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

For

BOARD OF MANAGEMENT OF MOSS PARK ARENA

For the year ended

DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND BOARD OF MANAGEMENT OF MOSS PARK ARENA

We have audited the accompanying financial statements of the Board of Management of Moss Park Arena, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, net change in financial 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, 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 Board of Management of Moss Park 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 9, 2016.

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BOARD OF MANAGEMENT OF MOSS PARK ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	$ 113,549	$ 114,131
Accounts receivable	15,657	5,342
Accounts receivable - City of Toronto (note 6)	317,846	314,941
Due from the City of Toronto - deficit (note 5)	17,063	21,732
Prepaid expenses	490	490
Inventories	8,067	7,763
	472,672	464,399
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	56,252	63,186
Deferred revenue	88,574	76,272
City of Toronto - working capital advance	10,000	10,000
Post-employment benefits payable (note 6)	317,846	314,941
	472,672	464,399
NET FINANCIAL ASSETS	-	-
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	23,932	28,424
ACCUMULATED SURPLUS	$ 23,932	$ 28,424

Approved on behalf of the Board of Management

Dan Ambrosia ....Chair

Courtney Edward ....Member

(See accompanying notes)

BOARD OF MANAGEMENT OF MOSS PARK ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
Revenue			
Ice rentals	$ 432,922	$ 430,080	$ 413,011
Hockey school, camps and league operations (Schedule A)	285,500	286,766	281,996
Snack bar and vending operations (Schedule B)	21,500	7,987	13,419
Pro shop and skate sharpening (Schedule B)	33,500	16,933	19,502
Facility rentals	7,000	5,407	5,600
Other	-	413	191
Funding from the City of Toronto for employee related costs	-	2,905	2,625
	780,422	750,491	736,344
Expenses			
Salaries and wages	368,382	381,139	359,027
Utilities	160,900	163,374	148,113
Employee benefits	124,613	121,193	115,297
General administration	65,230	41,315	44,986
Repairs and maintenance	34,200	33,687	32,562
Insurance	10,500	10,500	10,502
Professional fees	5,000	4,961	5,687
Amortization	-	4,492	3,964
	768,825	760,661	720,138
Net revenue over expenses (expenses over revenue) before the following	11,597	(10,170)	16,206
Vehicle and equipment reserve contribution (note 7)	(11,000)	(11,000)	(10,000)
Operating surplus (deficit)	597	(21,170)	6,206
Net expenditures receivable from the City of Toronto (note 5)		16,678	385
Annual surplus (deficit)		(4,492)	6,591
Accumulated surplus, beginning of year		28,424	21,833
Accumulated surplus, end of year		$ 23,932	$ 28,424

(See accompanying notes)

BOARD OF MANAGEMENT OF MOSS PARK ARENA

STATEMENT OF NET CHANGE IN FINANCIAL ASSETS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Annual surplus (deficit)	$ (4,492)	$ 6,591
Acquisition of tangible capital assets	-	(10,555)
Amortization of tangible capital assets	4,492	3,964
Change in net financial assets	-	-
Net financial assets, beginning of year	-	-
Net financial assets, end of year	$ -	$ -

(See accompanying notes)

BOARD OF MANAGEMENT OF MOSS PARK ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	$ (4,492)	$ 6,591
Adjustments for:		
Amortization	4,492	3,964
	-	10,555
Non-cash changes to operations:		
Accounts receivable	(10,315)	85,252
Accounts receivable - City of Toronto	(2,905)	(2,625)
Due from the City of Toronto - deficit	4,669	3,336
Inventories	(304)	(3,478)
Prepaid expenses	-	538
Accounts payable and accrued liabilities	(6,934)	25,397
Deferred revenue	12,302	2,937
Post-employment benefits payable	2,905	2,625
Cash flows provided by (used in) operating activities	(582)	124,537
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	-	(10,555)
Cash flows used in capital transactions	-	(10,555)
INCREASE (DECREASE) IN CASH	(582)	113,982
CASH AT BEGINNING OF YEAR	114,131	149
CASH AT END OF YEAR	$ 113,549	$ 114,131

(See accompanying notes)

1. **NATURE OF OPERATIONS**

The Board of Management of Moss Park 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-Law No. 381-74, as amended. The Board of Management operates and manages the Arena on behalf of the City of Toronto.

Under the By-Law, the Board of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Board 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 Board 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 Board of Management ceasing to function for any reason.

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

These 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, hockey schools and camp fees 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 and amounts due from the City. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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
Machinery and equipment	- 10 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 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 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 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 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 revenues and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its tangible capital assets, significant accrued liabilities, 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 the 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 Centre’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 this item 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 these financial instruments 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.

