

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE
For the year ended
DECEMBER 31, 2016

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, 2016, 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, 2016 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 17, 2017.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 81,233	\$ 135,262
Short-term investments (note 5)	111,000	137,181
Accounts receivable - City of Toronto (note 9)	47,742	24,340
Accounts receivable - other	4,351	31,245
Prepaid expenses	<u>7,305</u>	<u>7,216</u>
	251,631	335,244
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 8)	58,436	88,518
CAPITAL ASSETS (note 4)	<u>9,036</u>	<u>17,739</u>
	<u>\$ 319,103</u>	<u>\$ 441,501</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payables and accrued liabilities - City of Toronto (note 9)	\$ -	\$ 141
Accounts payable and accrued liabilities - other	60,921	80,992
Deferred contributions (note 6 and 13)	63,615	90,619
Deferred capital contribution (note 7)	<u>543</u>	<u>8,753</u>
	125,079	180,505
POST-EMPLOYMENT BENEFITS PAYABLE (note 8)	<u>58,436</u>	<u>88,518</u>
	<u>183,515</u>	<u>269,023</u>
NET ASSETS		
Internally restricted - Invested in capital assets	8,493	8,986
Internally restricted - Capital reserves (note 11)	33,673	-
Internally restricted - Operating reserves (note 12)	61,000	-
Unrestricted (note 13)	<u>32,422</u>	<u>163,492</u>
	<u>135,588</u>	<u>172,478</u>
	<u>\$ 319,103</u>	<u>\$ 441,501</u>

Approved by the Board:

..... Chair

..... Treasurer

(See accompanying notes)

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BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	<u>Invested in Capital Assets</u>	<u>Capital Reserve</u>	<u>Operating Reserve</u>	<u>Unrestricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Net assets, beginning of year (note 13)	\$ 8,986	\$ -	\$ -	\$ 163,492	\$ 172,478	\$ 164,572
Net revenue over expenses (expenses over revenue)	-	-	-	(36,890)	(36,890)	7,906
Interfund transfers (notes 12 and 12)	-	33,673	61,000	(94,673)	-	-
Purchase of program capital assets	1,950	-	-	(1,950)	-	-
Amortization of capital assets	(10,653)	-	-	10,653	-	-
Amortization of deferred capital contributions	<u>8,210</u>	<u>-</u>	<u>-</u>	<u>(8,210)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 8,493</u>	<u>\$ 33,673</u>	<u>\$ 61,000</u>	<u>\$ 32,422</u>	<u>\$ 135,588</u>	<u>\$ 172,478</u>

(See accompanying notes)

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BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Administration</u>	<u>2016</u>	<u>2015</u>
Revenue				
Grants				
City of Toronto	\$ 90,320	\$ 667,731	\$ 758,051	\$ 703,871
Government of Canada	24,403	-	24,403	8,801
Foundations	10,000	-	10,000	12,875
Other	<u>24,193</u>	<u>-</u>	<u>24,193</u>	<u>9,870</u>
	148,916	667,731	816,647	735,417
Donations	31,706	-	31,706	20,703
Fundraising	11,328	-	11,328	4,957
Rental income	24,005	39,364	63,369	66,344
User fees	24,909	-	24,909	1,360
Other revenue	<u>12,503</u>	<u>-</u>	<u>12,503</u>	<u>4,559</u>
	<u>104,451</u>	<u>39,364</u>	<u>143,815</u>	<u>97,923</u>
	<u>253,367</u>	<u>707,095</u>	<u>960,462</u>	<u>833,340</u>
Expenses				
Salaries and wages	152,414	474,795	627,209	512,114
Employee benefits	20,338	109,884	130,222	110,822
Materials and supplies	16,232	76,558	92,790	102,127
Purchase of services	98,830	45,858	144,688	98,672
Amortization of capital assets	10,653	-	10,653	9,939
Amortization of deferred capital contributions	<u>(8,210)</u>	<u>-</u>	<u>(8,210)</u>	<u>(8,240)</u>
	<u>290,257</u>	<u>707,095</u>	<u>997,352</u>	<u>825,434</u>
Net revenues over expenses				
(expenses over revenues)	<u>\$ (36,890)</u>	<u>\$ -</u>	<u>\$ (36,890)</u>	<u>\$ 7,906</u>

