

**FINANCIAL STATEMENTS**  
**For**  
**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**For the year ended**  
**DECEMBER 31, 2013**

**INDEPENDENT AUDITOR'S REPORT**

To the Council of the Corporation of the

**CITY OF TORONTO AND  
COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**

We have audited the accompanying financial statements of the Committee of Management of Ted Reeve Community Arena, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, change in net debt, 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, 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Committee of Management of Ted Reeve Community Arena as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matter*

The financial statements of the Committee of Management of Ted Reeve Community Arena for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on May 29, 2013.

A handwritten signature in black ink that reads "Welch LLP". The signature is written in a cursive, flowing style.

Chartered Accountants  
Licensed Public Accountants

Toronto, Ontario  
June 18, 2014.

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 82,511	\$ 169,566
Accounts receivable - City of Toronto	10,500	10,500
Accounts receivable - Other	112,056	53,214
Due from City of Toronto - operating deficit (note 5)	1,851	-
Inventories	5,702	5,211
Prepaid expenses	<u>9,179</u>	<u>-</u>
	<u>221,799</u>	<u>238,491</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities - City of Toronto	58,287	54,982
Accounts payable and accrued liabilities - Other	112,405	137,877
Due to City of Toronto - operating surplus (note 5)	-	1,175
Deferred revenue	36,107	29,457
City of Toronto - working capital advance	<u>15,000</u>	<u>15,000</u>
	<u>221,799</u>	<u>238,491</u>
<b>NET DEBT</b>	-	-
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 4)	<u>36,234</u>	<u>44,060</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 36,234</u>	<u>\$ 44,060</u>

Approved by the Board:

 ..... Chair

 ..... Member

(See accompanying notes)

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>Revenue</b>		
Ice rentals	\$ 556,413	\$ 540,280
Snack bar and vending machine operations (Schedule A)	20,663	24,268
Contracted services - outdoor rink (Schedule B)	27,750	27,375
Lacross rentals	28,559	26,066
Advertising	17,555	16,600
Meeting room rentals	14,837	-
Other	<u>16,557</u>	<u>7,357</u>
	<u>682,334</u>	<u>641,946</u>
<b>Expenses</b>		
Salaries and wages	346,699	324,234
Employee benefits	74,451	68,708
Utilities	116,880	105,788
Maintenance and repairs	103,539	94,956
General administration	17,155	19,035
Insurance	11,061	10,500
Professional fees	5,575	7,550
Amortization	<u>7,826</u>	<u>7,321</u>
	<u>683,186</u>	<u>638,092</u>
<b>Excess revenue over expenses (expenses over revenue) before the following</b>	(852)	3,854
<b>Vehicle and equipment reserve contribution (note 7)</b>	<u>(10,000)</u>	<u>(10,000)</u>
<b>Operating deficit</b>	(10,852)	(6,146)
<b>Net expenditure receivable from (revenue payable to) the City of Toronto (note 5)</b>	<u>3,026</u>	<u>(1,175)</u>
<b>Annual deficit</b>	(7,826)	(7,321)
<b>Accumulated surplus, beginning of year</b>	<u>44,060</u>	<u>51,381</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 36,234</u>	<u>\$ 44,060</u>

(See accompanying notes)

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**STATEMENT OF CHANGE IN NET DEBT**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
Annual deficit	\$ (7,826)	\$ (7,321)
Amortization of tangible capital assets	<u>7,826</u>	<u>7,321</u>
Change in net debt	-	-
Net debt, beginning of year	<u>-</u>	<u>-</u>
Net debt, end of year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual deficit	\$ (7,826)	\$ (7,321)
Adjustments for:		
Amortization	<u>7,826</u>	<u>7,321</u>
	-	-
Changes in non-cash working capital components:		
Accounts receivable - Other	(58,842)	52,776
Due from City of Toronto - operating deficit	(1,851)	-
Inventories	(491)	99
Prepaid expenses	(9,179)	-
Accounts payable and accrued liabilities - City of Toronto	3,305	(13,638)
Accounts payable and accrued liabilities - Other	(25,472)	52,492
Deferred revenue	6,650	4,112
Due to City of Toronto - operating surplus	<u>(1,175)</u>	<u>-</u>
<b>Cash flows from (used in) operating activities</b>	<u>(87,055)</u>	<u>95,841</u>
<b>INCREASE (DECREASE) IN CASH</b>	(87,055)	95,841
<b>CASH AT BEGINNING OF YEAR</b>	<u>169,566</u>	<u>73,725</u>
<b>CASH AT END OF YEAR</b>	\$ <u>82,511</u>	\$ <u>169,566</u>

