

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 OF LEASIDE MEMORIAL COMMUNITY GARDENS

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 LEASIDE MEMORIAL COMMUNITY GARDENS**

We have audited the accompanying financial statements of the Board of Management of Leaside Memorial Community Gardens, 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 Board of Management of Leaside Memorial Community Gardens 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
May 11, 2016.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash	\$ 183,469	\$ 336,590
Accounts receivable - ice rentals and other	352,022	77,127
Accounts receivable - City of Toronto (note 9)	-	213,264
Due from City of Toronto - operating deficit (note 5)	205,570	392,394
Amounts to be recovered - City of Toronto (note 6)	54,866	62,640
Inventories	<u>3,137</u>	<u>3,137</u>
	<u>799,064</u>	<u>1,085,152</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto (notes 9, 10 and 11)	412,659	747,620
Accounts payable and accrued liabilities - other	191,857	95,296
Deferred revenue	97,889	137,803
Loans payable (note 10)	8,048,988	8,205,241
Post-employment benefits payable (note 7)	<u>96,659</u>	<u>104,433</u>
	<u>8,848,052</u>	<u>9,290,393</u>
NET FINANCIAL ASSETS (LIABILITIES)	(8,048,988)	(8,205,241)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	1,078	4,212
Arena expansion	<u>8,048,988</u>	<u>8,205,241</u>
	<u>8,050,066</u>	<u>8,209,453</u>
ACCUMULATED SURPLUS	<u>\$ 1,078</u>	<u>\$ 4,212</u>

Approved by the Board of Management:

 Chair *Jeff David for
RAW WPTC*
 Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Revenue		
Arena (Schedule A)	\$ 1,464,099	\$ 1,351,004
Pool (Schedule B)	242,781	213,264
Banquet/meeting room (Schedule C)	88,624	96,452
Snack bar and vending (Schedule D)	93,877	82,280
Other income (Schedule E)	<u>24,130</u>	<u>16,762</u>
	<u>1,913,511</u>	<u>1,759,762</u>
Expenses		
Snack bar and vending (Schedule D)	58,638	54,556
Pool (Schedule B)	162,864	135,231
Banquet/meeting room (Schedule C)	35,703	33,044
Arena (Schedule A)	688,105	706,885
Allocations	<u>319,666</u>	<u>291,432</u>
	<u>1,264,976</u>	<u>1,221,148</u>
Excess of revenue over expenses before the following	648,535	538,614
Arena expansion amortization (note 10)	(156,253)	(149,293)
Debt reserve (note 11)	(68,190)	(71,610)
Vehicle and equipment reserve contributions (note 8)	(20,000)	(20,000)
Interest expense on loans payable (note 10)	<u>(364,762)</u>	<u>(379,276)</u>
Operating surplus (deficit)	39,330	(81,565)
Net expenditure receivable from (revenue payable to) the City of Toronto (note 5)	<u>(42,464)</u>	<u>83,851</u>
Annual surplus (deficit)	(3,134)	2,286
Accumulated surplus, beginning of year	<u>4,212</u>	<u>1,926</u>
Accumulated surplus, end of year	<u>\$ 1,078</u>	<u>\$ 4,212</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITIES)
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Annual surplus (deficit)	\$ (3,134)	\$ 2,286
Acquisition of tangible capital assets	-	(5,420)
Amortization of tangible capital assets	3,134	3,134
Amortization of arena expansion	<u>156,253</u>	<u>149,293</u>
Change in net financial assets (liabilities)	156,253	149,293
Net financial assets (liabilities), beginning of year	<u>(8,205,241)</u>	<u>(8,354,534)</u>
Net financial assets (liabilities), end of year	<u>\$ (8,048,988)</u>	<u>\$ (8,205,241)</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (3,134)	\$ 2,286
Adjustments for:		
Amortization	3,134	3,134
Arena expansion amortization	<u>156,253</u>	<u>149,293</u>
	156,253	154,713
Non-cash changes to operations:		
Accounts receivable - ice rentals and other	(274,895)	78,760
Accounts receivable - City of Toronto	213,264	(11,996)
Due from City of Toronto - operating deficit	186,824	8,667
Amounts to be recovered - City of Toronto	7,774	7,935
Accounts payable and accrued liabilities - City of Toronto	(334,961)	52,042
Accounts payable and accrued liabilities - other	96,561	(48,463)
Deferred revenue	(39,914)	(68,064)
Deposits	-	(20,353)
Post-employment benefits payable	<u>(7,774)</u>	<u>(7,935)</u>
Cash flows from (used in) operating activities	<u>3,132</u>	<u>145,306</u>
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	-	<u>(5,420)</u>
Cash flows used in capital transactions	<u>-</u>	<u>(5,420)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	<u>(156,253)</u>	<u>(149,293)</u>
Cash flows from (used in) financing activities	<u>(156,253)</u>	<u>(149,293)</u>
DECREASE IN CASH	(153,121)	(9,407)
CASH AT BEGINNING OF YEAR	<u>336,590</u>	<u>345,997</u>
CASH AT END OF YEAR	\$ <u>183,469</u>	\$ <u>336,590</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. NATURE OF OPERATIONS