(See accompanying notes)

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BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenues over expenses (expenses over revenues)	\$ (36,890)	\$ 7,906
Adjustments for:		
Amortization of capital assets	10,653	9,939
Amortization of deferred capital contributions	<u>(8,210)</u>	<u>(8,240)</u>
	(34,447)	9,605
Changes in non-cash working capital components:		
Accounts receivable - City of Toronto	(23,402)	3,845
Accounts receivable - other	26,894	(6,960)
Prepaid expenses	(89)	(4,917)
Long-term account receivable - City of Toronto	30,082	13,001
Accounts payables and accrued liabilities - City of Toronto	(141)	(2,448)
Accounts payable and accrued liabilities - other	(20,071)	(39,502)
Deferred capital contributions	(27,004)	37,004
Post-employment benefits payable	<u>(30,082)</u>	<u>(13,001)</u>
Cash flows from operating activities	<u>(78,260)</u>	<u>(3,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets - program	(1,950)	(7,998)
Purchase of short-term investments	<u>26,181</u>	<u>(1,181)</u>
Cash flows used in investing activities	<u>24,231</u>	<u>(9,179)</u>
DECREASE IN CASH	(54,029)	(12,552)
CASH AT BEGINNING OF YEAR	<u>135,262</u>	<u>147,814</u>
CASH AT END OF YEAR	<u>\$ 81,233</u>	<u>\$ 135,262</u>

(See accompanying notes)

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BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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, 2016

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:

Computer hardware	- 3 years straight line
Furniture, fixtures and equipment	- 5 years straight line
Building and 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, 2016

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 significant changes in the Centre's risk exposures from the prior year.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2016		2015	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Program				
Building and kitchen improvements	\$ 82,100	\$ 81,558	\$ 82,100	\$ 73,348
Computer hardware	39,710	39,710	39,710	39,710
Furniture, fixtures and equipment	<u>27,016</u>	<u>18,522</u>	<u>25,066</u>	<u>16,079</u>
	148,826	139,790	146,876	129,137
Administrative				
Furniture, fixtures and equipment	<u>10,338</u>	<u>10,338</u>	<u>10,338</u>	<u>10,338</u>
	159,164	\$ <u>150,128</u>	157,214	\$ <u>139,475</u>
Accumulated amortization	<u>150,128</u>		<u>139,475</u>	
	\$ <u>9,036</u>		\$ <u>17,739</u>	

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BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

5. SHORT-TERM INVESTMENTS

The short-term investments consist of GICs with maturity dates ranging of February 27, 2017 and November 1, 2017 and bear interest at prime -2.10%.

6. DEFERRED CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Balance, beginning of year (note 11)	\$ 90,619	\$ 53,615
Add: Funds received	121,912	123,511
Less: Amounts recognized as revenue	<u>(148,916)</u>	<u>(86,507)</u>
Balance, end of year	<u>\$ 63,615</u>	<u>\$ 90,619</u>

The year-end balances are made up as follows:

City of Toronto, Section 37 Grant (capital use)	\$ 35,205	\$ 35,205
City of Toronto, Access & Equity Grant	20,000	40,000
Various contributors for kitchen upgrades	8,410	8,410
Ralph Thornton Community Organization	-	5,000
Toronto Foundation for Student Success	<u>-</u>	<u>2,004</u>
	<u>\$ 63,615</u>	<u>\$ 90,619</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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 8,753	\$ 16,993
Less: Amortization of deferred capital contributions	<u>(8,210)</u>	<u>(8,240)</u>
Balance, end of year	<u>\$ 543</u>	<u>\$ 8,753</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.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

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

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 3.5%, post-employment 2.7 %, sick leave 3.10%

