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RETURNED TO  
GRANT THORNTON

Financial statements

Board of Management for the  
Swansea Town Hall 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, the **Board of Management for the  
Swansea Town Hall Community Centre**

We have audited the accompanying financial statements of the Board of Management for Swansea Town Hall Community Centre, which comprise the statement of financial position as at December 31, 2012, the statements of operations, 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.

Note 2 to the financial statements explains the Centre's policy for accounting for capital assets. The note indicates that capital assets are expensed as acquired rather than being recognized as a capital asset upon acquisition. This presentation is permitted only if the average annual revenues recognized in the statement of operations for the current and preceding period is less than \$500,000. In this respect, the financial statements are not in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

**Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly the financial position of the Board of Management for Swansea Town Hall Community Centre as at December 31, 2012, and the results of its operations, net assets, 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 8 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 and 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, Canada  
April 25, 2013

Chartered Accountants  
Licensed Public Accountants

**Board of Management for the  
Swansea Town Hall Community Centre  
Statement of financial position**

	December 31, 2012	December 31, 2011 (unaudited)	January 1, 2011 (unaudited)
<b>Assets</b>			
Current			
Cash and short term investments	\$ 92,077	\$ 56,404	\$ 31,012
Receivables			
City of Toronto	594	-	6,280
Other	995	2,562	-
Prepays	-	-	1,283
Inventory	350	276	327
	<u>94,016</u>	<u>59,242</u>	<u>38,902</u>
Long term			
Receivable - City of Toronto (Note 3)	<u>98,126</u>	<u>90,687</u>	<u>83,809</u>
	<u>\$ 192,142</u>	<u>\$ 149,929</u>	<u>\$ 122,711</u>
<b>Liabilities</b>			
Current			
Payables and accruals			
City of Toronto (Note 4)	\$ 677	\$ 847	\$ 1,702
Others (Note 5)	70,525	41,076	29,766
Government remittances	753	810	557
Deferred revenue	-	-	200
	<u>71,955</u>	<u>42,733</u>	<u>32,225</u>
Long term			
Post-employment benefits and compensated absences liability (Note 3)	<u>98,126</u>	<u>90,687</u>	<u>83,809</u>
	<u>170,081</u>	<u>133,420</u>	<u>116,034</u>
Program Development Reserve (Note 6)	<u>22,061</u>	<u>16,509</u>	<u>6,677</u>
	<u>\$ 192,142</u>	<u>\$ 149,929</u>	<u>\$ 122,711</u>

Approved on behalf of the Board of Management

  
Chair

  
Treasurer

See accompanying notes to the financial statements.

**Board of Management for the  
Swansea Town Hall Community Centre  
Statement of operations and net assets**

Year ended December 31

	<u>Programs</u>	<u>Administration</u>	<u>Total 2012</u>	<u>Total 2011 (unaudited)</u>
<b>Revenues</b>				
Fund provided by City of Toronto	\$ -	\$ 260,511	\$ 260,511	\$ 303,475
Rentals	-	241,750	241,750	190,400
Photocopier	-	1,264	1,264	1,599
Donations and fundraising	577	-	577	2,768
Event fees	650	-	650	2,069
Other income	6,837	-	6,837	7,963
	<u>8,064</u>	<u>503,525</u>	<u>511,589</u>	<u>508,274</u>
<b>Expenditures</b>				
Salaries and wages	-	306,733	306,733	298,888
Employee benefits	-	76,958	76,958	72,074
Materials and supplies	-	50,151	50,151	50,375
Purchased services	-	69,683	68,933	74,221
Other	2,512	-	2,512	2,884
	<u>2,512</u>	<u>503,525</u>	<u>506,037</u>	<u>498,442</u>
Excess of revenues over expenditures	<u>\$ 5,552</u>	<u>\$ -</u>	<u>\$ 5,552</u>	<u>\$ 9,832</u>
<b>Net assets, beginning of year</b>				
	\$ -	\$ -	\$ -	\$ -
<b>Transfer to Program</b>				
Development Reserve (Note 6)	<u>5,552</u>	<u>-</u>	<u>5,552</u>	<u>9,832</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

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**Board of Management for the  
Swansea Town Hall Community  
Statement of cash flows**