(See accompanying notes)

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

**1. NATURE OF OPERATIONS**

The Toronto East Arena Gardens Incorporated operating as the Committee of Management of Ted Reeve Community Arena was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code, By-Law No. 318-71, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto.

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

The Committee of Management retains a working cash advance provided by the City, for the management and control of the premises, to be returned to the City upon the Committee of Management ceasing to function for any reason.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

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

*Revenue recognition*

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

Ice rentals paid in advance are recorded as deferred revenue.

*Financial instruments*

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

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

Financial assets measured at amortized cost include cash and accounts receivable.

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

*Inventories*

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



COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

2. **SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Tangible capital assets*

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

Computer equipment	- 3 years straight line
Furniture and equipment	- 4 - 10 years straight line

*Contributed materials and services*

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

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

*Employee related costs*

The Arena has adopted the following policy with respect to employee benefit plans:

The City of Toronto offers a multiemployer defined benefit pension plan to the Arena's eligible employees. Due to the nature of the plan, the Arena does not have sufficient information to account for the plan as a defined benefit plan; therefore, the 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.

*Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining useful life of its tangible capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and in any future years affected.

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

3. **FINANCIAL INSTRUMENTS**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Arena's financial instruments.

*Credit Risk*

The Arena is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Arena's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and amounts due from City of Toronto. The Arena's cash is with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote.

Management believes that the Arena's credit risk with respect to accounts receivable and amounts due from City of Toronto is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Arena's cash earns interest at prevailing market rates and the interest rate exposure related to this financial instrument is negligible.

*Liquidity risk*

Liquidity risk refers to the adverse consequence that the Arena will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and amounts due to the City of Toronto.

The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Arena believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

*Changes in risk*

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

4. **TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	2013		2012	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	\$ 73,207	\$ 36,973	\$ 73,207	\$ 29,147
Accumulated amortization	36,973		29,147	
	\$ 36,234		\$ 44,060	

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2013**

**5. OPERATING SURPLUS (DEFICIT) DUE TO (FROM) THE CITY OF TORONTO**

The amount due to (from) the City of Toronto consists of the following:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 1,175	\$ 2,663
Current year's operating deficit	(10,852)	(6,146)
Current year's amortization	<u>7,826</u>	<u>7,321</u>
Net revenue payable to (expenditure recoverable from) the City of Toronto	(3,026)	1,175
Paid during the current year	<u>-</u>	<u>(2,663)</u>
Balance, end of year	\$ (1,851)	\$ 1,175

**6. EMPLOYEE-RELATED LIABILITIES**

The Arena makes contributions to the Ontario Municipal Employees Retirement Systems (OMERS), which is a multi-employed 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. Employer contributions to this pension plan amounted to \$24,982 (2012 - \$17,895).

The most recent actuarial valuation of the OMERS plan as at December 31, 2013 indicates the Plan is not fully funded and the plan's December 31, 2013 financial statements indicate a deficit of \$8.6 billion (less an additional \$341 million of deferred gains that must be recognized over the next four years). The plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Arena's contributions accounted for 0.0014% of the plan's total employer contributions. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

**7. VEHICLE AND EQUIPMENT REPLACEMENT RESERVE**

The reserve represents contributions made to the City for the financing of replacement ice resurface machines required by the Arena Boards in future years. The contribution amount for the year was \$10,000 (2012 - \$10,000).

**8. OUTDOOR RINK**

In 2003, the City of Toronto in conjunction with the Committee signed an agreement with Sports Centre Design & Management to operate and manage a permanent outdoor ice rink. The Committee provides the services of certain management, administrative, maintenance and operation staff members. Monthly the Sports Centre is required to reimburse the Committee for utility costs and the wage and employee benefits costs for maintenance and operation staff members. In addition, the Sports Centre is also required to pay to the Committee \$27,750 (2012 - \$27,375) (adjusted annually) for administration and the General Manager's services. The agreement expires on March 31, 2018.