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

	<u>2016</u>	<u>2015</u>
Income benefits	\$ -	\$ 19,408
Continuation of benefits to disabled employees	-	19,998
Post-retirement benefits	<u>51,812</u>	<u>43,609</u>
	51,812	83,015
Add: Unamortized actuarial gain	<u>6,624</u>	<u>5,503</u>
Post-employment benefit liability	<u>\$ 58,436</u>	<u>\$ 88,518</u>

The continuity of the accrued benefit obligation is as follows:

Balance, beginning of year	\$ 88,518	\$ 101,519
Current service cost	7,933	6,010
Interest cost	2,229	3,009
Amortization of actuarial loss	283	504
Expected benefits paid	<u>(40,527)</u>	<u>(22,524)</u>
Balance, end of year	<u>\$ 58,436</u>	<u>\$ 88,518</u>

Recoveries relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of \$30,082 (2015 - \$13,001) and include the following components:

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 7,933	\$ 6,010
Interest cost	2,229	3,009
Amortization of actuarial loss	283	504
Expected benefits paid	<u>(40,527)</u>	<u>(22,524)</u>
Total recovery related to post-retirement and post-employment benefits	<u>\$ (30,082)</u>	<u>\$ (13,001)</u>

A long-term receivable of \$58,436 (2015 - \$88,518) 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 \$50,867 in 2016 (2015 - \$36,128).

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

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

The most recent actuarial valuation of the OMERS plan as at December 31, 2016 indicates the Plan is not fully funded and the Plan's December 31, 2016 financial statements indicate a deficit of \$5.72 billion (less an additional \$3.379 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 0.0028% 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.

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.

	2016 <u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Budgeted administration expenditure:			
Salaries and Wages	\$ 447,992	\$ 474,795	\$ 420,352
Employee Benefits	140,906	109,884	94,431
Materials and supplies	71,768	76,558	99,565
Purchase of services	<u>53,153</u>	<u>45,858</u>	<u>67,762</u>
	713,819	707,095	682,110
Less: rental revenue	<u>(39,400)</u>	<u>(39,365)</u>	<u>(39,364)</u>
	<u>\$ 674,419</u>	<u>\$ 667,730</u>	<u>\$ 642,746</u>
Centre's actual administration revenue:			
Administration budget		\$ 674,419	\$ 659,246
Rental revenue		<u>39,365</u>	<u>39,364</u>
		<u>713,784</u>	<u>698,610</u>
Centre's actual administration expenses:			
Administration expenses		707,095	682,110
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term accounts receivable - City of Toronto		30,082	13,001
Difference between funding received and budgeted		<u>8</u>	<u>(347)</u>
		<u>737,185</u>	<u>694,764</u>
Administration expenditure (over) under approved budget		<u>\$ (23,401)</u>	<u>\$ 3,846</u>

The (over) under expenditure of \$(23,401) (2015 - \$3,846) is included in the accounts (receivable) payable from the City.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

10. LEASE COMMITMENTS

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

2017	\$ 1,820
2018	1,820
2019	1,820
2020	1,820
2021	<u>542</u>
	<u>\$ 7,822</u>

11. INTERNALLY RESTRICTED - CAPITAL RESERVES

	<u>Balance beginning of year</u>	<u>Transfers In</u>	<u>Transfer Out</u>	<u>Balance end of year</u>
Strategic Plan Reserve (i)	\$ -	\$ 20,500	\$ -	\$ 20,500
General Capital Reserve (ii)	<u>-</u>	<u>15,673</u>	<u>(2,500)</u>	<u>13,173</u>
	<u>\$ -</u>	<u>\$ 36,173</u>	<u>\$ (2,500)</u>	<u>\$ 33,673</u>

- (i) The Strategic Plan Reserve represents funds set aside by the Board of Management for the strategic planning process, with annual contributions included in the Centre's operating budget to replenish the reserve between strategic plans. In 2016, the Board of Management approved a transfer of \$20,500 (2015 - \$nil) from Unrestricted to the Strategic Plan Reserve.
- (ii) The General Capital Reserve represents funds set aside by the Board of Management for future capital upgrades and emergency repairs. In 2016, the Board of Management approved a transfer of \$15,673 (2015 - \$nil) from Unrestricted to the General Capital Reserve. Additionally, \$2,500 was transferred from General Capital Reserve to Unrestricted to cover expenses incurred in the year.

