The balance sheet of this copy of the financial statements should be signed by the director(s) whose name(s) have been printed on the other copies and this copy should then be returned to Welch LLP for their records.

FINANCIAL STATEMENTS

For

BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

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 THE BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

We have audited the accompanying financial statements of the Board of Management for Community Centre 55, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 for Community Centre 55 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 for government not-for-profit organizations.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 3, 2016.

Welch LLP - Chartered Professional Accountants
36 Toronto Street, Suite 530, Toronto, ON M5C 2C5
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BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	$ 40,449	$ 7,670
Government remittances receivable	20,521	10,247
	60,970	17,917
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 4)	256,632	247,642
	$ 317,602	$ 265,559
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto (note 6)	$ 150	$ 161
Accounts payable and accrued liabilities - other	60,820	17,756
	60,970	17,917
POST-EMPLOYMENT BENEFITS PAYABLE (note 4)	256,632	247,642
	317,602	265,559
NET ASSETS	-	-
	$ 317,602	$ 265,559

Approved by the Board:

.... Chair

L Penberthy-Ritchie .... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Revenue		
City of Toronto	$ 767,865	$ 734,511
Expenses		
Salaries and wages	496,825	482,535
Employee benefits	144,202	143,699
Materials and supplies	47,553	45,622
Purchase of services	79,285	62,655
	767,865	734,511
Net assets, beginning and end of year	$ -	$ -

(See accompanying notes)

BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses	$ -	$ -
Increase (decrease) resulting from changes in:		
Government remittances receivable	(10,274)	4,370
Long-term account receivable - City of Toronto	(8,990)	(11,992)
Accounts payable and accrued liabilities - City of Toronto	(11)	(108)
Accounts payable and accrued liabilities - other	43,064	(13,145)
Post-employment benefits payable	8,990	11,992
Cash flows from (used in) operating activities	32,779	(8,883)
INCREASE (DECREASE) IN CASH	32,779	(8,883)
CASH AT BEGINNING OF YEAR	7,670	16,553
CASH AT END OF YEAR	$ 40,449	$ 7,670

(See accompanying notes)

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 - 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous By-laws and established part of the premises at 97 Main Street, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Community Centre 55 (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board of Management which, among other matters, shall:

(a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and

(b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profits ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position.

Financial instruments

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

The Centre 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.

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

Contributed material services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. Monetary donations are recorded as received.

Employee related costs

The Centre 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 Centre's employees. Due to the nature of the plan, the Centre does not have sufficient information to account for the plan as a defined benefit plan; therefore, the 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 Centre also offers its employees a defined benefit sick leave plan, a post-retirement life, health and dental plan, a long-term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Centre recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations 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 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 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.

Liquidity risk

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

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

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 Centre's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre's maximum exposure to credit risk represents the sum of the carrying value of its cash and amounts receivable. The Centre'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 Centre's credit risk with respect to amounts receivable is limited. The organization manages its credit risk by reviewing amounts receivable aging and following up on outstanding amounts.

Changes in risk

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

4. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of July 1, 2008, unused sick leave accumulates and eligible retirees are entitled to a cash payment when they leave the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and can be taken in cash by an employee upon termination, retirement or death. This sick bank plan was replaced by a Short Term Disability Plan (STD) effective March 1, 2008, for all non-union employees of the City of Toronto. Upon the effective date, individual sick banks were locked with no further accumulation. Grandfathered management staff remains entitled to payout of frozen, banked time, as described above. Under the new STD plan, management employees are entitled to 130 days annual coverage with salary protection at 100 or 75 percent, depending upon years of service. Non-management employees continue to receive sick bank time as stipulated in the applicable Collective Agreement, which specifies no financial conversion of unused sick leave.

The Centre also provides health, dental, accidental death and disability, life insurance and long term disability benefits to eligible employees. Depending upon length of service and an individual's election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2015 with projections to December 31, 2016, 2017 and 2018. Assumptions used to project the accrued benefit obligations 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%

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

	2015	2014
Sick leave benefits	$ -	$ 110,913
Post-retirement benefits	173,728	227,760
Continuation of benefits to disabled employees	64,508	60,004
Income benefits	92,733	109,673
	330,969	508,350
Deduct: Unamortized actuarial loss	(74,337)	(260,708)
Post-employment benefit liability	$ 256,632	$ 247,642

4. **POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY** - Cont'd.