The Leaside Memorial Community Gardens was established as a Memorial Community Centre under the Community Recreation Centres Act (RSO 1990, Chapter C.22), pursuant to Chapter 25 of the City of Toronto Municipal Code, by By-law No. 1374 (former Town of Leaside, December 17, 1951), as amended. The Board of Management operates and manages the Leaside Memorial Gardens Arena (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.

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 and rental deposits for the auditorium paid in advance are recorded as deposits or deferred revenue, if the amount has been invoiced.

Financial instruments

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

The organization 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 of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and loans payable.

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.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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
Arena expansion	- 25 years sinking fund

The sinking fund method amortizes the arena expansion on the same basis as the loan repayments are required to be made.

Major capital expenditures that are financed by the Arena are recorded in these financial statements at the cost to the Arena.

Contributed material and services

Major capital expenditures that are financed by the City of Toronto, which owns the facility, are not recorded in these financial statements. Services provided without charge by the City are not recorded in these financial statements. Other contributed materials and services are not recognized in the financial statements due to the difficulty of determining their fair value.

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.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

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 receivable 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. The Arena's loans payable bear interest at fixed rates. Consequently, the Arena's exposure to interest rate risk 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 and loans 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.

Change 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	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and equipment	\$ 15,668	\$ 14,590	\$ 15,668	\$ 11,456
Accumulated amortization	<u>14,590</u>		<u>11,456</u>	
	<u>\$ 1,078</u>		<u>\$ 4,212</u>	

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

5. OPERATING SURPLUS(DEFICIT) DUE TO (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	\$ (392,394)	\$ (401,061)
Current year's operating surplus (deficit)	39,330	(81,565)
Current year's tangible capital assets purchase	-	(5,420)
Current year's amortization	3,134	3,134
Current year's arena expansion amortization	(156,253)	(149,293)
Current year's principal loan repayments	<u>156,253</u>	<u>149,293</u>
Net revenue payable to (expenditure receivable from) the City of Toronto	42,464	(83,851)
Received during the current year	<u>144,360</u>	<u>92,518</u>
Balance, end of year	\$ (205,570)	\$ (392,394)

The balance at the beginning of 2014 is comprised of the following:

2002 operating deficit due, as restated	\$ 112,012
2008 over payment (\$24,997-\$24,987)	10
Adjustment to 2004 deficit due to change in accounting policy	9,355
Adjustment to 2006 deficit due to change in accounting policy	449
Loan payments made for 2003 and 2006	42,357
2012 deficit	92,518
2013 deficit	<u>144,360</u>
	\$ <u>401,061</u>

6. AMOUNTS TO BE RECOVERED - CITY OF TORONTO

	<u>2015</u>	<u>2014</u>
Employee benefits - post retirement benefits (note 7)	\$ 34,866	\$ 42,640
Expansion deposit	<u>20,000</u>	<u>20,000</u>
	\$ <u>54,866</u>	\$ <u>62,640</u>

The amounts shown above will ultimately be received from the City of Toronto when the post-retirement benefits are paid, the expansion funds are used and the loan is paid.

7. POST-EMPLOYMENT BENEFITS PAYABLE AND ACCOUNTS RECEIVABLE

The Arena participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its eligible employees. Under the sick leave plan for administration staff, unused sick leave accumulates and eligible employees may be entitled to a cash payment when they leave the Arena'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.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

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

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

	<u>2015</u>	<u>2014</u>
Sick leave benefits	\$ 52,076	\$ 52,044
Post-retirement benefits	<u>58,489</u>	<u>27,347</u>
	110,565	79,391
Add: unamortized actuarial gain (loss)	<u>(13,906)</u>	<u>25,042</u>
Employee benefit liability	\$ <u>96,659</u>	\$ <u>104,433</u>