12. INTERNALLY RESTRICTED - OPERATING RESERVES

	<u>Balance beginning of year</u>	<u>Transfers In</u>	<u>Transfer Out</u>	<u>Balance end of year</u>
736 Outreach Reserve (i)	\$ -	\$ 50,000	\$ (10,000)	\$ 40,000
Payroll Stabilization Reserve (ii)	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Program Stabilization Reserve (iii)	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
	<u>\$ -</u>	<u>\$ 71,000</u>	<u>\$ (10,000)</u>	<u>\$ 61,000</u>

- (i) The 736 Outreach Reserve represents funds set aside by the Board of Management for operating costs associated with community outreach. In 2016, the Board of Management approved a transfer of \$50,000 (2015 - \$nil) from Unrestricted to 736 Outreach Reserve. Additionally, \$10,000 was transferred from 736 Outreach Reserve to Unrestricted to cover expenses incurred in the year.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

12. INTERNALLY RESTRICTED - OPERATING RESERVES - Cont'd.

- (ii) The Payroll Stabilization Reserve represents funds set aside by the Board of Management for separation packages and paid employee leaves. In 2016, the Board of Management approved a transfer of \$11,000 (2015 - \$nil) from Unrestricted to Payroll Stabilization Reserve.
- (iii) The Program Stabilization Reserve represents funds set aside by the Board of Management for unanticipated loss in grant funding and mid-year budget cuts from the City. In 2016, the Board of Management approved a transfer of \$10,000 (2015 - \$nil) from Unrestricted to Program Stabilization Reserve.

13. COMPARATIVE FIGURES

During the fiscal year, management performed a detailed review of the deferred contribution balances held. Management noted that the \$50,000 received from the 736 Foundation should have been recognized in November 2014. As a result of this discovery, the statement of financial position has been adjusted. There is a decrease in the deferred contributions for the comparative period by \$50,000 with the corresponding increase in unrestricted net assets. This is an accounting change and does not impact the cash flows of the organization. Prior to this accounting change the reported deferred contributions at the end of the comparative period were \$140,619 and unrestricted net assets were \$113,492.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE .

PROGRAM INCOME STATEMENT - Summer Camps

YEAR ENDED DECEMBER 31, 2016

(supplemental information - unaudited)

	<u>2016</u>	<u>2015</u>
Revenue		
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	24,403	8,801
Fundraising and other income	<u>9,970</u>	<u>15,884</u>
	<u>55,373</u>	<u>45,685</u>
Expenses		
Salaries and wages	42,458	36,383
Employee benefits	3,942	2,862
Program supplies	<u>10,105</u>	<u>12,015</u>
	<u>56,505</u>	<u>51,260</u>
Program deficit	<u>\$ (1,132)</u>	<u>\$ (5,575)</u>

May 25, 2017

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, 2016 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2016, 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, 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. In the 2015 management letter, we recommended that the Centre review the proper HST treatment and amend HST returns and file rebates for the past four years under CRA's Voluntary Disclosure program. Since the 2015 audit, the Centre continued to file HST remittances using the same method for 2016 quarters one, two and three. Quarter four has been prepared using the rebate method but has not yet been filed. Management has prepared rebate filings from 2012 quarter four to 2016 quarter three, covering a total period of 4 years. It is our understanding that management intends to follow our recommendation from the prior year and file these rebates under CRA's Voluntary Disclosure program.

