F I N A N C I A L   S T A T E M E N T S

For

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

For the year ended

DECEMBER 31, 2015

Welch LLP®

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND
COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

We have audited the accompanying financial statements of the Committee of Management of George Bell Arena, which comprise the statement of financial position as at December 31, 2015, statements of operations, change in net financial assets (liabilities) 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.

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 George Bell Arena as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 19, 2016.

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COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	$ 108,582	$ 80,978
Accounts receivable	22,984	14,210
Due from the City of Toronto - operating deficit (note 5)	-	14,210
Prepaid expenses	535	535
Recoverable from City of Toronto - energy retrofit (note 6)	-	13,149
Recoverable from City of Toronto - dehumidifer (note 7)	51,176	70,296
Accounts receivable - City of Toronto (note 9)	219,260	233,982
	402,537	427,360
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - other	66,669	44,247
Due to the City of Toronto - operating surplus (note 5)	1,205	-
Deferred revenue	38,643	40,102
Loan payable to City of Toronto (note 8)	61,760	94,029
City of Toronto - working capital advance	15,000	15,000
Post-employment benefits payable (note 9)	219,260	233,982
	402,537	427,360
NET FINANCIAL ASSETS	-	-
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	35,766	53,650
ACCUMULATED SURPLUS	$ 35,766	$ 53,650

Approved by the Board:

.... Chair

.... Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
Revenue			
Ice rentals	$ 604,772	$ 658,285	$ 622,269
Snack bar and vending machine operations (Schedule A)	31,000	5,106	7,843
Pro shop operations	-	-	(76)
Facility rentals	15,264	15,616	17,202
Other	2,139	2,935	2,185
Funding from the City of Toronto for employee related costs (note 9)	-	(14,722)	(12,633)
	653,175	667,220	636,790
Expenses			
Salaries and wages	272,166	267,705	248,499
Employee benefits (note 9)	91,828	75,338	72,585
Utilities	150,405	141,182	123,491
Maintenance and repairs	63,307	107,135	115,470
Insurance	10,234	10,234	10,234
General administration	13,217	10,312	13,217
Professional fees	6,550	7,453	6,550
Amortization	-	17,884	17,883
Interest on long-term debt	2,250	2,250	2,108
	609,957	639,493	610,037
Excess revenue over expenses before the following	43,218	27,727	26,753
Loan repayments (note 8)	(32,269)	(32,269)	(34,773)
Vehicle and equipment replacement reserve (note 10)	(11,000)	(11,000)	(11,000)
Operating deficit	$ (51)	(15,542)	(19,020)
Net expenditure receivable from (revenue payable to) the City of Toronto (note 5)		(2,342)	1,137
Annual deficit		(17,884)	(17,883)
Accumulated surplus, beginning of year		53,650	71,533
Accumulated surplus, end of year		$ 35,766	$ 53,650

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITY)

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Annual deficit	$ (17,884)	$ (17,883)
Amortization of tangible capital assets	17,884	17,883
Change in net financial assets	-	-
Net financial assets, beginning of year	-	-
Net financial assets, end of year	$ -	$ -

(See accompanying notes)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	$ (17,884)	$ (17,883)
Adjustments for:		
Amortization	17,884	17,883
	-	-
Non-cash changes to operations:		
Accounts receivable	(8,774)	(1,448)
Inventory	-	4,149
Recoverable from City of Toronto - energy retrofit	13,149	15,653
Recoverable from City of Toronto - dehumidifier	19,120	19,120
Accounts receivable - City of Toronto	14,722	12,633
Accounts payable and accrued liabilities - other	22,422	12,841
Deferred revenue	(1,459)	5,133
Due from/to City of Toronto - deficit/surplus	15,415	(5,094)
Post-employment benefits payable	(14,722)	(12,633)
Cash flows from operating activities	59,873	50,354
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of energy retrofit loan to City of Toronto	(13,149)	(15,653)
Repayment of long-term loan from City of Toronto	(19,120)	(19,120)
Cash flows used in financing activities	(32,269)	(34,773)
INCREASE IN CASH	27,604	15,581
CASH, BEGINNING OF YEAR	80,978	65,397
CASH, END OF YEAR	$ 108,582	$ 80,978

(See accompanying notes)

1. NATURE OF OPERATIONS

The Committee of Management of George Bell Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, by By-law No. 319-71, 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 capital 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 Arena subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, amounts due from the City of Toronto and amounts recoverable from the City of Toronto.

