

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL 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 SWANSEA TOWN HALL COMMUNITY CENTRE

We have audited the accompanying financial statements of the Board of Management for the Swansea Town Hall Community Centre, which comprise the statement of financial position as at December 31, 2016, the statements of operations and 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.

.../2

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

In common with many not-for-profit organizations, the Centre derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, net revenue over expenses and cash flow from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015 and net assets as at January 1 and December 31 for both the 2015 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Note 2 to the financial statements explains the Centre's policy for accounting for capital assets. The note indicates that capital assets are expensed as acquired rather than being recognized as a capital asset upon acquisition. This presentation is permitted only if the average annual revenues recognized in the statement of operations for the current and preceding period is less than \$500,000. In this respect the financial statements are not in accordance with Canadian public sector accounting standards for government not-for-profit organizations. Our audit opinion for the year ended December 31, 2015 was modified accordingly for this departure from accounting standards.

Qualified Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly the financial position of the Board of Management for the Swansea Town Hall 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
March 23, 2017.

Welch LLP


An Independent Member of BKR International

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 130,730	\$ 120,045
Accounts receivable - other	3,239	2,972
Inventories	<u>649</u>	<u>241</u>
	134,618	123,258
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 4)	<u>108,513</u>	<u>105,640</u>
	<u>\$ 243,131</u>	<u>\$ 228,898</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto (note 6)	\$ 27,536	\$ 27,536
- other	<u>61,761</u>	<u>50,576</u>
	89,297	78,112
POST-EMPLOYMENT BENEFITS PAYABLE (note 4)	<u>108,513</u>	<u>105,640</u>
	<u>197,810</u>	<u>183,752</u>
NET ASSETS		
Unrestricted	-	-
Program development reserve - internally restricted (note 5)	<u>45,321</u>	<u>45,146</u>
	<u>45,321</u>	<u>45,146</u>
	<u>\$ 243,131</u>	<u>\$ 228,898</u>

Approved by the Board:

..... Chair

..... Treasurer

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE
STATEMENT OF OPERATIONS AND NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Administration</u>	<u>2016</u>	<u>2015</u>
Revenue				
Funds provided by the City of Toronto	\$ -	\$ 320,247	\$ 320,247	\$ 322,790
Rental	-	269,758	269,758	271,320
Photocopier	-	1,631	1,631	1,240
Donations and fundraising	771	-	771	6,082
Event fees	-	-	-	1,748
Other income	<u>4,252</u>	<u>-</u>	<u>4,252</u>	<u>3,728</u>
	<u>5,023</u>	<u>591,636</u>	<u>596,659</u>	<u>606,908</u>
Expenses				
Salaries and wages	2,587	335,506	338,093	318,179
Employee benefits	-	81,002	81,002	83,341
Materials and supplies	-	52,437	52,437	49,964
Purchased services	-	122,691	122,691	143,866
Other	<u>2,261</u>	<u>-</u>	<u>2,261</u>	<u>1,941</u>
	<u>4,848</u>	<u>591,636</u>	<u>596,484</u>	<u>597,291</u>
Net revenue over expenses	175	-	175	9,617
Net assets, beginning of year	-	-	-	-
Transfer to Program Development Reserve (note 5)	<u>(175)</u>	<u>-</u>	<u>(175)</u>	<u>(9,617)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses	\$ 175	\$ 9,617
Increase (decrease) resulting from changes in:		
Accounts receivable - other	(267)	4,653
Inventories	(408)	173
Long-term account receivable - City of Toronto	(2,873)	(2,152)
Accounts payable and accrued liabilities	-	(740)
Accounts payable and accrued liabilities - other	11,185	(82,478)
Post-employment benefits payable	<u>2,873</u>	<u>2,152</u>
INCREASE (DECREASE) IN CASH	10,685	(68,775)
CASH AT BEGINNING OF YEAR	<u>120,045</u>	<u>188,820</u>
CASH AT END OF YEAR	<u>\$ 130,730</u>	<u>\$ 120,045</u>

(See accompanying notes)

Welch LLP

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL 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 95 Lavinia Avenue, as a community recreation centre under the authority of the Municipal Act, known as Swansea Town Hall Community Centre (the "Centre"). 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 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 Canadian public sector accounting standards for government not-for-profit organizations ("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 recorded as part of deferred contributions on the statement of financial position.

Rental and similar revenues are recognized as the services are provided. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Financial instruments

The Centre initially records 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 and accounts receivables. 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 and bequests are recorded as received.

