

**FINANCIAL STATEMENTS**  
**For**  
**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**  
**For the year ended**  
**DECEMBER 31, 2015**

**INDEPENDENT AUDITOR'S REPORT**

To the Council of the Corporation of the

**CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR THE  
RALPH THORNTON COMMUNITY CENTRE**

We have audited the accompanying financial statements of the Board of Management for the Ralph Thornton Community Centre, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, 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*

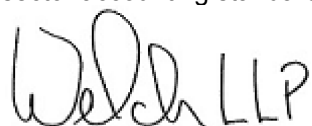
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, these financial statements present fairly, in all material respects, the financial position of the Board of Management for the Ralph Thornton Community Centre 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.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
May 18, 2016.

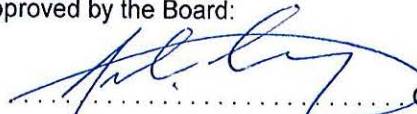
**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 135,262	\$ 147,814
Short-term investments (note 5)	137,181	136,000
Accounts receivable - City of Toronto (note 9)	24,340	28,185
Accounts receivable - other	31,245	24,285
Prepaid expenses	<u>7,216</u>	<u>2,299</u>
	335,244	338,583
<b>ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 8)</b>	88,518	101,519
<b>CAPITAL ASSETS (note 4)</b>	<u>17,739</u>	<u>19,680</u>
	<u>\$ 441,501</u>	<u>\$ 459,782</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payables and accrued liabilities - City of Toronto (note 9)	\$ 141	\$ 2,589
Accounts payable and accrued liabilities - other	80,992	120,494
Deferred contributions (note 6)	140,619	103,615
Deferred capital contribution (note 7)	<u>8,753</u>	<u>16,993</u>
	230,505	243,691
<b>POST-EMPLOYMENT BENEFITS PAYABLE (note 8)</b>	<u>88,518</u>	<u>101,519</u>
	<u>319,023</u>	<u>345,210</u>
<b>NET ASSETS</b>		
Internally restricted - Invested in capital assets	8,986	2,687
Unrestricted	<u>113,492</u>	<u>111,885</u>
	<u>122,478</u>	<u>114,572</u>
	<u>\$ 441,501</u>	<u>\$ 459,782</u>

Approved by the Board:

 Chair

 Treasurer

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED DECEMBER 31, 2015**

	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Net assets, beginning of year	\$ 2,687	\$ 111,885	\$ 114,572	\$ 100,788
Net revenue over expenses	-	7,906	7,906	13,784
Purchase of program capital assets	7,998	(7,998)	-	-
Amortization of capital assets	(9,939)	9,939	-	-
Amortization of deferred capital contributions	<u>8,240</u>	<u>(8,240)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 8,986</u>	<u>\$ 113,492</u>	<u>\$ 122,478</u>	<u>\$ 114,572</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2015**

	<u>Program</u>	<u>Administration</u>	<u>2015</u>	<u>2014</u>
<b>Revenue</b>				
Grants				
City of Toronto	\$ 61,125	\$ 642,746	\$ 703,871	\$ 710,355
Government of Canada	8,801	-	8,801	8,815
Foundations	12,875	-	12,875	28,500
Other	<u>9,870</u>	<u>-</u>	<u>9,870</u>	<u>69,873</u>
	92,671	642,746	735,417	817,543
Donations	20,703	-	20,703	6,266
Fundraising	4,957	-	4,957	-
Rental income	26,980	39,364	66,344	60,643
User fees	1,360	-	1,360	1,063
Other revenue	<u>4,559</u>	<u>-</u>	<u>4,559</u>	<u>3,300</u>
	<u>151,230</u>	<u>682,110</u>	<u>833,340</u>	<u>888,815</u>
<b>Expenses</b>				
Salaries and wages	91,762	420,352	512,114	470,659
Employee benefits	16,391	94,431	110,822	120,962
Materials and supplies	2,562	99,565	102,127	90,794
Purchase of services	30,910	67,762	98,672	191,717
Amortization of capital assets	9,909	30	9,939	10,112
Amortization of deferred capital contributions	<u>(8,210)</u>	<u>(30)</u>	<u>(8,240)</u>	<u>(9,213)</u>
	<u>143,324</u>	<u>682,110</u>	<u>825,434</u>	<u>875,031</u>
<b>Net revenue over expenses</b>	<u>\$ 7,906</u>	<u>\$ -</u>	<u>\$ 7,906</u>	<u>\$ 13,784</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net revenue over expenses	\$ 7,906	\$ 13,784
Adjustments for:		
Amortization of capital assets	9,939	10,112
Amortization of deferred capital contributions	<u>(8,240)</u>	<u>(9,213)</u>
	9,605	14,683
Changes in non-cash working capital components:		
Accounts receivable - City of Toronto	3,845	(9,881)
Accounts receivable - other	(6,960)	(7,889)
Prepaid expenses	(4,917)	(299)
Long-term account receivable - City of Toronto	13,001	20,748
Accounts payables and accrued liabilities - City of Toronto	(2,448)	-
Accounts payable and accrued liabilities - other	(39,502)	66,857
Deferred capital contributions	37,004	(35,016)
Post-employment benefits payable	<u>(13,001)</u>	<u>(20,748)</u>
<b>Cash flows from operating activities</b>	<u>(3,373)</u>	<u>28,455</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of capital assets - program	(7,998)	-
Purchase of short-term investments	<u>(1,181)</u>	<u>(136,000)</u>
<b>Cash flows used in investing activities</b>	<u>(9,179)</u>	<u>(136,000)</u>
<b>DECREASE IN CASH</b>	(12,552)	(107,545)
<b>CASH AT BEGINNING OF YEAR</b>	<u>147,814</u>	<u>255,359</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 135,262</u>	<u>\$ 147,814</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2015**