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**SNACK BAR AND VENDING OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>Sales</b>		
Snack bar and vending	\$ 74,814	\$ 79,820
Vending machine	<u>15,133</u>	<u>12,123</u>
	89,947	91,943
Cost of goods sold	<u>44,686</u>	<u>41,952</u>
<b>Gross profit</b>	45,261	49,991
Wages - snack bar	<u>24,598</u>	<u>25,723</u>
<b>Net revenue</b>	<u>\$ 20,663</u>	<u>\$ 24,268</u>

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**CONTRACTED SERVICES - OUTDOOR RINK**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>Revenue</b>		
Administration	\$ 27,750	\$ 27,375
Recovery of expenses	<u>184,323</u>	<u>157,146</u>
	212,073	184,521
<b>Expenses</b>		
Wages	81,755	74,273
Employee benefits	15,398	9,147
Utilities	51,889	46,875
Maintenance and repairs	24,362	20,101
Miscellaneous	<u>10,919</u>	<u>6,750</u>
	<u>184,323</u>	<u>157,146</u>
<b>Net revenue</b>	<u>\$ 27,750</u>	<u>\$ 27,375</u>

REPORT TO THE

**COMMITTEE OF MANAGEMENT OF  
TED REEVE COMMUNITY ARENA**

For the year ended December 31, 2013

Prepared by  
Welch LLP

## **AUDIT STATUS**

Our audit of the financial statements of the Committee of Management of Ted Reeve Community Arena for the year ended December 31, 2013 is substantially complete and we expect to release our auditors' report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- Second partner review by Welch LLP
- Subsequent events review

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian generally accepted auditing standards.

## **QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING**

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2013 fiscal year.

## **MANAGEMENT LETTER OF REPRESENTATION**

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The Executive Director has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditors' report.

## **MISSTATEMENTS**

The corrected misstatements identified during our audit are included in Appendix A.

The uncorrected misstatements identified during our audit are included in Appendix B.

Canadian generally accepted auditing standards require that we request that management correct all the misstatements that we present to them.

The uncorrected misstatements identified are as follows;

During our prepaid expense testing, we noted the prepaid gas and heat were overstated by \$2,509. Management has decided not to adjust the financial statement for this item due to the small dollar value.

We also noted that payroll was under-accrued for \$2,978 for days worked but unpaid to the employees at year end. Management has decided not to adjust the financial statement for this item due to the small dollar value.

## **MISSTATEMENTS - Cont'd.**

During our accounting and audit fee testing, we noted that \$7,500 was recorded as an accounting and audit expense to the outdoor rink and was also recorded as a recovery from outdoor rink. However, \$4,040 of \$7,500 was accounting and audit fees charged to the outdoor without actual cost incurred or actual cost allocated from the Arena. As the Arena is allowed to charge accounting and audit fee without actual incurred cost, \$4,040 should not be recorded as an expense but only as revenue from outdoor rink. As such, the net revenue from outdoor is understated by \$4,040.

If you disagree with management, and would like management to make the proposed adjustment(s), we request that you inform management and us accordingly.

## **SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

During our audit we did not identify any significant deficiencies in internal control to report to the Board of Directors.

However, we identified some areas where there was room for improvement in procedures and internal controls and these have been included in a report to management. We have not provided a comprehensive statement of all weaknesses which may exist in internal control or all improvements which can be made, but have addressed only those matters which have come to our attention as a result of audit procedures we have performed.

### **Issue - Old accounts receivable with the City**

We have noted there is an amount of \$10,500 receivable from the City for cost incurred to rent the dressing rooms of the outdoor rink by the Arena since 2003. However, this amount has not been acknowledged by the City as it is not reflected on the intercompany balance confirmation from the City. We recommend the management to follow up with the City to resolve this old outstanding accounts receivable amount with the City in 2014.

### **Management's Comments**

Management agrees that the outstanding amount should be pursued in 2014.

### **Issue - Employee files**

During our audit we noted that employee contracts are not in place. We recommend that management update the current employee files with signed employee contracts, and provide formal employment contracts or letters when hiring new employees.