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Capital assets

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not reported in these financial statements. Section PS 4230, capital assets held by not-for-profit organizations, allows small organizations, with average annual revenues recognized in the statement of operations for the current and preceding period of less than \$500,000, to expense capital assets on acquisition. As noted in the Basis for Qualified Opinion paragraph, the Centre exceeded the revenue threshold in 2016 and continued to apply this policy. During 2016, capital assets expensed totalled \$58,354 (2015 - \$56,977) and are included in purchased services.

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 accordance with Canadian public sector accounting standards for government not-for-profits 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 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 SWANSEA TOWN HALL 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 deposited with a Canadian chartered bank earns 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 and accounts receivable. The Centre's cash is deposited with Canadian chartered banks and as a result management believes the risk of loss on this item 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. POST EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNT RECEIVABLE

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 non-union management staff, with ten years of service as of July 1, 2009, 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, life insurance, accidental death and long-term disability benefits to eligible employees. Depending upon the 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 3.5%, post-employment 2.7%, sick leave 3.1%

BOARD OF MANAGEMENT FOR THE SWANSEA TOWN HALL COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

4. POST EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNT RECEIVABLE - Cont'd.

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

	<u>2016</u>	<u>2015</u>
Sick leave benefits	\$ 44,929	\$ 45,300
Post-retirement benefits	<u>51,708</u>	<u>47,501</u>
	96,637	92,801
Add: Unamortized actuarial gain	<u>11,876</u>	<u>12,839</u>
Post-employment benefit liability	\$ <u>108,513</u>	\$ <u>105,640</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 105,640	\$ 103,488
Current service cost	3,154	2,849
Interest cost	3,020	3,369
Amortization of actuarial gain	(2,141)	(1,276)
Expected benefits paid	<u>(1,160)</u>	<u>(2,790)</u>
Balance, end of year	\$ <u>108,513</u>	\$ <u>105,640</u>

Expenditures relating to employee benefits are included as administration employee benefits on the statement of operations in the amount of \$2,873 (2015 - \$2,152) and include the following components:

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 3,154	\$ 2,849
Interest cost	3,020	3,369
Amortization of actuarial gain	(2,141)	(1,276)
Expected benefits paid	<u>(1,160)</u>	<u>(2,790)</u>
Total expenditures related to post-retirement and post-employment benefits	\$ <u>2,873</u>	\$ <u>2,152</u>

A long-term receivable of \$108,513 (2015 - \$105,640) 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 most of its employees. The Plan is a defined benefit plan, which specifies the amount of 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 \$26,903 in 2016 (2015 - \$30,899).

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 0.0015% 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 SWANSEA TOWN HALL COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

5. PROGRAM DEVELOPMENT RESERVE

The Board of Management created a Development Program in September 2010. These funds are earmarked for program development. In 2016, the excess of program revenue over expenditures of \$175 (2015 - \$9,617) was transferred to the Program Development Reserve.

6. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration expenses 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 Budget (unaudited)	Actual 2016	Actual 2015
Administration expenditure:			
Salaries and wages	\$ 348,385	\$ 335,506	\$ 318,179
Employee benefits	97,748	81,002	83,341
Materials and supplies	58,437	52,437	49,964
Purchased services	48,223	122,691	143,866
	<u>552,793</u>	<u>\$ 591,636</u>	<u>\$ 595,350</u>
Less: budgeted rental and sundry revenue	<u>234,030</u>		
Budgeted net City funding	<u>\$ 318,763</u>		
Centre's administration revenue:			
Administration budget		\$ 318,763	\$ 320,837
Rental and sundry revenue		<u>271,389</u>	<u>272,560</u>
		<u>590,152</u>	<u>593,397</u>
Centre's actual administration expense:			
Administration expenses		591,636	595,350
Adjustments for non-cash items:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		(2,873)	(2,152)
Difference between funding received and budgeted		<u>-</u>	<u>(73)</u>
		<u>588,763</u>	<u>593,125</u>
Administration expenditure under approved budget		<u>\$ 1,389</u>	<u>\$ 272</u>

The under expenditure of \$1,389 (2015 - \$272) is included in account payable to the City.

April 3, 2017

Board of Management for the Swansea Town Hall Community Centre
95 Lavinia Avenue
Toronto, Ontario
M6S 3H9

PRIVATE AND CONFIDENTIAL

Attention: Mr. Ed Gaigalas
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 did not identify any matters which would 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 discussed our findings, which were minor matters, verbally with your staff and provided some suggestions for their consideration.

DEFICIENCY IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue - Employee files

During our audit we noted that employee files are not up-to-date with employees current wage rates. We recommend that management document the current wage rate for each staff member and that the committee of management review and approve the current wage rates and the employee files be updated with the reviewed and approved wage rates.

Management's Comments

Supported by Management

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

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



Kathy Steffan, CPA, CA
Partner



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