

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL 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
FOR NORTH TORONTO MEMORIAL ARENA**

We have audited the accompanying financial statements of the Board of Management for North Toronto Memorial Arena, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets (liability), 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Board of Management for North Toronto Memorial Arena has not recognized the vacation or payroll liability as at December 31, 2015, which constitutes a departure from Canadian public sector accounting standards. The Board of Management for North Toronto Memorial Arena's records indicate that had management recognized the vacation and payroll liabilities, an amount of \$23,928 would have been required to record the full amount of the liabilities. Accordingly, salaries and wages expense would have been increased by \$23,928, accounts payable and accrued liabilities - Other would have been increased by \$23,928, net revenue payable to the City of Toronto and operating surplus would have been reduced by \$23,928 and Due to City of Toronto - operating surplus would have been decreased by \$23,928.

The Board of Management for North Toronto Memorial Arena also did not accrue for liabilities of \$30,981 as at December 31, 2014, which constitutes a departure from Canadian public sector accounting standards. The Board of Management for North Toronto Memorial Arena's expenses should have been increased and the results of operations should have been decreased for the year ended December 31, 2014 by \$30,981, and accrued liabilities should have been increased as at December 31, 2014 by \$30,981. This caused us to modify our opinion on the financial statements for that year.

In accordance with Canadian public accounting standards, The Board of Management for North Toronto Memorial Arena corrected \$30,981 of the error in the current year's figures rather than correcting the comparative information. Our opinion on the current year's financial statements is modified because of the effects of this matter on the comparability of the current year's figures and the comparative information.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board of Management for North Toronto Memorial Arena as at December 31, 2015 and the results of its operations and its cash flows for the year ended then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 27, 2016.

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash	\$ 17,244	\$ 38,905
Accounts receivable	90,773	80,906
Inventories	<u>65,009</u>	<u>71,875</u>
	<u>173,026</u>	<u>191,686</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto	21,914	44,624
Accounts payable and accrued liabilities - other	128,487	106,706
Due to City of Toronto - operating surplus (note 5)	652	385
Deferred revenue	6,973	24,971
City of Toronto - working capital advance	<u>15,000</u>	<u>15,000</u>
	<u>173,026</u>	<u>191,686</u>
NET FINANCIAL ASSETS (LIABILITY)	-	-
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>40,070</u>	<u>34,257</u>
ACCUMULATED SURPLUS	<u>\$ 40,070</u>	<u>\$ 34,257</u>

Approved on behalf of the Board of Management:

Karen Stutz
.....Chair

Daniel
.....Member
(SECRETARY)

(See accompanying notes)

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Revenue			
Ice rentals	\$ 691,132	\$ 641,325	\$ 636,706
City of Toronto - recovery of expenses (note 8)	69,036	77,878	66,035
Banquet room rentals	26,997	27,718	26,284
Pro shop operations (Schedule A)	25,546	15,760	17,706
Snack bar and vending machine operations (Schedule A)	22,639	13,490	19,220
Advertising	15,000	18,700	18,700
Zamboni replacement - contribution	11,000	11,000	10,000
Arena floor rentals	1,313	1,350	1,300
Gate receipts	-	-	18,186
	<u>862,663</u>	<u>807,221</u>	<u>814,137</u>
Expenses			
Salaries and wages	421,575	385,253	399,872
Employee benefits	123,900	111,660	111,562
Utilities	171,918	176,784	171,129
Maintenance and repairs	63,814	61,546	60,484
General administration	52,358	35,023	35,816
Insurance	10,914	10,914	10,624
Professional fees	6,296	5,418	5,296
Amortization	-	3,308	2,736
	<u>850,775</u>	<u>789,906</u>	<u>797,519</u>
Excess revenues over expenses before the following	11,888	17,315	16,618
Vehicle and equipment reserve contribution (note 7)	<u>11,000</u>	<u>11,000</u>	<u>10,000</u>
Operating surplus	\$ <u>888</u>	6,315	6,618
Net revenue payable to the City of Toronto (note 5)		<u>(502)</u>	<u>(151)</u>
Annual surplus		5,813	6,467
Accumulated surplus, beginning of year		<u>34,257</u>	<u>27,790</u>
Accumulated surplus, end of year		\$ <u>40,070</u>	\$ <u>34,257</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITY)
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 5,813	\$ 6,467
Acquisition of tangible capital assets	(9,121)	(9,203)
Amortization of tangible capital assets	<u>3,308</u>	<u>2,736</u>
Change in net financial assets (liability)	-	-
Net financial assets (liability), beginning of year	<u>-</u>	<u>-</u>
Net financial assets (liability), end of year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 5,813	\$ 6,467
Adjustments for:		
Amortization	<u>3,308</u>	<u>2,736</u>
	9,121	9,203
Non-cash changes to operations:		
Accounts receivable	(9,867)	(41,871)
Inventories	6,866	4,941
Accounts payable and accrued liabilities - City of Toronto	(22,710)	2,227
Accounts payable and accrued liabilities - other	21,781	20,866
Deferred revenue	(17,998)	20,717
Due to City of Toronto - operating surplus	<u>267</u>	<u>(966)</u>
Cash flows provided by (used in) operating activities	<u>(12,540)</u>	<u>15,117</u>
 CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(9,121)</u>	<u>(9,203)</u>
Cash flows used in capital transactions	<u>(9,121)</u>	<u>(9,203)</u>
 INCREASE (DECREASE) IN CASH	(21,661)	5,914
 CASH AT BEGINNING OF YEAR	<u>38,905</u>	<u>32,991</u>
 CASH AT END OF YEAR	\$ <u>17,244</u>	\$ <u>38,905</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

1. NATURE OF OPERATIONS

The Board of Management for North Toronto Memorial 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.22583, as amended. The Arena is located at 174 Orchardview Boulevard. 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 financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

Revenue and expenditures are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

Ice rentals paid in advance are recorded as deferred revenue.

