Grant Thornton

Financial Statements

Ralph Thornton Community Centre

December 31, 2012

Contents

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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
Ralph Thornton Community Centre

We have audited the accompanying financial statements of **Ralph Thornton 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.

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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 **Ralph Thornton 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 10 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.

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
June 26, 2013

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

	December 31, 2012	December 31, 2011 (unaudited)	January 1, 2011 (unaudited)
Assets			
Current			
Cash	$ **181,242**	$ 100,422	$ 55,040
Receivables - City of Toronto	**18,304**	49,328	65,340
Receivables - Other	**18,386**	25,657	109,843
Prepaids	**3,018**	2,690	2,180
	220,950	178,097	232,403
Long term			
Receivable - City of Toronto (Note 3)	**152,171**	158,581	159,442
Capital assets (Note 4)	**39,085**	46,582	54,494
	$ **412,206**	$ 383,260	$ 446,339
Liabilities			
Current			
Payables and accruals - City of Toronto	$ **138**	$ 3,798	$ 5,258
Payables and accruals - Other	**56,331**	80,554	95,700
Deferred revenue (Note 5)	**89,258**	32,017	80,183
	145,727	116,369	181,141
Long term			
Deferred capital contribution (Note 6)	**35,749**	44,821	50,072
Post-employment benefits payable and compensated absences liability (Note 3)	**152,171**	158,581	159,442
	333,647	319,771	390,655
Net Assets			
Invested in capital assets	$ **36,720**	43,356	52,413
Unrestricted program funds	**41,839**	20,133	3,271
	78,559	63,489	55,684
	$ **412,206**	$ 383,260	$ 446,339

Approved on behalf of the Board of Management

M. Redmonds. Chair

[illegible] 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, 2012

	Invested in Capital assets	Unrestricted	**Total 2012**	Total 2011
Net assets, beginning of year	$ 43,356	$ 20,133	**$ 63,489**	$ 55,684
Excess of revenue over expenditures	-	15,070	**15,070**	7,805
Purchase of program capital assets	2,580	(2,580)	**-**	-
Transfer of amortization to invested in capital assets	(9,216)	9,216	**-**	-
Net assets, end of year	$ 36,720	$ 41,839	**$ 78,559**	$ 63,489

See accompanying notes to the financial statements.

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

Year Ended December 31

	Program	Administration	2012 Total	2011 Total
Revenue				
Administration (Note 8)	$ -	$ 633,708	**$ 633,708**	$ 662,924
Rental income – Toronto Public Library	-	39,364	**39,364**	39,364
Grants				
Provincial government	75,905	-	**75,905**	100,268
Government of Canada (Note 7)	7,102	-	**7,102**	6,959
Other Grants	51,417	-	**51,417**	68,615
Foundations	54,283	-	**54,283**	32,814
City of Toronto	72,750	-	**72,750**	104,158
Donations and fundraising	10,845	-	**10,845**	92,245
Rental fees	17,586	-	**17,586**	18,005
User fees	2,034	-	**2,034**	2,432
Other	6	-	**6**	88
	291,928	673,072	**965,000**	1,127,872
Expenditures				
Salaries and wages	195,938	440,510	**636,448**	293,022
Employee benefits	28,417	117,542	**145,959**	45,736
Purchase of services	26,511	90,449	**116,960**	39,436
Materials and supplies	16,776	24,571	**41,347**	30,528
Depreciation expense	9,216	862	**10,078**	9,057
Amortization of deferred capital contribution	-	(862)	**(862)**	(2,067)
	276,858	633,072	**949,930**	1,102,067
Excess of revenue over Expenditures	$ 15,070	$ -	**$ 15,070**	$ 7,805

See accompanying notes to the financial statements.

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

Year Ended December 31	2012	2011 (unaudited)
Increase (decrease) in cash and short term investments		
Operating activities		
Excess of revenue over expenditures	$ 15,072	$ 7,805
Items not affecting working capital		
Amortization of capital assets	10,078	11,124
Deferred capital contribution	(9,072)	(5,251)
Increase (decrease) resulting in changes in:		
Receivable - City of Toronto	31,022	16,012
- Other	7,271	84,187
Prepaids	(328)	(510)
Long term account receivable - City of Toronto	6,410	(860)
Payables - City of Toronto	(3,660)	(1,460)
- Other	(24,224)	(15,146)
Deferred revenue	57,241	(48,166)
Long term employee benefits payable	(6,410)	860
	83,400	48,595
Investment activity		
Acquisition of capital assets - program	(2,580)	-
- administration	-	(3,213)
	(2,580)	(3,213)
Net increase in cash and short term investments	80,820	45,382
Cash and short term investments, beginning of year	100,422	55,040
Cash and short term investments, end of year	$ 181,242	$ 100,422

See accompanying notes to the financial statements.

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

December 31, 2012

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

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 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 10.

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. Program, membership fees and rental income as services are provided. Amounts received from in advance of services being provided are classified as deferred revenue on the statement of financial position.

