited - Note 11)
<b>Program revenue</b>			
Grants			
Government of Canada	\$ 123,136	\$ 124,108	\$ 125,013
Provincial	60,402	53,324	47,868
City of Toronto	112,434	105,508	114,674
Other foundations/agencies	37,968	37,639	34,320
Donations/Fundraising/Other	91,951	93,105	67,223
Program and membership fees	136,429	159,429	143,786
Rental fees	80,000	108,655	92,176
Interest	9,500	10,349	9,565
	<u>651,820</u>	<u>692,117</u>	<u>634,625</u>
<b>Program expenditures</b>			
Salaries and wages	408,366	445,935	425,910
Employee benefits	66,427	61,306	57,659
Materials and supplies	149,169	135,348	113,422
Purchase of services	38,717	48,113	41,710
Amortization of capital assets	-	5,029	6,434
	<u>662,679</u>	<u>695,731</u>	<u>645,135</u>
Excess of expenditures over revenues	\$ <u>(10,859)</u>	\$ (3,614)	\$ <u>(10,510)</u>
Administration expenditures			
Salaries and wages	769,807	811,329	855,202
Employee benefits	204,300	227,120	247,191
Materials and supplies	63,100	57,345	60,092
Purchase of services	102,000	86,592	95,480
Amortization of capital assets	-	3,377	3,377
Amortization of deferred capital contributions	-	(3,377)	(3,377)
	<u>1,139,207</u>	<u>1,182,386</u>	<u>1,257,965</u>
Fund provided by City of Toronto Administration (Note 9)	<u>1,139,207</u>	<u>1,182,386</u>	<u>1,257,965</u>
Administration excess of expenditures over revenue	-	-	-
Excess of expenditures over revenues – Program	\$ <u>(10,859)</u>	\$ <u>(3,614)</u>	\$ <u>(10,510)</u>