Year ended December 31	2012	2011
		(unaudited)
Increase (decrease) in cash and short term investments		
<b>Operating activities</b>		
Excess of revenue over expenditures	\$ 5,552	\$ 9,832
Increase (decrease) resulting in changes in:		
Receivables – City of Toronto	(594)	6,280
Receivables – Other	1,567	(2,562)
Prepays	-	1,283
Inventory	(74)	51
Payables - City of Toronto	(170)	(855)
Payables and accruals	29,449	11,310
Government remittances	(57)	253
Deferred revenue	-	(200)
Long term accounts receivable - City of Toronto	(7,439)	(6,878)
Long term post-employment benefits and compensated absences liability	<u>7,439</u>	<u>6,878</u>
	<u>35,673</u>	<u>25,392</u>
Net increase in cash and short term investments	35,673	25,392
Cash and short term investments, beginning of year	<u>56,404</u>	<u>31,012</u>
Cash and short term investments, end of year	<u>\$ 92,077</u>	<u>\$ 56,404</u>

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See accompanying notes to the financial statements.

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# **Board of Management for the Swansea Town Hall 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 95 Lavinia Avenue, as a community recreation centre known as Swansea Town Hall Community Centre (Centre). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Committee 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**

#### **Basis of Presentation**

These financial statements have been prepared in accordance with Public Sector Accounting Standards for government not-for-profits ("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 adopted the Public Sector Accounting Handbook Sections 3450 - Financial Instruments. The new standards provide the classification, recognition and measurement requirements for financial instruments and are 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 8.

#### **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. Contributions not expended are included as surplus for the year. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. See Note 6 for additional details. Rental and similar revenues are recognized as services are provided. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.



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# Board of Management for the Swansea Town Hall Community Centre Notes to the financial statements

December 31, 2012

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## 2. Significant accounting policies (continued)

### Capital assets

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not reported in these financial statements. Section PS 4230, capital assets held by not-for-profit organizations, allows small organizations, with average annual revenues recognized in the statement of operations for the current and preceding period of less than \$500,000, to expense capital assets on acquisition. As noted in the *Basis for Qualified Opinion* paragraph, the Centre exceeded the revenue threshold in 2012 and continued to apply this policy. During 2012, capital assets expensed totalled \$19,510 (2011 - \$21,595) and are included in materials and supplies.

### Use of estimates

The preparing of the financial statements in conformity with Canadian accounting standards for public sector not-for-profit organizations requires management to make estimates and assumptions. For example, the post-employment benefits liabilities and related costs charged to the statement of operations depend on certain actuarial and economic assumptions. Estimates and assumptions are based on the Centre's best information and judgment and may differ significantly from actual results.

### 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.

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# **Board of Management for the Swansea Town Hall Community Centre**

## **Notes to the financial statements**

December 31, 2012

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

#### **Accrual basis of accounting**

Revenues and expenses are recorded on the accrual basis, whereby they are reflected in the accounts in the period in which they have been earned and incurred, respectively, whether or not such transactions have been finally settled by the receipt or payment of money. In the year, gross revenues from all sources totalled \$511,589 (2011 - \$508,274) and total expenses charged against all funds totalled \$506,037 (2011 - \$498,442).

#### **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, services, such as rent and computer lease costs, provided without charge by the City, are not reported.

#### **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. 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 multiemployer 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.

# Board of Management for the Swansea Town Hall Community Centre Notes to the financial statements

December 31, 2012

### 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 non-union management staff, with ten years of service as of July 1, 2009, 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, life insurance, accidental death and long-term disability benefits to eligible employees. Depending upon the length of service and an individual's election, management retirees are covered either by the former City of Toronto retirement 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 3.4% 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 the multi-employer, defined benefit pension plan noted below, is as follows:

	<b>December 31, 2012</b>	December 31, 2011 (unaudited)	January 1, 2011 (unaudited)
Sick leave benefit plan	\$ 37,157	\$ 41,170	\$ 37,377
Post-retirement benefits	<u>41,337</u>	<u>59,397</u>	<u>44,326</u>
	<b>78,494</b>	100,567	81,703
Add: Unamortized actuarial gain (loss)	<u>19,632</u>	<u>(9,880)</u>	<u>2,106</u>
Post-employment benefit liability	<b><u>\$ 98,126</u></b>	<b><u>\$ 90,687</u></b>	<b><u>\$ 83,809</u></b>