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.

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 $ 965,000 (2011 - $1,127,872) and total expenses charged against all funds totalled $ 949,930 (2011- $1,120,067)

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:

Computers	- 3 years straight-line
Furniture 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.

2. Significant accounting policies (continued)

Use of estimates

The preparing of the financial statements in conformity with Canadian generally accepted accounting principles for public sector not-for-profit organizations 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 judgment 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. 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.

3. Post-employment benefits and compensated absence 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 July 1, 2008, 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, accidental death and disability, life insurance and long term disability benefits to eligible employees. Depending upon length of service and an individual's election, management retirees are covered either by the former City of Toronto retirement benefit 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:

	2012	2011	January 1, 2011
Income Benefits	**$ 71,584**	$ 103,876	$ 123,752
Continuation of benefits to disabled employees	**10,935**	27,599	35,566
Sick leave benefit plan	**8,141**	7,987	7,630
Post-retirement benefits	**48,845**	172,196	150,990
	139,505	311,658	317,938
Add: Unamortized actuarial gain (loss)	**12,666**	(153,078)	(158,495)
Post-employment benefit liability	**$ 152,171**	$ 158,580	$ 159,443

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

	2012	2011
Balance, beginning of year	**$ 158,580**	$ 167,188
Current service cost	**12,204**	10,298
Interest cost	**10,694**	12,845
Amortization of actuarial loss	**10,135**	8,691
Expected benefits paid	**(39,442)**	(40,442)
Balance, end of year	**$ 152,171**	$ 158,580

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

Expenditures in 2012 relating to employee benefits amounting to $ 6,410 (2011 - $ 8,608) are included in administrative employee benefit expenses on the Statement of Revenue and Expenditure and include the following components:

	2012	2011
Current service cost	$ **12,204**	$ 10,298
Interest cost	**10,694**	12,845
Amortization of actuarial loss	**10,134**	8,691
Expected benefits paid	**(39,442)**	(40,442)
Total expenditures related to post-retirement and Post-employment benefits	$ **(6,410)**	$ (8,608)

A long term receivable of $ 152,171 (2011 - $158,580; January 1, 2011 - $159,442) has resulted from recording sick leave and post retirement benefits for management staff. Funding for these costs are provided by the City as benefit costs are paid and the City is responsible for the City approved management 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 employee based on the length of service and rates of pay. Employer contributions to this pension plan amounted to $ 34,060 in 2012 (2011 - $ 57,219).

4. Capital assets

			2012	2011
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Program				
Building and kitchen improvements	$ 82,100	$ 48,718	$ **33,382**	$ 41,595
Computer hardware	38,560	38,560	**-**	181
Furniture, fixtures and equipment	17,068	13,731	**3,337**	1,580
	137,728	101,009	**36,719**	43,356
Administration				
Furniture, fixtures and equipment	10,338	7,972	**2,366**	3,226
	$ 148,066	$ 108,981	$ **39,085**	$ 46,582

5. Deferred revenue

	2012	2011
City of Toronto Section 37 Grant	$ **35,206**	$ -
United Church	**20,000**	-
City of Toronto	-	3,251
Other - grants for Children Youth program	**10,954**	5,212
Other - grants for kitchen	**8,409**	8,408
Ministry of Training, Colleges and Universities	-	6,776
Royal Bank of Canada	**14,689**	-
Toronto Arts Council	-	2,370
Ontario Arts Council	-	6,000
	$ **89,258**	$ 32,017

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 $33,382 and $2,367 respectively.

7. Grants - Government of Canada

	2012	2011
Human Resources Development Canada	$ **7,102**	$ 6,959

8. Funds provided by the City of Toronto - administration

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

	2012	2011
Budgeted administration expenditure:		
Centre's approved budget for administration expense was:		
Interim administration budget	$ **621,814**	$ 663,450
Administration salary and benefits (COLA)	**-**	-
Rental Income – Toronto Public Library	**39,364**	39,364
	661,178	702,814
Actual administration expenditure:		
Centre's actual 2012 administration expense was	**673,072**	702,288
Purchase of administration capital assets	-	3,213
Add (deduct): Post retirement benefits, not funded by the City until Paid, that is included in long term accounts Receivable - City of Toronto	**6,410**	(8,608)
	679,482	696,893
Administration expenditure (over) under approved budget	$ **(18,304)**	$ 5,921

The over expenditure of $ 18,304 (2011 – under expenditure of $ 5,921) is included in the accounts receivable from the City of Toronto.

9. 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 $4,823 which is commodity taxes recoverable.

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. 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.

10. 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 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 payable and compensated absences liability (Note 3). The transition to PSAS-NPO 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 both were restated to $860 from $6,957 to reflect the change in this liability and long term receivable under PSA-GNPO.

11. Lease commitments

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

2013	$ 2,400
2014	2,400
2015	2,400
2016	2,400
2017	1,200