



## STAFF REPORT ACTION REQUIRED

### Association of Community Centres Settlement of Operating Results for Year 2013

<b>Date:</b>	April 20, 2015
<b>To:</b>	Budget Committee Executive Committee
<b>From:</b>	Deputy City Manager & Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2015\Internal Services\Fp\Bc15013Fp (AFS #21097)

#### **SUMMARY**

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This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2013 based on audited financial results.

#### **RECOMMENDATIONS**

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The Deputy City Manager & Chief Financial Officer recommends that:

1. the accumulated surpluses of \$8,089 from five Association of Community Centres (AOCCs) be paid to the City of Toronto and be used to partially fund the payment of operating deficits of \$22,830 for the core administration operations of the other five centres, resulting in a net payment of \$14,741 for operating over-expenditures as detailed on Table 2.
2. City Council reaffirm the need for AOCCs to seek approval from Financial Planning of all over-expenditures before they are incurred and direct the City Clerk to transmit this directive to all AOCC Chairs.

#### **Financial Impact**

The total surpluses of \$8,089 from five Community Centres will partially offset the funding of deficits totalling \$22,830, resulting in a net payment of \$14,741 from the City to the AOCCs in 2013 arising primarily from the Core Administration Operations' year

end results for 2013. The deficit payment will be funded from under-expenditures reported through the final 2014 year-end corporate operating variance results.

## **ISSUE BACKGROUND**

At its meeting on July 24, 25 and 26, 2001, City Council adopted Policy and Finance Committee Report 11, Clause 6, entitled “Association of Community Centres (AOCCs), Community Centres Deficits”. Among others, Council recommended that the Chief Financial Officer & Treasurer report on the AOCC surplus/deficit upon receipt of the annual audited financial statements, as the practice in the former City of Toronto.

At its meeting on April 14, 15, and 16, 2003, City Council adopted Policy and Finance Committee Report 3, Clause 11, entitled “Governance Review of the Association of Community Centres (AOCCS)”. Among others, Council recommended that the City continue to provide core administration funding to AOCCs and their Boards are expected to operate within the approved budgets and, as with other City agencies, administrative surpluses be returned to the City and administrative deficits be funded, upon Council approval.

The AOCCs’ financial statements are prepared under the Canadian Generally Accepted Accounting Principles (GAAP) that are applicable to the Public Sector Accounting Board (PSAB) requirements for government not for profit entities. Accounting and reporting under PSAB require that all known liabilities, including liabilities related to post employment benefits as well as those related to retirees, be reflected in the public sector financial statements.

At its meeting on September 25, 26 and 27, 2006, City Council adopted Policy and Finance Report 7, Clause 17, entitled "Association of Community Centres (AOCCs), City of Toronto Relationship Framework". Among others, Council recommended that the AOCC Boards shall not make or incur liability for any capital work without first obtaining Council approval. Additionally, the Board shall not make, permit or allow any capital work including alterations, renovations, additions or improvements to the premises without first obtaining the consent of the Chief Corporate Officer. Council also recommended that the City must approve any policy or practice that affects employee compensation including changes to salary ranges, job evaluation, performance pay, salary and benefits.

In several instances, the AOCCs did not inform or seek approval from the City prior to incurring over-expenditures to their operating budgets.

Table 1 below summarizes the operating surplus/deficit and the net payment for operating over-expenditures from 2008-2012. Over the past 5 years, the AOCCs have had an accumulated surplus of \$51,214 paid to the City of Toronto and used to partially fund the payment of operating deficits of \$383,389, resulting in a net payment of \$332,175 for operating over-expenditures.