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 significant changes in the Centre'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
Machinery and equipment	$ 44,917	$ 20,985	$ 44,917	$ 16,493
Computer equipment	3,910	3,910	3,910	3,910
	48,827	$ 24,895	48,827	$ 20,403
Accumulated amortization	24,895		20,403	
	$ 23,932		$ 28,424	

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

The amount due from the City of Toronto consists of the following:

	2015	2014
Balance, beginning of year	$ (21,732)	$ (25,068)
Current year's operating surplus (deficit)	(21,170)	6,206
Current year's tangible capital asset purchases	-	(10,555)
Current year's amotization	4,492	3,964
Net expenditure receivable from the City of Toronto	(16,678)	(385)
Received from the City of Toronto during the current year	21,347	3,721
Balance, end of year	$ (17,063)	$ (21,732)

6. 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.

The Arena also provides health, dental, accidental death and disability, life insurance and long-term disability benefits to eligible employees. Depending on length of service and individuals' 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, 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 - range from 3.0% to 3.5%
- discount rates - post-retirement 3.4%, post-employment 2.5%, sick leave 2.9%

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	$ 195,769	$ 134,357
Income benefits	215,748	216,637
Sick leave benefits	59,872	60,211
Post-retirement benefits	100,400	75,980
	571,789	487,185
Deduct: unamortized actuarial loss	(253,943)	(172,244)
Employee benefit liability	$ 317,846	$ 314,941

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

The continuity of the accrued benefit obligation is as follows:

	2015	2014
Balance, beginning of year	$ 314,941	$ 312,316
Current service cost	3,337	2,910
Interest cost	13,741	17,636
Amortization of actuarial loss	32,236	30,537
Expected benefits paid	(46,409)	(48,458)
Balance, end of year	$ 317,846	$ 314,941

Expenditures relating to employee benefits are included in employee benefits on the statement of operations in the amount of $2,905 (2014 - $2,625) and include the following components:

	2015	2014
Current service cost	$ 3,337	$ 2,910
Interest cost	13,741	17,636
Amortization of actuarial loss	32,236	30,537
Less expected benefits paid during the year	(46,409)	(48,458)
Total expenditures related to post-retirement benefits	$ 2,905	$ 2,625

A receivable of $317,846 (2014 - $314,941) from the City has resulted from the recording of sick leave and post-retirement benefits. Funding for these costs continues to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities 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 $35,638 in 2015 (2014 - $33,503).

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 0.002% 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**

These contributions are for the financing of replacement ice resurfacer machines required by the Arena Boards in future years. This year's contribution was $11,000 (2014 - $10,000).

BOARD OF MANAGEMENT OF MOSS PARK ARENA

HOCKEY SCHOOL, CAMP AND LEAGUE OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budgeted (unaudited)	2015	2014
Sales			
Hockey League Registration	$ 136,500	$ 117,538	$ 122,900
Hockey Winter League	49,000	77,325	65,429
Hockey School Camp	70,000	52,940	51,746
Hockey School Registration	71,000	68,194	70,724
Women's pickup	8,000	8,486	8,310
	334,500	324,483	319,109
Direct expenses			
Hockey League Referees	27,000	27,105	26,640
Hockey League expenses	7,000	3,770	5,173
Hockey School and Camp	5,000	3,073	2,065
Hockey School and Camp Instructors	10,000	3,769	3,235
	49,000	37,717	37,113
Gross Profit	$ 285,500	$ 286,766	$ 281,996

BOARD OF MANAGEMENT OF MOSS PARK ARENA

SNACK BAR AND VENDING OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
Sales			
Snack bar		$ 16,895	$ 18,584
Vending machines		7,097	8,601
	$ 41,500	23,992	27,185
Less: Cost of goods sold	20,000	16,005	13,766
Gross profit	$ 21,500	$ 7,987	$ 13,419

PRO SHOP AND SHARPENING OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
Sales			
Pro Shop	$ 20,000	$ 5,589	$ 5,166
Skate sharpening	18,500	14,510	16,932
	38,500	20,099	22,098
Less: Cost of goods sold	5,000	3,166	2,596
Gross profit	$ 33,500	$ 16,933	$ 19,502

June 10, 2016

Board of Management of Moss Park Arena
140 Sherbourne Street
Toronto, Ontario
M5A 2R6
PRIVATE AND CONFIDENTIAL

Attention: Mr. Mike Pisano

Dear Sir:

Re: Audit of the December 31, 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 you and your staff. We have discussed the matters in this report with yourself and Michael Faller and received his comments thereon.

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Vacation tracking

At present the vacation for the Manager is not being tracked on an on-going basis. We recommend that his vacation be tracked, reviewed and approved. The amount of the vacation carryforward at year end-should then agree to the vacation payable subledger.

Management's comments:

Management will ensure vacation is traceked for all employees.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from Mike and his 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: Bryan Haralovich, CA, CPA, CPA (Illinois)
Partner