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

Inventories

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

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	- 5 years straight-line

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

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 policies with respect to employee benefit plans:

(a) The City of Toronto offers a Multi-employer defined benefit pension plan to the Arena's 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 Multi-employer 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 Arena also offers its eligible employees a defined benefit 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 Arena 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.

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 revenue 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, significant accrued liabilities and the post-employment benefits liabilities and the related costs charged to the statement of operations. 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.

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 the City of Toronto. The Arena’s cash is with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote.

Management believes that the Arena’s credit risk with respect to accounts receivable 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, amount due to the City of Toronto and loan payable.

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:

	2015		2014	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 89,416	$ 53,650	$ 89,416	$ 35,766
Accumulated amortization	53,650		35,766	
	$ 35,766		$ 53,650	

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

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

	2015	2014
Balance, beginning of year	$ (14,210)	$ (9,116)
Current year's operating deficit	(15,542)	(19,020)
Current year's amortization	17,884	17,883
Net revenue payable to (expenditure receivable from) the City of Toronto	2,342	(1,137)
Received (paid) during the current year	13,073	(3,957)
Balance, end of year	$ 1,205	$ (14,210)

6. **RECOVERABLE FROM CITY OF TORONTO - ENERGY RETROFIT (SEE ALSO NOTE 8)**

On March 7, 2006, the Arena signed a letter of Agreement with the City of Toronto for capital improvements, specifically an energy retrofit, of $141,437. On completion of the project the City advised the Committee of Management that the annual repayment to the City will be $15,653 over 8.84 years for a total amount of $138,373. This amount was reported as both capital funding and as funding to be received from the City of Toronto, this amount will be received from the City of Toronto when the energy retrofit loan payments per year are expensed. The loan was repaid in full as at December 31, 2015 and the related funding to be received from the City of Toronto balanace at December 31, 2015 was $nil.

7. **RECOVERABLE FROM CITY OF TORONTO - DEHUMIDIFIER (SEE ALSO NOTE 8)**

The Arena purchased a dehumifier amounting to $89,416 in 2013 using the loan provided by the City of Toronto. The loan agreement was signed on June 21, 2013 and the repayment terms are disclosed in Note 8. The amount is reported as both capital funding and as funding to be received from the City of Toronto. This amount will be received from the City when the dehumidifier loan payments are made annually.

8. LOAN PAYABLE TO CITY OF TORONTO

Loan payable to City of Toronto consists of the following:

	2015	2014
Loan payable - energy retrofit project costs - non-interest bearing, due December 31, 2015, payable in annual instalments of $15,653 and the last instalment being $13,149.	$ -	$ 13,149
Loan payable - dehumidifier - 2.25%, due September 1, 2018, payable in blended annual instalments of $21,370 commencing September 1, 2014.	61,760	80,880
	$ 61,760	$ 94,029

Total loan repayments made in 2015 amounted to $32,269 (2014 - $34,773).

Principal repayments over the next five years are estimated to be as follows:

2016	$ 20,420
2017	20,440
2018	20,900

9. POST-EMPLOYMENT BENEFITS PAYABLE AND ACCOUNTS RECEIVABLE

The Arena participates in a benefit plan provided by the City of Toronto. The Arena provides administrative employees with long-term disability benefits and the continuation of health, dental and life insurance benefits to disabled employees.

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, 2015 with projections to December 31, 2016, 2017 and 2018. Assumptions used to project the accrued benefit obligation were as follows:

- long-term inflation rate - 2.0%
- assumed health care cost trends - range from 3.0% to 6.0%
- rate of compensation increase - 3.0% to 3.5%
- discount rates - post-retirement 3.4%, post-employment 2.5%, sick leave 2.9%

9. **POST-EMPLOYMENT BENEFITS PAYABLE AND ACCOUNTS RECEIVABLE** - Cont'd.