### **Management's Comments**

Existing employees cannot be compelled to sign employment contracts. All new hires will be requested to sign a job description form and sign a defined working period agreement.



## **SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL - Cont'd.**

### **Issue - Payroll review**

During our audit we noted that there were a few times that the staff were paid a couple of hours less than the hours indicated on their timesheets. We have also reviewed 3 payrolls after the pay period and these differences were not made up for.

At present the manager is preparing and processing the payroll. The bookkeeper reviews the payroll after they are processed. We recommend the bookkeeper reviews the payroll prior to processing.

### **Management's Comments**

All payroll overages/underage's are made up 3-4 payroll periods later, upon review by the bookkeeper. All staff are informed at least twice per year, in writing, that they are to compare their time sheets with they pay stubs.

## **INDEPENDENCE**

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between Committee of Management of Ted Reeve Community Arena and us that, in our professional judgment, may reasonably be thought to bear on our independence.

We evaluated our role and relationship with the organization and determined that there were no independence issues, as outlined in the Rules of Professional Conduct that govern our profession, that would prevent us from performing the audit.

## **FINANCIAL STATEMENT PRESENTATION**

### **1. Significant Accounting Policies**

The organization's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

### **2. Management's Judgments and Accounting Estimates**

During the audit we did not encounter any situations that required significant judgements on the part of management or involved significant estimates.

## **DIFFICULTIES ENCOUNTERED DURING THE AUDIT**

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

## **MATTERS SPECIFICALLY REQUIRED BY OTHER CANADIAN AUDITING STANDARDS TO BE COMMUNICATED**

Other sections of Canadian Auditing Standards require us to communicate with those charged with governance in a number of specific circumstances:

- Where we encounter unusual related party transactions or significant matters related to related party transactions;
- Where we encounter other transactions that were unusual or not in the normal course of business;
- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents containing the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

We did not encounter any such matters during the course of our audit.

## **ACKNOWLEDGEMENTS**

During the course of our audit, we received considerable assistance from the organization's staff and management. We would like to take this opportunity to thank them for efforts and for their constructive approach to the audit.

**COMMITTEE OF MANAGEMENT OF TED REEVE  
COMMUNITY ARENA**

175 Main Street  
Toronto, Ontario  
M4E 2W2

Date to be determined

Welch LLP  
36 Toronto Street  
Suite 530  
Toronto, ON  
M5C 2C5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Committee of Management of Ted Reeve Community Arena as of December 31, 2013 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Committee of Management of Ted Reeve Community Arena in accordance with Canadian public sector accounting standards.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 25, 2013, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

## **Information Provided**

1. We have provided you with:
  - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - (b) Additional information that you have requested from us for the purpose of the audit; and
  - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
2. All transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - (a) Management;
  - (b) Employees who have significant roles in internal control; or
  - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

## **Accounts Receivable**

1. Accounts receivable are correctly described in the records and represent valid claims as at the year-end against the persons or companies indicated. These accounts are expected to be collected within twelve months.
2. The accounts receivable are free from hypothecation or assignment except as disclosed in the notes to the financial statements.
3. Adequate allowance has been made for any losses from uncollectible accounts, costs or expenses that may be incurred with respect to sales made or services rendered prior to the year-end, including allowance for quantity discounts and expenses under service or repair contracts.

## **Inventories**

1. The inventories were correctly and properly taken by competent employees under the supervision of management as at the year-end and the quantities were determined by actual count, weight or measurement.
2. The inventories were priced at the lower of cost and market and on the same basis as in the previous year.
3. The inventory does not include items not paid for and for which the liability had not been taken into account at the year-end.
4. The inventory does not include any goods on consignment from others or goods invoiced to customers.
5. Adequate provision has been made for slow-moving or obsolete inventory that is unfit for sale.
6. The inventories as recorded in the books were the property of the organization free from all liens and encumbrances.

## **Capital Assets**

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the organization during the year.
2. All capital assets sold or dismantled have been properly accounted for in the books of the organization.
3. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous period.
4. The organization has good title to the properties represented by the balance carried in the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the organization.
5. Where the value of any capital assets has been impaired, this fact has been disclosed to you.

