

**FINANCIAL STATEMENTS**  
**For**  
**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**  
**For the year ended**  
**DECEMBER 31, 2016**

## INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND**

**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**

We have audited the accompanying financial statements of the Committee of Management of Forest Hill Memorial Arena, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Committee of Management of Forest Hill Memorial Arena 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.



Chartered Professional Accountants  
Licensed Public Accountants


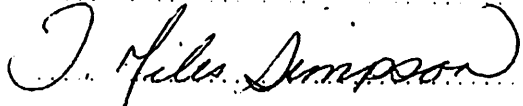
Toronto, Ontario  
April 26, 2017.

Welch LLP - Chartered Professional Accountants  
36 Toronto Street, Suite 1070, Toronto ON, M5C 2C5  
T: 647 288 9200 F: 647 288 7600 W: [welchllp.com](http://welchllp.com)  
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**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 65,969	\$ 86,930
Accounts receivable - ice rentals and other	71,114	72,732
Inventories	22,442	21,633
Due from City of Toronto - operating deficit (note 5)	<u>12,457</u>	<u>-</u>
	<u>171,982</u>	<u>181,295</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities - other	126,605	131,936
Due to City of Toronto - operating deficit (note 5)	-	3,355
Deferred revenue	35,377	36,004
City of Toronto - working capital advance	<u>10,000</u>	<u>10,000</u>
	<u>171,982</u>	<u>181,295</u>
<b>NET DEBT</b>	-	-
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 4)	<u>35,317</u>	<u>28,457</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 35,317</u>	<u>\$ 28,457</u>

Approved on behalf of the Committee of Management:

.....Chair  
.....Member

(See accompanying notes)

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**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
<b>Revenue</b>			
Ice rentals	\$ 972,500	\$ 980,161	\$ 951,423
Snack bar and vending machine operations (Schedule A)	68,000	58,906	58,582
Pro shop operations (Schedule A)	44,000	41,026	37,466
Other	<u>31,975</u>	<u>45,418</u>	<u>37,270</u>
	<u>1,116,475</u>	<u>1,125,511</u>	<u>1,084,741</u>
<b>Expenses</b>			
Salaries and wages	567,853	584,070	566,232
Employee benefits	156,605	159,611	156,160
Utilities	209,924	254,281	227,921
Maintenance and repairs	111,797	66,151	67,821
General administration	30,889	28,288	29,251
Insurance	10,864	10,864	10,864
Professional fees	5,728	5,270	5,192
Amortization	<u>10,500</u>	<u>14,928</u>	<u>9,667</u>
	<u>1,104,160</u>	<u>1,123,463</u>	<u>1,073,108</u>
<b>Excess revenues over expenses before the following</b>	12,315	2,048	11,633
<b>Vehicle and equipment reserve contribution (note 7)</b>	<u>(11,000)</u>	<u>(11,000)</u>	<u>(11,000)</u>
<b>Operating surplus (deficit)</b>	<u>\$ 1,315</u>	(8,952)	633
<b>Net revenue payable to the City of Toronto (note 5)</b>		<u>15,812</u>	<u>(899)</u>
<b>Annual surplus (deficit)</b>		6,860	(266)
<b>Accumulated surplus, beginning of year</b>		28,457	24,526
<b>Prior year capital asset purchase</b>		<u>-</u>	<u>4,197</u>
<b>Accumulated surplus, end of year</b>		<u>\$ 35,317</u>	<u>\$ 28,457</u>

(See accompanying notes)

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**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**  
**STATEMENT OF CHANGE IN NET DEBT**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Annual surplus (deficit)	\$ 6,860	\$ (266)
Acquisition of tangible capital assets	(21,788)	(9,401)
Amortization of tangible capital assets	<u>14,928</u>	<u>9,667</u>
Change in net debt	-	-
Net debt, beginning of year	<u>-</u>	<u>-</u>
Net debt, end of year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

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**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ 6,860	\$ (266)
Adjustments for:		
Amortization	<u>14,928</u>	<u>9,667</u>
	21,788	9,401
Non-cash changes to operations:		
Accounts receivable - ice rentals and other	1,618	8,115
Inventories	(809)	7,149
Accounts payable and accrued liabilities - other	(5,331)	(12,483)
Due to City of Toronto - operating deficit	(15,812)	(6,721)
Deferred revenue	<u>(627)</u>	<u>(7,032)</u>
<b>Cash flows from (used in) operating activities</b>	<u>827</u>	<u>(1,571)</u>
<b>CASH FLOWS FROM CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	<u>(21,788)</u>	<u>(9,401)</u>
<b>Cash flows used in capital transactions</b>	<u>(21,788)</u>	<u>(9,401)</u>
<b>DECREASE IN CASH</b>	(20,961)	(10,972)
<b>CASH AT BEGINNING OF YEAR</b>	<u>86,930</u>	<u>97,902</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 65,969</u>	<u>\$ 86,930</u>

(See accompanying notes)

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**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. NATURE OF OPERATIONS**

The Committee of Management of Forest Hill 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. 361-70 of the former Village of Forest Hill, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto.