The continuity of the accrued benefit obligation during 2015 is as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 104,433	\$ 112,368
Current service cost	1,073	944
Interest cost	2,621	3,002
Amortization of actuarial gain	(10,835)	(11,185)
Expected benefits paid	<u>(633)</u>	<u>(696)</u>
Balance, end of year	\$ <u>96,659</u>	\$ <u>104,433</u>

Recoveries in 2015 relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of \$7,774 (2014 - \$7,935) and include the following components:

	<u>2015</u>	<u>2014</u>
Current service cost	\$ 1,073	\$ 944
Interest cost	2,621	3,002
Amortization of actuarial gain	(10,835)	(11,185)
Less expected benefits paid during the year	<u>(633)</u>	<u>(696)</u>
Total expenditures related to post-employment benefits	\$ <u>(7,774)</u>	\$ <u>(7,935)</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

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

A receivable of \$34,866 (2014 - \$42,640) from the City has resulted from the recording of sick leave and post-retirement benefits and is included in the amounts to be recovered from the City, per note 6. 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 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. 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 \$37,737 in 2015 (2014 - \$31,626).

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 0.0021% 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.

8. **VEHICLE AND EQUIPMENT REPLACEMENT RESERVE**

These contributions are for the financing of replacement ice resurfacer machines required by the Arena Boards in future years. In 2015, the contribution was \$20,000 (2014 - \$20,000).

9. **POOL AGREEMENT WITH CITY OF TORONTO**

Under an agreement between the Board of Management of Leaside Memorial Community Gardens and the former Corporation of the Borough of East York and now the City of Toronto, the Board is appointed to operate, manage and maintain the swimming pool facility located at 1073 Millwood Road. The agreement commenced on October 1, 1996 and was for a one year period and without notice to terminate the agreement from either party, automatically renews for successive one year terms.

The agreement requires the City of Toronto to pay an annual rental fee to the Board of Management of Leaside Memorial Community Gardens for the swimming pool facility equal to the annual capital and operating deficits as authorized by the Board and approved by the City.

As at December 31, 2015, \$242,781 (2014 - \$213,264) is receivable from the City of Toronto for rental fees owing to Board of Management of Leaside Memorial Community Gardens for the current year. This amount has been included in the statement of financial position as a reduction to accounts payable and accrued liabilities - City of Toronto. The amount was included accounts receivable - City of Toronto in 2014.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2015

10. LOANS PAYABLE

The Arena Board received approval from Toronto City Council through the 2012 capital budget for the construction of a second ice pad on adjacent lands acquired by the City of Toronto. The projected total cost of the project was \$12.5 million. Of this up to \$7.5 million was to be provided through irrevocable debt repayable by the Arena Board over 30 years and Infrastructure Ontario was to provide up to \$1.5 million through a subordinate non-recourse loan repayable by the Arena Board over 20 years. The irrevocable debt repayable was included in an agreement between the Arena and the City dated May 15, 2012. The City of Toronto was to provide \$1.0 million from Reserve Funding. The Arena Board has met and paid its fundraising obligation to the City of Toronto of \$2.5 million.

On December 31, 2013 the City received the loan from Infrastructure Ontario in the amount of \$1,052,200 amortized and repayable by the Arena through the City over 20 years. The City has also provided an amount of \$7,302,334 for this Project as a recoverable debt loan, amortized and repayable by the Arena to the City over 30 years. The quarterly repayment to the City commenced in January 31, 2014. A tangible asset was recorded in 2013 in an amount equal to the total loans payable. This amount will be amortized and deducted from operating surplus equal to principle paid when the loan payments are made.

Loans payable is comprised of the following:

	<u>2015</u>	<u>2014</u>
Recoverable debt loan from the City - 4.6% amortized and repayable over 30 years, payable in blended quarterly payments of \$112,504.26	\$ 7,064,715	\$ 7,186,241
Loan from Infrastructure Ontario - 4.52% amortized and repayable over 20 years, payable in blended quarterly payments of \$20,050.51	<u>984,273</u>	<u>1,019,000</u>
	<u>\$ 8,048,988</u>	<u>\$ 8,205,241</u>

During the year \$364,762 (2014 - \$379,276) of interest expense was recorded related to the loans payable with \$84,952 (2014 - \$94,156) included in the payable to the City.

Total loan principal repayments made in 2015 amounted to \$156,253 (2014 - \$149,293) .

