

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA
For the year ended
DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND COMMITTEE OF MANAGEMENT
OF WILLIAM H. BOLTON ARENA**

We have audited the accompanying financial statements of the Committee of Management of William H. Bolton Arena, which comprise the statement of financial position as at December 31, 2015, 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.

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 William H. Bolton 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 8, 2016.

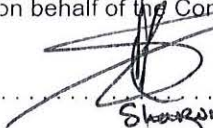
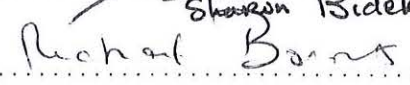
COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash	\$ 79,956	\$ 96,562
Investments (note 5)	153,381	51,995
Interest receivable	-	384
Prepaid expenses	4,904	-
Due from City of Toronto - operating deficit (note 6)	70,380	142,525
Inventories	<u>15,809</u>	<u>15,809</u>
	<u>324,430</u>	<u>307,275</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	44,795	54,322
Deferred revenue	253,844	227,162
Employee related liabilities (note 7)	15,791	15,791
City of Toronto - working capital advance	<u>10,000</u>	<u>10,000</u>
	<u>324,430</u>	<u>307,275</u>
NET DEBT	-	-
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>34,801</u>	<u>21,845</u>
ACCUMULATED SURPLUS	<u>\$ 34,801</u>	<u>\$ 21,845</u>

Approved on behalf of the Committee of Management:


Chair
 Sharon Bidek

Member
 Michael Burns
 Treasurer

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Revenue			
Program registration	\$ 759,997	\$ 665,329	\$ 660,295
Ice rentals	258,000	271,788	236,884
Pro shop operations (Schedule A)	36,486	40,003	29,911
Snack bar and vending machine operations (Schedule A)	24,550	23,843	21,208
Interest	500	1,144	427
Other	<u>8,800</u>	<u>12,607</u>	<u>6,426</u>
	<u>1,088,333</u>	<u>1,014,714</u>	<u>955,151</u>
Expenses			
Salaries and wages	391,257	359,162	381,855
Program material and supplies	173,088	179,836	166,990
Utilities	166,562	144,286	151,480
Repairs and maintenance	126,395	95,666	124,528
Employee Benefits	112,946	93,618	96,512
General administration	89,906	64,161	89,398
Insurance	10,835	10,835	11,485
Professional fees	5,500	4,868	4,796
Amortization	<u>-</u>	<u>11,888</u>	<u>7,606</u>
	<u>1,076,489</u>	<u>964,320</u>	<u>1,034,650</u>
Net revenue over expenditures (expenditures over revenue) before the following	11,844	50,394	(79,499)
Vehicle and equipment reserve contribution (note 8)	<u>(11,000)</u>	<u>(11,000)</u>	<u>(10,000)</u>
Net surplus (deficit)	<u>\$ 844</u>	39,394	(89,499)
Net receivable from (payable to) the City of Toronto (note 6)		<u>(26,438)</u>	<u>96,818</u>
Annual surplus		12,956	7,319
Accumulated surplus, beginning of year		<u>21,845</u>	<u>14,526</u>
Accumulated surplus, end of year		<u>\$ 34,801</u>	<u>\$ 21,845</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA
STATEMENT OF CHANGE IN NET DEBT
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 12,956	\$ 7,319
Acquisition of tangible capital assets	(24,844)	(14,925)
Amortization of tangible capital assets	<u>11,888</u>	<u>7,606</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 WILLIAM H. BOLTON ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 12,956	\$ 7,319
Adjustments for:		
Amortization	<u>11,888</u>	<u>7,606</u>
	24,844	14,925
Non-cash changes to operations:		
Interest receivable	384	139
Inventories	-	(5,030)
Prepaid expenses	(4,904)	901
Due from City of Toronto - operating deficit	72,145	(74,587)
Accounts payable and accrued liabilities	(9,527)	7,083
Deferred revenue	<u>26,682</u>	<u>21,247</u>
Cash flows from (used in) operating activities	<u>109,624</u>	<u>(35,322)</u>
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(24,844)</u>	<u>(14,925)</u>
Cash flows used in capital transactions	<u>(24,844)</u>	<u>(14,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(101,386)</u>	<u>(567)</u>
Cash flows used in investing activities	<u>(101,386)</u>	<u>(567)</u>
DECREASE IN CASH	(16,606)	(50,814)
CASH AT BEGINNING OF YEAR	<u>96,562</u>	<u>147,376</u>
CASH AT END OF YEAR	\$ <u>79,956</u>	\$ <u>96,562</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. NATURE OF OPERATIONS

The Committee of Management of William H. Bolton 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. 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 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, 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, investments, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and employee related 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
Furniture and equipment	- 5 years straight line

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

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 offered to its eligible employees a sick leave benefit until December 31, 2012, which vested and was calculated at the salary levels in effect at the end of each year for all unused vested sick pay credit accruing to employees. The Arena accrued for the accumulated and unused vested sick leave benefits as at December 31, 2012 for those employees that were grandfathered.

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.

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, investments, accounts receivable and amounts receivable from the City of Toronto. The Arena's cash and investments are 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.