## **Liabilities and Commitments**

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the organization are included and fairly stated on the statement of financial position.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).
3. At the year-end, the organization had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the organization.
4. All claims outstanding against the organization or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.
5. We understand that any illegal or possibly illegal act could damage the organization or its reputation or give rise to a claim or claims against the organization. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

## **Statement of Operations**

1. All of the revenues of the organization for the year has been recorded in the books of account and disclosed in the financial statements.
2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

## **Corporate Minutes**

The minute books of the organization contain an accurate record of all of the business transacted at meetings of directors and committees of directors up to the date of this letter.

## **Controlled and Related Entities**

The organization does not have relationships with any companies or other not-for-profit organizations that involve control, joint control, or significant influence nor does the organization have an economic interest in any other not-for-profit organization.

## **Related Party Transactions**

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

## **Recognition, Measurement and Disclosure**

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
2. The organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

## **Going Concern**

We confirm that we have assessed the entity's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the entity is able to continue as a going concern for the foreseeable future.

## **General**

1. We are unaware of any frauds or possible frauds having been committed by the organization, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
6. In the course of your audit of our financial statements for the year ended December 31, 2013, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our organization.

## **Events Subsequent to the Year-end**

All events subsequent to the date of these financial statements and for which Canadian public sector accounting standards require adjustment or disclosures have been adjusted or disclosed.

Yours very truly,

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA

Per \_\_\_\_\_

Michael Haughton, Arena Manager

## Committee of Management of Ted Reeve Community Arena

Period ending: December 31, 2013

Summary of unadjusted errors

Rev. 2012-1

Preliminary overall materiality is \$18,700; Final overall materiality is \$18,700.

All misstatements over \$750 are to be recorded on this summary. Misstatements below this threshold are considered trivial.

The tax rate used in this schedule is nil%.

Description of Possible Misstatement	WP Ref.	INCOME STATEMENT Overstated or (Understated)			BALANCE SHEET Overstated or (Understated)			F/S Disclosures	Corrected?
		Identified Mis-statement	Likely Aggregate Mis-statement	Likely Aggregate Mis-statement After Tax	Assets	Liabilities	Closing Equity		
Underaccrual of payroll - Dec 23-31, 2013 for TRCA	<a href="#">BB4</a>	2,978	2,978	2,978		(2,978)	2,978		No
Overstatement of prepaid expenses and understatement of gas and heat	<a href="#">E1</a>	(2,509)	(2,509)	(2,509)	2,509		2,509		No
Understatement of outdoor revenue due to accounting and audit fees	<a href="#">BB1-2</a>	(4,040)	(4,040)	(4,040)	(4,040)		(4,040)		No
<b>Total</b>			(3,571)	(3,571)	(1,531)	(2,978)	1,447		
<b>Effect of Unadjusted Errors From Prior Years</b>									
<b>Aggregate Likely Misstatements</b>			(3,571)	(3,571)	(1,531)	(2,978)	1,447		
<b>Further Possible Misstatements</b>									
<b>Maximum Possible Misstatements</b>			(3,571)	(3,571)	(1,531)	(2,978)	1,447		
<b>Corrected Misstatements</b>									
<b>Uncorrected Misstatements</b>			(3,571)	(3,571)	(1,531)	(2,978)	1,447		
<b>Materiality</b>			18,700	18,700	18,700	18,700	18,700	18,700	
<b>Margin Remaining For Further Possible Misstatements</b>			15,129	15,129	17,169	15,722	17,253	18,700	

Prepared by	Reviewed by	Reviewed by
AZ 07/05/2014		BH 20/05/2014

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**Committee of Management of Ted Reeve Community Arena**

Year End: December 31, 2013

Adjustments

Rev. 10/10/01

Date: 01/01/2013 To 31/12/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	31/12/2013	A/R - Beaches Sports Centre	TR-5C	C2		2,260.33			
1	31/12/2013	GST Charged on Sales	TR-68	C2			2,260.33		
To record HST receivable and payable for reconciliation balance related to BSC.									
						2,260.33	2,260.33		

Net Income (Loss) -10,851.71

DRAFT

For Discussion Purposes Only

Prepared by	Reviewed by	Reviewed by
AZ 06/05/2014		