**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 No. 765 Queen Street East, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Ralph Thornton Community Centre (the "Centre"). The City purchased the property March 2004. 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 Canada 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. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution 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, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

*Contributed material and 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.

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2015**

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

*Capital assets*

Capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Computers	- 3 years straight line
Furniture and equipment	- 5 years straight line
Kitchen improvements	- 10 years straight line

*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 the useful life of its capital assets, significant accrued liabilities, the post-employment benefits liabilities and the related costs charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.



**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**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 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 and short-term investments earn 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, short-term investments and accounts receivable. The Centre's cash and short-term investments are with a Canadian chartered bank and as a result management believes the risk of loss to be remote.

Management believes that the Centre'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.

*Changes in risk*

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

**4. CAPITAL ASSETS**

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>
Program				
Building and kitchen improvements	\$ 82,100	\$ 73,348	\$ 82,100	\$ 65,138
Computer hardware	39,710	39,710	39,710	39,326
Furniture, fixtures and equipment	<u>25,066</u>	<u>16,109</u>	<u>17,068</u>	<u>14,764</u>
	146,876	129,167	138,878	119,228
Administrative				
Furniture, fixtures and equipment	<u>10,338</u>	<u>10,308</u>	<u>10,338</u>	<u>10,308</u>
	157,214	<u>\$ 139,475</u>	149,216	<u>\$ 129,536</u>
Accumulated amortization	<u>139,475</u>		<u>129,536</u>	
	<u>\$ 17,739</u>		<u>\$ 19,680</u>	

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2015**

**5. SHORT-TERM INVESTMENTS**

The short-term investments consist of GICs with maturity dates ranging from March 1, 2016 to August 23, 2016 and bear interest rates ranging from prime -1.95% to prime -2.0%.

**6. DEFERRED CONTRIBUTIONS**

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 103,615	\$ 138,631
Add: Funds received	123,511	121,062
Less: Amounts recognized as revenue	<u>(86,507)</u>	<u>(156,078)</u>
Balance, end of year	<u>\$ 140,619</u>	<u>\$ 103,615</u>

**7. DEFERRED CAPITAL CONTRIBUTION**

Contributions relating to the renovation of the kitchen, a program asset, are being deferred and amortized over the life of the asset (10 years).

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 16,993	\$ 26,206
Less: Amortization of deferred capital contributions	<u>(8,240)</u>	<u>(9,213)</u>
Balance, end of year	<u>\$ 8,753</u>	<u>\$ 16,993</u>

**8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCE 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 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 obligation were as follows:

- long-term inflation rate - 2.0%
- assumed health care cost trends - range from 3.0% to 6.0 %
- rate of compensation increase - 3.0% to 3.5%
- discount rates - post-retirement 3.4%, post-employment 2.5 %, sick leave 2.9%

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2015**

**8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCE LIABILITY - Cont'd.**

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

	<u>2015</u>	<u>2014</u>
Income benefits	\$ 19,408	\$ 36,388
Continuation of benefits to disabled employees	19,998	-
Sick leave benefits	-	5,270
Post-retirement benefits	<u>43,609</u>	<u>57,601</u>
	83,015	99,259
Add: Unamortized actuarial gain	<u>5,503</u>	<u>2,260</u>
Post-employment benefit liability	<u>\$ 88,518</u>	<u>\$ 101,519</u>

The continuity of the accrued benefit obligation is as follows:

Balance, beginning of year	\$ 101,519	\$ 122,267
Current service cost	6,010	5,117
Interest cost	3,009	4,099
Amortization of actuarial (gain) loss	504	(43)
Expected benefits paid	<u>(22,524)</u>	<u>(29,921)</u>
Balance, end of year	<u>\$ 88,518</u>	<u>\$ 101,519</u>

Expenditures relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of \$13,001 (2014 - \$20,748) and include the following components:

	<u>2015</u>	<u>2014</u>
Current service cost	\$ 6,010	\$ 5,117
Interest cost	3,009	4,099
Amortization of actuarial (gain) loss	504	(43)
Expected benefits paid	<u>(22,524)</u>	<u>(29,921)</u>
Total expenditures related to post-retirement and post-employment benefits	<u>\$ (13,001)</u>	<u>\$ (20,748)</u>

A long-term receivable of \$88,518 (2014 - \$101,519) 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 administration 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 management and union employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employee based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$36,128 in 2015 (2014 - \$27,045).