Financial instruments

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

The Arena subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

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

Inventories

Inventories held for resale are initially valued 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:

Machinery and equipment	- 15 years straight line
Leasehold improvements	- 20 years straight line

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.

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Employee related costs

The Arena has adopted the following policies with respect to the employee benefit plan:

- 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.

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, assessing the allowance of doubtful accounts, recoverability of inventory 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 and accounts receivable. 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 and amounts due to the City of Toronto.

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.

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2015

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>
Machinery and equipment	\$ 48,183	\$ 10,744	\$ 39,061	\$ 7,638
Leasehold improvements	<u>4,049</u>	<u>1,418</u>	<u>4,049</u>	<u>1,215</u>
	52,232	<u>\$ 12,162</u>	43,110	<u>\$ 8,853</u>
Accumulated amortization	<u>12,162</u>		<u>8,853</u>	
	<u>\$ 40,070</u>		<u>\$ 34,257</u>	

5. OPERATING SURPLUS DUE TO THE CITY OF TORONTO

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 385	\$ 1,351
Current year's operating surplus	6,315	6,618
Current year's capital assets purchase	(9,121)	(9,203)
Current year's amortization	<u>3,308</u>	<u>2,736</u>
Net revenue payable to the City of Toronto	502	151
Paid during the current year	<u>(235)</u>	<u>(1,117)</u>
Balance, end of year	<u>\$ 652</u>	<u>\$ 385</u>

6. EMPLOYEE-RELATED LIABILITIES

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 \$30,682 (2014 - \$30,368).

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 0.0017% 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

This reserve represents contributions made to the City for the financing of replacement ice resurfacer machines required by the Arena Boards in future years. The contribution for the year was \$11,000 (2014 - \$10,000)

8. OUTDOOR RINK

Under an arrangement with the City of Toronto, the Board services an artificial outdoor rink located adjacent to the Arena. The Board is reimbursed \$77,878 (2014 - \$66,035) by the City for expenditures incurred in servicing this rink, based upon a budgetary provision, which may not be exceeded without prior approval from the City.

BOARD OF MANAGEMENT FOR NORTH TORONTO MEMORIAL ARENA
YEAR ENDED DECEMBER 31, 2015

SNACK BAR AND VENDING OPERATIONS

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Sales			
Snack bar and vending machine	\$ 103,687	\$ 78,349	\$ 87,523
Cost of goods sold	<u>48,048</u>	<u>38,091</u>	<u>39,888</u>
	<u>55,639</u>	<u>40,258</u>	<u>47,635</u>
Expenses			
Wages	32,100	26,760	28,114
Maintenance	<u>900</u>	<u>8</u>	<u>301</u>
	<u>33,000</u>	<u>26,768</u>	<u>28,415</u>
Excess revenue over expenses	<u>\$ 22,639</u>	<u>\$ 13,490</u>	<u>\$ 19,220</u>

PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Sales			
Pro shop sales	\$ 63,246	\$ 32,620	\$ 44,968
Cost of goods sold	<u>31,900</u>	<u>8,782</u>	<u>20,855</u>
	<u>31,346</u>	<u>23,838</u>	<u>24,113</u>
Expenses			
Wages	4,800	5,500	5,700
Equipment maintenance	<u>1,000</u>	<u>2,578</u>	<u>707</u>
	<u>5,800</u>	<u>8,078</u>	<u>6,407</u>
Excess revenue over expenses	<u>\$ 25,546</u>	<u>\$ 15,760</u>	<u>\$ 17,706</u>

June 30, 2016

Board of Management for North Toronto Memorial Arena
174 Orchard View Boulevard
Toronto, Ontario
M4R 1C3

PRIVATE AND CONFIDENTIAL

Attention: Mr. Eric Anweiler

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 Eric and received his comments thereon.

OTHER DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue – Payroll not recorded on an accrual basis

The current practice of the Arena is to record the payroll on a cash basis, ie. record it as paid where as the accounting standards require that an accrual basis be applied and any payroll costs payable at yearend be accrued. The result of not recording payroll on an accrual basis is that the liabilities are understated at yearend.

Management's Comments

The current practice provides consistency from year to year and ensures 26 pay periods are recorded in each year.

Issue - Bank Reconciliations

At present bank reconciliations are being prepared monthly by the Arena manager but are not being reviewed. We recommend that the bank reconciliations be reviewed and signed to indicate review by someone other than the preparer.

Management's Comments

The Arena will start having the secretary of the Board sign off on all bank reconciliations in order to indicate his review and approval.

Issue - Significant Unused Vacation

We observed that there is a significant vacation liability as at December 31, 2015 in the amount of \$16,339 related to the Arena manager. We did note that there was an effort made in 2015 to reduce the amount of the vacation liability and we understand with limited personnel resources at the Arena, it is difficult to take vacation. Nevertheless, we recommend that either the vacation be paid out in full or partially if that is the Arena's policy or that efforts be made to enable the employee to use their accumulated vacation.

Management's Comments

In the event that the Manager were to resign from his position, he does not expect any of this amount to be payable to him and as a result would prefer to not recognize the liability on the financial statements. The Manager does intend to take more vacation days in order to decrease the amount of vacation liability in the future.

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

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

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

Yours very truly,

Welch LLP



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