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

3. FINANCIAL INSTRUMENTS - Cont'd.

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 and investments earn 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 changes in the Arena's risk exposures from the prior year.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer equipment	\$ 2,755	\$ 2,755	\$ 2,755	\$ 2,588
Furniture and equipment	<u>62,044</u>	<u>27,243</u>	<u>37,200</u>	<u>15,522</u>
	64,799	<u>\$ 29,998</u>	39,955	<u>\$ 18,110</u>
Accumulated amortization	<u>29,998</u>		<u>18,110</u>	
	<u>\$ 34,801</u>		<u>\$ 21,845</u>	

5. INVESTMENT

The investment consists of two one-year cashable GICs which have interest rates of 0.65% and 1.3% maturing on June 30, 2016 and January 28, 2016 respectively.

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

6. OPERATING DEFICIT DUE FROM THE CITY OF TORONTO

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ (142,525)	\$ (67,938)
Current year's operating surplus (deficit)	39,394	(89,499)
Current year's tangible capital asset purchases	(24,844)	(14,925)
Current year's amortization	<u>11,888</u>	<u>7,606</u>
Net payable (receivable) from the City of Toronto	26,438	(96,818)
Received received during the current year	<u>45,707</u>	<u>22,231</u>
Balance, end of year	\$ (70,380)	\$ (142,525)

7. EMPLOYEE-RELATED LIABILITIES

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employed plan, on behalf of its full time 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 \$25,648 (2014 - \$26,834).

The most recent actuarial valuation of the OMERS plan as at December 31, 2014 indicates the Plan is not fully funded and the plan's December 31, 2014 financial statements indicate a deficit of \$7.08 billion (less an additional \$1.8 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 contributions. At this time, the Arena's contributions accounted for 0.0015 % 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.

The Committee also provides a liability for employees' sick day entitlements. The sick leave benefit payable at year end is \$15,791 (2014 - \$15,791). No payment has been made in the current year.

8. 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 - \$10,000).

COMMITTEE OF MANAGEMENT OF WILLIAM H. BOLTON ARENA
YEAR ENDED DECEMBER 31, 2015

SCHEDULE A

SNACK BAR AND VENDING OPERATIONS

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Sales			
Snack bar	\$ 39,900	\$ 42,679	\$ 37,246
Vending machine	<u>13,650</u>	<u>8,834</u>	<u>12,592</u>
	53,550	51,513	49,838
 Cost of goods sold	 <u>29,000</u>	 <u>27,670</u>	 <u>28,630</u>
 Gross profit	 <u>\$ 24,550</u>	 <u>\$ 23,843</u>	 <u>\$ 21,208</u>

PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Sales			
Pro shop sales	\$ 33,486	\$ 41,783	\$ 31,855
Skate sharpening	<u>25,000</u>	<u>25,070</u>	<u>24,841</u>
	58,486	66,853	56,696
Cost of goods sold	<u>22,000</u>	<u>26,850</u>	<u>26,785</u>
 Gross profit	 <u>\$ 36,486</u>	 <u>\$ 40,003</u>	 <u>\$ 29,911</u>

June 8, 2016

Committee of Management of William H. Bolton Arena
40 Rossmore Road
Toronto, Ontario
M6G 2M7

Attention: Mr. Mario Carpino

PRIVATE AND CONFIDENTIAL

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 your staff. We have discussed the matters in this report with management and received their comments thereon.

DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Proof of bank reconcillation review

At present bank reconciliations are being prepared on a monthly basis however there is no evidence that the reconciliations are being reviewed and approved. Without reviews, errors in the accounting records and bank balances could go undetected over many months. The accounting records should be monitored on a regular basis to identify whether there are inaccuracies or miscalculations in the reconciliations and bank statements. We recommend that bank reconciliations be reviewed on a monthly basis by the manager and that the reconciliation be initialed when reviewed to provide evidence of the review.

Management's Comments

Will be implemented in the 2016 fiscal year.

Issue – Invoicing of ice rental fees

At present the Arena does not have a process in place regarding ice rental revenues which is consistent across all users and rental types. During our audit we determined that invoices were not always prepared for users with contracts. We recommend that invoices be issued for all ice rental revenue regardless of the type of user and that the invoices be generated in Simply Accounting using the sales module. We recommend that for contract users, the invoices be created when the contract is signed for each month of the contract, dated the first day of each month and for one-time users that the invoice be created when the ice is booked and be dated for the date the ice is rented. This will enable better control of accounts receivable.

Management's Comments

Will be implemented in the 2016 fiscal year.

Issue – Payroll register

At present the manager submits the payroll and the bookkeeper posts the payroll to the accounting records but there is no review of the Arena's payroll registers by someone other than the manager. Without a review by someone other than the preparer of the payroll errors in the payroll can exist and go undetected. We recommend that the payroll registers be reviewed by the bookkeeper for reasonableness and that the payroll register be initialed when reviewed to provide evidence of the review.

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

A handwritten signature in black ink, appearing to read "B. Haralovich", written over the company name.

Per: Bryan Haralovich, CPA, CA, CPA (Illinois)
Partner