The continuity of the accrued benefit obligation is as follows:

	2015	2014
Balance, beginning of year	$ 247,642	$ 235,650
Current service cost	9,513	8,035
Interest cost	15,568	19,122
Amortization of actuarial loss	35,454	32,932
Expected benefits paid	(51,545)	(48,097)
	$ 256,632	$ 247,642

Expenditures relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of $ 8,990 (2014 - $11,992) and include the following components:

	2015	2014
Current service cost	$ 9,513	$ 8,035
Interest cost	15,568	19,122
Amortization of actuarial loss	35,454	32,932
Expected benefits paid	(51,545)	(48,097)
Total expenditures related to post-employment benefits	$ 8,990	$ 11,992

A long-term receivable of $256,632 (2014 - $247,642) 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 of management staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 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 rates of pay. Employer contributions to this pension plan amounted to $46,969 in 2015 (2014 - $44,613).

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 Centre's contributions accounted for 0.0026% of the plan's total employer contributions. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

5. CONTROLLED NOT-FOR-PROFIT

The Centre controls Community Centre 55 (the "Charity"), a charitable organization. The Charity runs the Centre's programs. The Charity is incorporated without share capital under the name Community Centre 55 and is a registered charity under the Income Tax Act. The Centre provides all administrative resources to the Charity and the Charity operates to assist the Centre in achieving its mandates.

The Charity has not been consolidated in the Centre's financial statements. Financial summaries of the Charity as at December 31, 2015 and 2014 and for the years then ended are as follows:

Financial Position

	2015	2014
Total assets	$ 680,470	$ 685,665
Total liabilities	$ 45,896	$ 40,711
Total net assets	634,574	644,954
	$ 680,470	$ 685,665

Results of Operations

	2015	2014
Total revenue	$ 1,593,664	$ 1,449,955
Total expenses	1,604,044	1,464,492
Excess of expenses over revenue	$ (10,380)	$ (14,537)

Cash Flows

	2015	2014
Cash used in operating activities	$ (24,569)	$ (18,440)
Cash from (used in) investing activities	37,719	(261,362)
Increase (decrease) in cash	$ 13,150	$ (279,802)

6. FUNDS PROVIDED BY THE CITY OF TORONTO

Funding for administration expenditures is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, excluding those accruals for long term employee benefits, are funded by the Centre unless Council approval has been obtained for additional funding.

	2015 Budget (unaudited)	2015	2014
Administration expenses:			
Salaries and wages	$ 521,407	$ 496,825	$ 482,535
Employee benefits	148,632	144,202	143,699
Materials and supplies	52,219	47,553	45,622
Purchase of services	36,621	79,285	62,655
	$ 758,879	$ 767,865	$ 734,511
Centre's actual administration revenue:			
Administration budget		$ 758,879	$ 723,230
Centre's actual administration expenses:			
Administration expenses		767,865	734,511
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		(8,990)	(11,992)
Difference between funding received and budgeted		(116)	681
		758,759	723,200
Administration expenses under approved budget		$ 120	$ 30

The under expenditure of $120 in 2015 (2014 - $30) is included in the account payable to the City of Toronto.

April 15, 2016

Board of Management for Community Centre 55
97 Main Street
Toronto, Ontario
M4E 2V6
PRIVATE AND CONFIDENTIAL

Attention: Ms.Debbie Visconti

Dear Madam:

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 your staff. We have discussed the matters in this report with Pat McSweeney and received her comments thereon.

Issue – HST registration and filings

At present HST rebates are being filed for both Centre 55 (operating) and Centre 55 (programming) using the same business number, registered to Centre 55 (programming) and on the same rebate form. As the two are separate legal entities we recommend that a business number and HST account be obtained for Centre 55 (operating) and that separate HST rebates be filed and claimed going forward.

Management's Comments

Management will look into obtaining a separate HST account for Centre 55 (operating) but it will require information from the City of Toronto which may be difficult to obtain. There have been no issues receiving the HST rebates to date under the current method of filing.

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 her 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)