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

	2015	2014
Continuation of benefits to disabled employees	$ 148,570	$ 101,886
Post-employment income benefits	172,958	179,203
	321,528	281,089
Deduct: Unamortized actuarial loss	102,268	47,107
Post-employment benefit liability	$ 219,260	$ 233,982

The continuity of the accrued benefit obligation is as follows:

	2015	2014
Balance, beginning of year	$ 233,982	$ 246,615
Interest cost	7,319	10,038
Amortization of actuarial loss	14,365	13,785
Expected benefits paid	(36,406)	(36,456)
Balance, end of year	$ 219,260	$ 233,982

Recovery relating to employee benefits are included in employment benefits on the statement of operations in the amount of $14,722 (2014 - $12,633) and include the following components:

	2015	2014
Interest cost	$ 7,319	$ 10,038
Amortization of actuarial loss	14,365	13,785
	21,684	23,823
Expected benefits paid	(36,406)	(36,456)
Total recovery related to post-retirement and post-employment benefits	$ (14,722)	$ (12,633)

A long-term receivable of $219,260 (2014 - $233,982) from the City has resulted from the recording of sick leave and post-retirement benefits. Funding for these costs continue to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities of administration staff that may be incurred by the Arena.

In addition, the Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. This 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 rate of pay. Employer contributions to this pension plan amounted to $24,286 (2014 - $21,083).

The most recent actuarial valuation of the OMERS plan as at December 31, 2015 indicates the Plan is not fully funded and the plan's December 31, 2015 financial statements indicate a deficit of $6.98 billion (less an additional $1.7 billion 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 0.0013% of the plan's total employer contribution. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

10. **VEHICLE AND EQUIPMENT REPLACEMENT RESERVE**

This reserve represents contributions made to the City of Toronto for the financing of replacement ice resurfacer machines required by the Arena Boards in the future years. The contribution amount for the year was $11,000 (2014 - $11,000).

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

YEAR ENDED DECEMBER 31, 2015

SNACK BAR AND VENDING OPERATIONS

	Budget (unaudited)	2015	2014
Sales			
Snack bar		$ 18,360	$ 20,777
Vending machine		2,605	2,589
	$ 47,000	20,965	23,366
Cost of goods sold	16,000	9,947	15,523
Gross profit	31,000	11,018	7,843
Direct expenses			
Wages and benefits	-	5,912	-
Net income	$ 31,000	$ 5,106	$ 7,843

June 2, 2016

Committee of Management of George Bell Arena
215 Ryding Avenue
Toronto, Ontario
M6N 1H6

PRIVATE AND CONFIDENTIAL

Attention: Mr. Larry Woodley

Dear Sir:

Re: Audit of the 31 December, 2015 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2015, we identified some matters which may be of interest to management.

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. In addition, an audit cannot be expected to disclose defalcations and other irregularities and it is not designed to express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively.

As a result of our observations, we have outlined matters below along with some suggestions for your consideration.

Please note that under Canadian generally accepted auditing standards we must report significant deficiencies to those charged with governance.

This letter is not exhaustive, and deals with the more important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff. We have discussed the matters in this report with Larry Woodley and received his comments thereon.

Issue – Review of assets

During our audit we noted that some of the capital assets were acquired many years ago and are fully amortized. Any assets no longer in use should be written-off to accumulated amortization, which would not impact the net income. We recommend that the assets of the arena be reviewed and any assets no longer in use be written-off.

Management's Comments

Will be implemented in the 2016 fiscal year.

Issue – Accounts receivable subledger does not agree to general ledger account

During our audit we noted that the Accounts Receivable subledger (aging report) did not agree to the general ledger account due to journal entries being posted to the Accounts Receivable account rather than being posted through the sales/receipts journals. To reconcile the two we recommend the following; The 2015 audit adjustments to the Accounts Receivable account be entered as a journal entry, another journal entry be made to debit the accounts receivable for $29,076.65 and credit petty cash for $29,076.65, then process receipts through the receipts journal for the following customers, as a receipt of petty cash; CJHL for $608.84 and Other - 2007-2014 for $28,467.80.

Management's Comments

Will be implemented in the 2016 fiscal year.

Issue – Revenue and expense accounts classified as balance sheet accounts

During our audit we noted that there are various revenue and expense accounts that are classified as balance sheet accounts in the Arena's accounting software which results in the net surplus/deficit not being closed out at yearend to net assets. The accounts are; 8028 · funding for post retirement benefits, 4005 · Capital Contribution from City, Amortization and 8502 · post retirement benefits expense. We recommend that the accounts class type be changed in the accounting software to income statement account types.

Management's Comments

Will be implemented in the 2016 fiscal year.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from management and their staff.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

Welch LLP

Per: Christa Casey, CPA, CA