11. DEBT RESERVE

As part of the agreement between the Arena and the City, described in note 10, the Arena must charge a levy surcharge on the ice rental rates charged to all contracted users of the Arena during Prime Time of not less than \$20. The surcharge is to be remitted to the City to establish a debt service reserve fund and is to be levied until the reserve fund has reached an amount equal to four regular payments on the loans payable. The Arena began charging this surcharge at a rate of \$20 in October 2013. The surcharge collected in 2015 amounted to \$(68,190) (2014 - \$(71,610)). The cumulative debt reserve as of December 31, 2015 totalled \$175,385 (2014 - \$107,195).

As at December 31, 2015 the debt reserve balance payable to the City was \$68,190 (2014 - \$71,610). The debt reserve payable to the City for 2015 has been included in the amount payable to the City of Toronto.

12. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

ARENA OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budget 2015 (Unaudited)	2015	2014
Revenue			
Arena ice rental	\$ 1,324,192	\$ 1,340,003	\$ 1,220,837
Dasher board rental	44,805	47,781	51,224
Debt reserve surcharge	82,960	68,190	71,610
Pro shop income	8,000	8,125	7,333
	<u>1,459,957</u>	<u>1,464,099</u>	<u>1,351,004</u>
Expenses			
Wages	269,439	249,910	289,740
Hydro	190,000	254,793	257,710
Building repairs and maintenance	54,000	54,945	45,051
Gas	70,490	57,150	66,677
Equipment repairs and maintenance	40,000	41,594	22,707
Ice resurfacers	16,000	21,904	25,000
Bad debt expense	-	7,809	-
Water	5,400	-	-
	<u>645,329</u>	<u>688,105</u>	<u>706,885</u>
Allocated expenses			
Office/management salaries	133,496	104,932	86,892
Employee benefits	67,954	69,654	70,796
Office supplies	6,030	7,067	6,260
Insurance	8,295	8,295	8,295
Professional fees	3,216	4,020	3,286
Telephone/fax	3,350	3,447	2,753
General supplies	2,546	2,765	3,152
Amortization	-	2,100	2,100
Security	3,350	2,070	2,333
Garbage removal	1,340	2,017	2,010
Bank service charges	536	457	430
Travel expenses	2,680	410	531
Weekend paging	-	2,697	2,603
Uniforms	3,654	2,128	506
Professional upgrade	3,484	2,117	2,553
	<u>239,931</u>	<u>214,176</u>	<u>194,500</u>
	<u>885,260</u>	<u>902,281</u>	<u>901,385</u>
Excess of revenue over expenses before the following	574,697	561,818	449,619
Debt reserve	(82,960)	(68,190)	(71,610)
Vehicle and equipment reserve contributions	(20,000)	(20,000)	(20,000)
Arena expansion amortization	(160,000)	(156,253)	(149,293)
Interest expense on loans payable	<u>(365,000)</u>	<u>(364,762)</u>	<u>(379,276)</u>
Net deficit - arena operations	\$ (53,263)	\$ (47,387)	\$ (170,560)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

POOL OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budget 2015 (Unaudited)	2015	2014
Revenue			
Pool	\$ 301,243	\$ 242,781	\$ 213,264
Expenses			
Wages	81,460	67,691	63,054
Hydro	41,580	45,141	27,939
Gas	47,040	22,225	20,319
Building repairs and maintenance	32,000	19,472	17,311
Shop supplies	5,100	8,335	6,608
Water	4,536	-	-
	<u>211,716</u>	<u>162,864</u>	<u>135,231</u>
Allocated expenses			
Office/management salaries	49,812	39,154	32,422
Employee benefits	25,356	25,990	31,875
Office supplies	2,250	2,638	2,336
Insurance	3,095	3,095	3,095
Professional fees	1,200	1,500	1,226
Telephone/fax	1,250	1,286	1,027
General supplies	950	1,032	1,176
Amortization	-	783	783
Security	1,250	773	871
Garbage removal	500	753	750
Bank service charges	200	170	161
Travel expenses	1,000	153	198
Weekend paging	-	1,006	971
Uniforms	1,364	794	189
Professional upgrade	1,300	790	953
	<u>89,527</u>	<u>79,917</u>	<u>78,033</u>
	<u>301,243</u>	<u>242,781</u>	<u>213,264</u>
Net surplus - pool operations	\$ -	\$ -	\$ -