**Table 1**

<b>Association of Community Centres</b> <b>5-Year Summary of Net Payable to City / Community Centres</b> <b>(2008-2012)</b>			
<b>Budget Year</b>	<b>Net Surplus (Payable to City)</b>	<b>Net (Deficit) (Payable to Centre)</b>	<b>Total Net Adjusted Settlement to City/(Centre)</b>
2008	14,235	(107,740)	(93,505)
2009	2,179	(102,245)	(100,066)
2010	29,002	(45,778)	(16,776)
2011	5,272	(9,628)	(4,356)
2012	526	(117,998)	(117,472)
<b>TOTAL</b>	<b>51,214</b>	<b>(383,389)</b>	<b>(332,175)</b>

**COMMENTS**

*Settlement of 2013 Operating Results*

The AOCC 2013 financial statement was prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to the Public Sector Accounting Board (PSAB) for not for profit organizations. Funding for sick leave, post retirement benefits and accrued vacation pay continue to be provided by the City as these benefit costs are paid out to employees. Accounting and reporting under PSAB requires reporting entities to accrue all known liabilities on the financial statements. Accordingly, the unpaid employee benefits and the post-employment benefits are reported as liabilities on the Statement of Financial Position. As mentioned earlier, the City of Toronto is responsible for these benefits, and accordingly a corresponding receivable from the City is recorded on the Statement of Financial Position for each AOCC.

The City also funds AOCC capital expenditures. In accordance with the Canadian GAAP-PSAB requirements, government not for profit entities are required to report capital expenditures on the Statement of Financial Position. For funding purposes, the City funds capital assets that the AOCCs have acquired, thus allowing them to expense required capital assets. As such, adjustments were made to each Community Centre's year-end statements to ensure consistency and comparability with its Approved Operating Budget which is based on cash expenses.

A review of the audited financial statements for the year ended December 31, 2013 indicates that AOCCs reported a deficit amounting to \$14,741. The deficit details are summarized on Table 2 on the next page:

**Table 2**

<b>Association of Community Centres</b>			
<b>Summary of Net Payable to City/Community Centres for 2013</b>			
<b>Community Centre</b>	<b>Net Surplus (Payable to City)</b>	<b>Net (Deficit) (Payable to Centre)</b>	<b>Total Net Adjusted Settlement to City/(Centre)</b>
Cecil Street Community Centre	4,168		4,168
Ralph Thornton Community Centre	2,449		2,449
Swansea Town Hall Community Centre	1,012		1,012
Scadding Court Community Centre	328		328
Community Centre 55	132		132
Central Eglinton Community Centre		(126)	(126)
519 Church Street Community Centre		(890)	(890)
Eastview Neighbourhood Community Centre		(3,520)	(3,520)
Harbourfront Community Centre		(6,230)	(6,230)
Applegrove Community Complex		(12,065)	(12,065)
<b>TOTAL</b>	<b>8,089</b>	<b>(22,830)</b>	<b>(14,741)</b>

As in previous years, the AOCCs are required, as per City Council directive in 2008 and reaffirmed in 2010, to adhere to the existing policy that they "seek approval from the Executive Director of Financial Planning prior to incurring expenditures that are not included in the Approved Operating Budget". Several AOCCs did not comply with this directive and Financial Planning was not informed of certain 2013 over-expenditures prior to incurring the expenditures.

The main reasons for the operating variances are detailed below.

- The surplus of \$8,089 is mainly due to the following:
  - Under expenditures in employee benefits for the *Cecil Street Community Centre*;
  - Higher than planned rental income for the *Ralph Thornton* and *Swansea Town Hall Community Centres*.

- The over-expenditure of \$22,830 million is mainly due to the following:

***Eastview Neighbourhood Community Centre***

- The over-expenditure of \$3,520 is attributed mainly to the payment of outplacement consultancy services for terminated staff.

***Harbourfront Community Centre***

- The over-expenditure of \$6,230 results from the payment of benefits for an employee that was on LTD and excluded from the community centre's 2013

Approved Operating Budget which is based on cash expenses and therefore not eligible as current year expense.

***Applegrove Community Complex***

- The over-expenditure of \$12,065 reflects expenses for external accounting services prior to the hiring of a new Finance Manager.

It is recommended that the 2013 year-end net operating expenditure payable to the Community Centres of \$14,741 be funded from under-expenditures that will be reported in the final 2014 Year End Corporate Operating Budget Variance Report.

**CONTACT**

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**SIGNATURE**

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