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**Board of Management for the  
Swansea Town Hall Community Centre  
Notes to the financial statements**

December 31, 2012

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

The continuity of the accrued benefit obligation is as follows:

	<u>2012</u>	<u>2011</u> (unaudited)
Balance, beginning of year	\$ 90,687	\$ 83,809
Current service cost	5,140	4,323
Interest cost	3,867	3,918
Amortization of actuarial gain	(117)	(815)
Expected benefits paid	<u>(1,451)</u>	<u>(548)</u>
Balance, end of year	<u>\$ 98,126</u>	<u>\$ 90,687</u>

Expenditures in 2012 relating to post-retirement and post-employment benefits amounting to \$7,439 (2011 - \$6,878) are included as employee benefits expenses for administration on the statement of operations and include the following components:

	<u>2012</u>	<u>2011</u> (unaudited)
Current service cost	\$ 5,140	\$ 4,323
Interest cost	3,867	3,918
Amortization of actuarial gain	(117)	(815)
Expected benefits paid	<u>(1,451)</u>	<u>(548)</u>
Total expenditures related to post-retirement and post-employment benefits	<u>\$ 7,439</u>	<u>\$ 6,878</u>

A long term receivable of \$98,126 (2011 - \$90,687) 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.

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 employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$21,429 in 2012 (2011 - \$18,136).

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## Board of Management for the Swansea Town Hall Community Centre

### Notes to the financial statements

December 31, 2012

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#### 4. Funds provided by the City of Toronto - administration

Funding for administration is provided by the City according to Council approved budgets. Surplus amounts in administration are payable back to the City. Deficits are normally funded by the City after approval has been obtained.

	<u>2012</u>	<u>2011</u> (unaudited)
<b>Budgeted administration expenditure:</b>		
Centre's approved budget for 2012 administration expense was:		
Salaries and benefits	\$ 377,933	\$ 371,550
Materials and supplies	51,000	51,300
Purchase of services	<u>48,211</u>	<u>51,723</u>
	477,144	474,573
Less: Budgeted revenue	<u>224,600</u>	<u>(177,300)</u>
Budgeted net City funding	<u>252,544</u>	<u>297,273</u>
<b>Actual administration expenditure:</b>		
Centre's actual administration expense was:	503,525	495,489
Deduct: Post retirement benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto	(7,439)	(6,878)
Add: Difference between funding received and budgeted	11	-
Deduct: Revenue earned	<u>(243,014)</u>	<u>(192,015)</u>
Funding allowed by City	<u>253,083</u>	<u>296,596</u>
Administration expenditure (over) under approved budget	\$ <u>(539)</u>	\$ <u>677</u>

The over expenditure of \$539 (2011 – \$677 under expenditure) is included in the accounts receivable (2011 – payable) to the City of Toronto.

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#### 5. Payables and accruals - others

The payables and accruals - others balance on the Statement of financial position includes \$8 (2011 - \$Nil) payable to members of a fundraising group administered by Swansea Town Hall Community Centre. The fundraising group includes Swansea Area Ratepayers Association, Swansea Legion Branch 46 and Swansea Town Hall Community Centre. All remaining funds will be distributed to members in 2013.

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#### 6. Program development program

The Board of Management created a Program Development Program in September 2010. These funds are earmarked for program development. In 2012, the excess of program revenue over expenditures of \$5,552 was transferred to the Program Development Reserve.

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# **Board of Management for the Swansea Town Hall Community Centre Notes to the financial statements**

December 31, 2012

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## **7. 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 all receivables are from the City of Toronto other than program receivables of \$1,006 which have been outstanding less than 30 days as at year end.

### **Liquidity risk**

Liquidity risk is the risk that the "Community 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. The Centre's payables and accruals are all due within 30 days of its year end.

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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## **8. 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 Government 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 the 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-employment benefits and compensated absences liability (Note 4). 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 post-employment benefits payable both were restated to \$6,878 from \$9,482 to reflect the change in this liability and long term receivable under PSA-GNPO.