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
BANQUET/MEETING ROOM OPERATIONS
YEAR ENDED DECEMBER 31, 2015

	Budget 2015 (Unaudited)	2015	2014
Revenue			
Banquet/meeting room	\$ 71,087	\$ 88,624	\$ 96,452
Expenses			
Wages - full time	16,050	19,788	15,700
Hydro	3,360	9,564	10,500
Building repairs and maintenance	5,832	4,224	2,460
Other purchases	5,000	1,939	3,031
Food and bar purchases	1,000	188	210
Wages - part time	5,000	-	1,143
Gas	1,197	-	-
Advertising and promotion	5,000	-	-
	<u>42,439</u>	<u>35,703</u>	<u>33,044</u>
Allocated expenses			
Office/management salaries	15,940	12,529	10,375
Employee benefits	8,114	8,317	4,128
Office supplies	720	843	747
Insurance	990	990	990
Professional fees	384	480	392
Telephone/fax	400	412	329
General supplies	304	330	376
Weekend paging	-	322	311
Uniforms	436	254	61
Professional upgrade	416	252	305
Amortization	-	251	251
Security	400	247	279
Garbage removal	160	241	240
Bank service charges	64	55	51
Travel expenses	320	50	64
	<u>28,648</u>	<u>25,573</u>	<u>18,899</u>
	<u>71,087</u>	<u>61,276</u>	<u>51,943</u>
Net surplus - banquet/meeting room operations	<u>\$ -</u>	<u>\$ 27,348</u>	<u>\$ 44,509</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
 SNACK BAR AND VENDING OPERATIONS
 YEAR ENDED DECEMBER 31, 2015

	Budget 2015 (Unaudited)	2015	2014
Revenue			
Snack bar and vending	\$ 84,023	\$ 93,877	\$ 82,280
Expenses			
Snack bar and vending	28,990	35,313	31,529
Wages	<u>22,348</u>	<u>23,325</u>	<u>23,027</u>
	<u>51,338</u>	<u>58,638</u>	<u>54,556</u>
Net surplus - snack bar and vending operations	<u>\$ 32,685</u>	<u>\$ 35,239</u>	<u>\$ 27,724</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

SCHEDULE OF OTHER INCOME
YEAR ENDED DECEMBER 31, 2015

	Budget 2015 (Unaudited)	2015	2014
Other income			
Advertising income	\$ 8,900	\$ 13,497	\$ 6,806
Mediacom sign revenue	9,682	9,777	9,278
Miscellaneous income	<u>5,500</u>	<u>856</u>	<u>678</u>
	\$ <u>24,082</u>	\$ <u>24,130</u>	\$ <u>16,762</u>

June 9, 2016

Board of Management of Leaside Memorial Community Gardens
1073 Millwood Road
Toronto, Ontario
M4G 1X6

PRIVATE AND CONFIDENTIAL

Attention: Henry Stachelbeck

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.

OTHER DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Review of quarterly payroll reports

During our audit we noted that the quarterly payroll reports provided by the City are not always maintained in hard copy and as such there is no evidence of review of the payroll by the Manager to ensure only Arena employees are being allocated to the Arena payroll. We recommend that the Quarterly report received from the City be printed and reviewed by the Manager ensuring all staff listed are Arena staff. We also recommend that the report be initialled and dated by the Manager to indicate the review and that the reports be filed.

Management's Comments

Management will implement the recommendation.

Issue – Payable balance to City of Toronto

The payable balance to the City of Toronto differs from what the City has recorded in their books due to differences related to 2012/2013 payroll amounts recorded, hydro charges and credits and pool invoice amounts. The balance on the Arena's books also includes the Arena surcharge amounts payable and accrued interest on the long-term debt. We recommend that management work with City staff to reconcile the account and verify that all amounts being paid by the Arena are being allocated to the correct City accounts, ie. Debt reserve account versus Payroll account.

Management's Comments

Management will work with the City to address these matters in 2016.

Issue – Long-term Receivable from the City of Toronto

Included in the Long-term receivable from the City of Toronto balance is \$20,000 that has been described as expansion deposit. The explanation we received from management in prior years is that the amount was provided to the City at the start of the expansion project and was refundable to the Arena once the expansion was complete. We recommend the Arena address the matter with the City in 2016 and either collect the monies or write-off the amount receivable if it will not be collected.

Management's Comments

Management will work with the City to address these matters in 2016.

Issue - Due from City of Toronto operating deficit

The amount due from the City of Toronto operating deficit represents an accumulation of annual surplus/deficit balances payable(receivable) from the City. At present the account consists of the 2015 surplus balance payable, 2014 deficit balance receivable as well as surplus/deficit balances payable(receivable) and advances from 2002 to 2007. We recommend that management work with City staff to address the balances related to years prior to 2014 and have the balances settled.

Management's Comments

Management will work with the City to address these matters in 2016.

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



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