Under the By-Law, the Committee of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Committee 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 Committee 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 Committee 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*

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

Ice rentals paid in advance are recorded as deferred revenue.

*Financial instruments*

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

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

Financial assets measured at amortized cost include cash, accounts receivable and amounts due from the City of Toronto.

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

*Inventories*

Inventories held for resale are initially valued at cost and subsequently at the lower of cost and net realizable value. The cost is determined on a first-in, first-out basis.

**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2016**

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

*Tangible capital assets*

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	- 5 years straight line
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*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.

*Employee related costs*

The Arena has adopted the following policy 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 useful life of its capital assets, assessing the allowance of doubtful accounts, 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.



**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**

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

**YEAR ENDED DECEMBER 31, 2016**

**3. FINANCIAL INSTRUMENTS - Cont'd.**

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

**4. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and equipment	\$ 75,718	\$ 40,401	\$ 53,930	\$ 25,473
Accumulated amortization	<u>40,401</u>		<u>25,473</u>	
	<u>\$ 35,317</u>		<u>\$ 28,457</u>	

**5. OPERATING SURPLUS DUE TO THE CITY OF TORONTO**

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 3,355	\$ 10,076
Current year's operating surplus	(8,952)	633
Current year's tangible capital assets purchase	(21,788)	(9,401)
Current year's amortization	<u>14,928</u>	<u>9,667</u>
Net revenue payable to the City of Toronto	<u>(15,812)</u>	<u>899</u>
Paid during the current year	<u>-</u>	<u>(7,620)</u>
Balance, end of year	\$ (12,457)	\$ 3,355

**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**

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

**YEAR ENDED DECEMBER 31, 2016**

**6. EMPLOYEE-RELATED LIABILITIES**

The Committee participates in the Ontario Municipal Employees Retirement System (OMERS), which is a Multi-employer plan, on behalf of its eligible 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 \$44,946 (2015 - \$45,039).

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 Arena's contributions accounted for 0.0024% 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 of Toronto for the financing of replacement ice resurface machines required by the Arena Boards in the future years. This year's contribution was \$11,000 (2015 - \$11,000).

**COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**  
**YEAR ENDED DECEMBER 31, 2016**

**SNACK BAR AND VENDING OPERATIONS**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
<b>Snack bar sales</b>	\$ 125,000	\$ 111,278	\$ 110,256
<b>Cost of goods sold</b>	<u>57,000</u>	<u>52,372</u>	<u>51,674</u>
<b>Gross profit</b>	<u>\$ 68,000</u>	<u>\$ 58,906</u>	<u>\$ 58,582</u>

**PRO SHOP OPERATIONS**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
<b>Pro shop sales</b>	\$ 65,000	\$ 49,518	\$ 55,496
<b>Cost of goods sold</b>	<u>21,000</u>	<u>8,492</u>	<u>18,030</u>
<b>Gross profit</b>	<u>\$ 44,000</u>	<u>\$ 41,026</u>	<u>\$ 37,466</u>

REPORT TO  
**COMMITTEE OF MANAGEMENT OF  
FOREST HILL MEMORIAL ARENA**

For the year ended December 31, 2016

Prepared by  
Kathy Steffan, CPA, CA  
Partner  
Welch LLP

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

## **AUDIT STATUS**

Our audit of the financial statements of Committee of Management of Forest Hill Memorial Arena for the year ended December 31, 2016 is substantially complete and we expect to release our auditors' report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- Board approval of the draft financial statements
- Final subsequent review up to date of approval of the financial statements
- Bank confirmation from TD Canada Trust

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian generally accepted auditing standards.

## **QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING**

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2016 fiscal year.

## **MANAGEMENT LETTER OF REPRESENTATION**

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The manager has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditors' report.

## **MISSTATEMENTS**

During our audit we did not identify any misstatements that needed to be corrected.

## **SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

During our audit we did not identify any significant deficiencies in internal control to report to the Committee of Management.

## **FINANCIAL STATEMENT PRESENTATION**

### **1. Significant Accounting Policies**

The organization's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

### **2. Management's Judgments and Accounting Estimates**

During the audit we did not encounter any situations that required significant judgements on the part of management or involved significant estimates.

## **DIFFICULTIES ENCOUNTERED DURING THE AUDIT**

During the course of our audit we received the full co-operation of management, however we did encounter difficulties dealing with the bookkeeping staff. The staff member in question was reluctant to provide the auditor with information requested and became frustrated with the audit process several times during our fieldwork. These issues put limitations on the scope of our audit work and created an uncooperative working environment. We did not have any disagreements with management.

## **MATTERS SPECIFICALLY REQUIRED BY OTHER CANADIAN AUDITING STANDARDS TO BE COMMUNICATED**

Other sections of Canadian Auditing Standards require us to communicate with those charged with governance in a number of specific circumstances:

- Where we encounter unusual related party transactions or significant matters related to related party transactions;
- Where we encounter other transactions that were unusual or not in the normal course of business;
- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents containing the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

We did not encounter any such matters during the course of our audit.

## **ACKNOWLEDGEMENTS**

During the course of our audit, we received considerable assistance from the organization's staff and management. We would like to take this opportunity to thank them for efforts and for their constructive approach to the audit.