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 0.0020% 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.

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2015**

**9. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION**

Funding for administration expense 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 <u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
<b>Budgeted administration expenditure:</b>			
Salaries and Wages	\$ 434,641	\$ 420,352	\$ 341,732
Employee Benefits	123,284	94,431	104,686
Materials and supplies	65,147	99,565	88,577
Purchase of services	<u>75,574</u>	<u>67,762</u>	<u>170,834</u>
	698,646	682,110	705,829
Less: rental revenue	<u>(39,400)</u>	<u>(39,364)</u>	<u>(39,364)</u>
	<u>\$ 659,246</u>	<u>\$ 642,746</u>	<u>\$ 666,465</u>
<b>Centre's actual administration revenue:</b>			
Administration budget		\$ 659,246	\$ 659,245
Rental revenue		<u>39,364</u>	<u>39,364</u>
		<u>698,610</u>	<u>698,609</u>
<b>Centre's actual administration expenses:</b>			
Administration expenses		682,110	705,829
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term accounts receivable - City of Toronto		13,001	20,748
Difference between funding received and budgeted		<u>(347)</u>	<u>217</u>
		<u>694,764</u>	<u>726,794</u>
Administration expenditure under (over) approved budget		<u>\$ 3,846</u>	<u>\$ (28,185)</u>

The under (over) expenditure of \$3,846 (2014 - (\$28,185)) is included in the accounts payable (receivable) from the City.

**10. LEASE COMMITMENTS**

The minimum operating lease payments required for the Centre are as follows:

2016	\$ 2,400
2017	2,400
2018	1,200

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

PROGRAM INCOME STATEMENT - Summer Camps

YEAR ENDED DECEMBER 31, 2015

(supplemental information - unaudited)

	<u>2015</u>	<u>2014</u>
<b>Revenue</b>		
Grant from City of Toronto Children's Services	\$ 11,000	\$ 11,000
Grant from Toronto Star Foundation	10,000	10,000
Grant from Federal Government	8,801	8,815
Fundraising and other income	<u>15,884</u>	<u>2,245</u>
	<u>45,685</u>	<u>32,060</u>
<b>Expenses</b>		
Salaries and wages	36,383	23,748
Employee benefits	2,862	1,671
Program supplies	<u>12,015</u>	<u>9,782</u>
	<u>51,260</u>	<u>35,201</u>
<b>Program deficit</b>	<u>\$ (5,575)</u>	<u>\$ (3,141)</u>

June 14, 2016

Board of Management for the Ralph Thornton Community Centre  
765 Queen Street East  
Toronto, Ontario  
M4M 1H3  
**PRIVATE AND CONFIDENTIAL**

Attention: Mr. John Campey,  
Executive Director

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 John Campey and received his comments thereon.

## **Issue – HST filings**

The Centre currently files HST remittances reporting HST collected and HST paid. However, because less than 10% of the revenues are taxable the HST paid should only be claimed for those expenses directly related to the taxable revenues and a prorated portion of HST paid on overhead expenses. The Centre has municipality status with CRA and as such is eligible for the rebate as a municipality which is 100% of the 5% federal portion of the HST and 78% of the 8% provincial portion of the HST. This rebate can be claimed in lieu of the HST paid simplifying the reporting with approximately the same financial impact.

We recommend the Centre review the proper HST treatment and amend HST returns and file rebates as required for the past four years. We estimate the overclaimed ITCs from 2012-2015 total \$4,600.15 and the potential interest charged on the overclaimed ITCs would be approximately \$535.

## **Management's Comments**

Management substantially concurs with the recommendation but would like to review the matter further in respect of eligible ITCs.

## **Issue – HST paid on expenses not properly posted**

During our review of expenses incurred and posted to the accounting records we noted that HST paid is not consistently treated and that HST paid is not always posted to the proper HST account ensuring the full eligible amount is claimed as refundable from CRA.

## **Management's Comments**

"Management agrees with the observation. The reason for the inconsistency is that the accounting program was being used to calculate the input tax credit. In cases of petty cash and expense reimbursement, the result was often a nil input tax credit which was incorrect. Management has already implemented the procedure whereby individual receipts for cash disbursements are entered and the system generated input tax credit is overridden by manually entering the correct HST amount."

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

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

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

Yours very truly,

**Welch LLP**



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

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