We recommend that the Centre file the Voluntary Disclosure as soon as possible, in order to be compliant with CRA. The amount overclaimed of \$10,501.34 for filings to be disclosed under CRA's Voluntary Disclosure program, detailed above, has been recorded. Of the amount overclaimed, \$6,801.34 and \$3,700.00 were included in materials and supplies for Program and Administrative, respectively. In the 2015 fiscal year, an accrual for \$3,700 was made for a portion of the amount overclaimed and was recorded as an Administrative expense. \$10,501.34 was recorded as payable, and \$6,801.43 was recorded as expense in the 2016 fiscal year as Program.

Management's Comments

Management substantially concurs with the recommendation and had been awaiting clarification and direction on the matter from Welch before proceeding. A disclosure letter has been drafted and will be sent to CRA following receipt of the City's concurrence on the matter.

Issue - Treatment of deferred contributions

During our audit, we noted that deferred contributions were allocated to net assets on the statement of financial position without related expenditures being incurred. These deferred contributions consist of \$8,410 for kitchen upgrades and \$35,206 for capital improvements. However, since these contributions are externally restricted and the Centre follows the deferral method of accounting for contributions, the revenue cannot be recognized from deferred contributions until expenditures are made according to the externally imposed restrictions. At that time, the Centre will be able to recognize as revenue an amount equal to the cost of the expenditures incurred. As a result, these balances have been reclassified to deferred contributions.

We recommend that the Centre review its contribution recognition policy to ensure the deferred contribution method is still most relevant and, if so, that the policy be consistently applied.

Management's Comments

Management concurs with the recommendation. The funds had been incorrectly categorized as deferred revenue, and classifying them as reserve funds was an effort to both correct this error as well as formally define and restrict their uses as initially intended. Neither were tied to a specific project, had no reporting requirement, and no expectation that unspent funds would be returned. Management's actions in classifying these as reserves were entirely consistent with the restrictions of these funds.

Issue - Inconsistent treatment of trustee funds

In 2016, the Centre entered into a few working relationships as a trustee. In this case, the trustee term applies as the Centre holds and administers funds on behalf of third parties. However, these funds are not the property of the Centre and, as such, must be accounted for separately from the Centre's revenue and expenditures. Treatment of trustee receipts and disbursements were inconsistent during 2016, but were adequately adjusted for at the time of the audit.

We recommend that the Centre allocate amounts received from a trusteeship to a payable account. Any payments subsequently made on behalf of the funder would then directly reduce the balance payable.

Management's Comments

Management substantially concurs with the recommendation. Going forward, management will ensure that all trustee funds have an agreement in place outlining the responsibilities of each party and will track the transactions using a payable account.

Issue - Petty Cash

In the course of our audit, management requested our recommendation on the treatment of and procedures for petty cash. There are four main steps to manage petty cash balances: 1) Completing a reconciliation form in which the petty cash custodian lists the remaining cash on hand, vouchers issued, and any overage/underage. All receipts provided should be attached to the completed reconciliation form with supporting vouchers. 2) Issue a cheque for the amount required to bring the petty cash balance back to the stated limit. The custodian would then deposit the cheque and convert the funds to cash, which are then deposited to the petty cash. 3) Bookkeeper would then record the expenses incurred for the period covered by the reconciliation form in the general ledger, ensuring to note a reference number for the reconciliation in Quickbooks, and file the form with attached supporting documentation.

We recommend that the Centre ensure that petty cash balances are reconciled on a monthly basis, where possible, and that reference numbers are noted with transactions in Quickbooks for each reconciliation. Additionally, in the case of the petty cash balance used by the Breakfast Program, it would be easiest to have a separate petty cash, where the cheque is issued to the Receptionist and he/she is responsible for the reconciliation.

Management's Comments

Management substantially concurs with the recommendation and has used this process for administering the petty cash and the Breakfast Program. Notes will be added with a reference number.

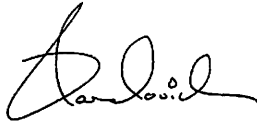
We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from Glenn Gustafson and his staff.

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

A handwritten signature in cursive script, appearing to read "B. Haralovich".

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

A handwritten signature in cursive script, appearing to read "K. Steffan".

Kathy Steffan, CPA, CA
Partner