

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
For the year ended
DECEMBER 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

We have audited the accompanying financial statements of the Board of Management of Leaside Memorial Community Gardens, which comprise the statement of financial position as at December 31, 2016, statements of operations, change 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 Board of Management of Leaside Memorial Community Gardens as at December 31, 2016 and the results of its operations, changes in net debt 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
May 30, 2017.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash	\$ 260,817	\$ 183,469
Accounts receivable - ice rentals and other	132,875	352,022
Due from City of Toronto - operating deficit (note 5)	234,981	205,570
Amounts to be recovered - City of Toronto (note 6)	50,444	54,866
Inventories	<u>3,580</u>	<u>3,137</u>
	<u>682,697</u>	<u>799,064</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto (notes 9, 10 and 11)	332,628	412,659
Accounts payable and accrued liabilities - other	122,749	191,857
Deferred revenue	135,084	97,889
Loans payable (note 10)	7,852,303	8,048,988
Post-employment benefits payable (note 7)	<u>92,236</u>	<u>96,659</u>
	<u>8,535,000</u>	<u>8,848,052</u>
NET DEBT	<u>(7,852,303)</u>	<u>(8,048,988)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	-	1,078
Arena expansion	<u>7,852,303</u>	<u>8,048,988</u>
	<u>7,852,303</u>	<u>8,050,066</u>
ACCUMULATED SURPLUS	<u>\$ -</u>	<u>\$ 1,078</u>

Approved by the Board of Management:

..... Chair

..... Treasurer

(See accompanying notes)

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BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Arena (Schedule A)	\$ 1,515,613	\$ 1,464,099
Pool (Schedule B)	250,212	242,781
Banquet/meeting room (Schedule C)	80,650	88,624
Snack bar and vending (Schedule D)	83,262	93,877
Other income (Schedule E)	<u>79,388</u>	<u>24,130</u>
	<u>2,009,125</u>	<u>1,913,511</u>
Expenses		
Arena (Schedule A)	735,745	688,105
Pool (Schedule B)	154,007	162,864
Banquet/meeting room (Schedule C)	44,599	35,703
Snack bar and vending (Schedule D)	63,110	58,638
Allocations	<u>388,316</u>	<u>319,666</u>
	<u>1,385,777</u>	<u>1,264,976</u>
Excess of revenue over expenses before the following	623,348	648,535
Arena expansion amortization (note 10)	(196,685)	(156,253)
Debt reserve (note 11)	(75,640)	(68,190)
Vehicle and equipment reserve contributions (note 8)	(20,000)	(20,000)
Interest expense on loans payable (note 10)	<u>(361,512)</u>	<u>(364,762)</u>
Operating surplus (deficit)	(30,489)	39,330
Net expenditure receivable from (revenue payable to) the City of Toronto (note 5)	<u>29,411</u>	<u>(42,464)</u>
Annual deficit	(1,078)	(3,134)
Accumulated surplus, beginning of year	<u>1,078</u>	<u>4,212</u>
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 1,078</u>

(See accompanying notes)

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BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
STATEMENT OF CHANGE IN NET DEBT
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Annual surplus (deficit)	\$ (1,078)	\$ (3,134)
Amortization of tangible capital assets	1,078	3,134
Amortization of arena expansion	<u>196,685</u>	<u>156,253</u>
Change in net debt	196,685	156,253
Net debt, beginning of year	<u>(8,048,988)</u>	<u>(8,205,241)</u>
Net debt, end of year	<u>\$ (7,852,303)</u>	<u>\$ (8,048,988)</u>

(See accompanying notes)

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BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (1,078)	\$ (3,134)
Adjustments for:		
Amortization	1,078	3,134
Arena expansion amortization	<u>196,685</u>	<u>156,253</u>
	196,685	156,253
Non-cash changes to operations:		
Accounts receivable - ice rentals and other	219,147	(274,895)
Accounts receivable - City of Toronto	-	213,264
Inventories	(443)	-
Due from City of Toronto - operating deficit	(29,411)	186,824
Amounts to be recovered - City of Toronto	4,422	7,774
Accounts payable and accrued liabilities - City of Toronto	(80,031)	(334,961)
Accounts payable and accrued liabilities - other	(69,108)	96,561
Deferred revenue	37,195	(39,914)
Post-employment benefits payable	<u>(4,423)</u>	<u>(7,774)</u>
Cash flows from (used in) operating activities	<u>274,033</u>	<u>3,132</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	<u>(196,685)</u>	<u>(156,253)</u>
Cash flows from (used in) financing activities	<u>(196,685)</u>	<u>(156,253)</u>
INCREASE (DECREASE) IN CASH	77,348	(153,121)
CASH AT BEGINNING OF YEAR	<u>183,469</u>	<u>336,590</u>
CASH AT END OF YEAR	\$ <u>260,817</u>	\$ <u>183,469</u>

(See accompanying notes)

Welch LLP

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. NATURE OF OPERATIONS

The Leaside Memorial Community Gardens was established as a Memorial Community Centre under the Community Recreation Centres Act (RSO 1990, Chapter C.22), pursuant to Chapter 25 of the City of Toronto Municipal Code, by By-law No. 1374 (former Town of Leaside, December 17, 1951), as amended. The Board of Management operates and manages the Leaside Memorial Gardens Arena (the "Arena") on behalf of the City of Toronto.

Under the By-law, the Board of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Board over and above that necessary to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises.

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 and rental deposits for the auditorium paid in advance are recorded as deposits or deferred revenue, if the amount has been invoiced.

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 loans payable.

Inventories

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

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

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:

Computer equipment	- 3 years straight-line
Furniture and equipment	- 5 years straight-line
Arena expansion	- 25 years sinking fund

The sinking fund method amortizes the arena expansion on the same basis as the loan repayments are required to be made.

Major capital expenditures that are financed by the Arena are recorded in these financial statements at the cost to the Arena.

Contributed material and services

Major capital expenditures that are financed by the City of Toronto, which owns the facility, are not recorded in these financial statements. Services provided without charge by the City are not recorded in these financial statements. Other contributed materials and services are not recognized in the financial statements due to the difficulty of determining their fair value.

Employee related costs

The Arena 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 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.
- (b) The Arena also offers its eligible 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 Arena 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its tangible capital assets, 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.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

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 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, accounts receivable and amounts receivable from the City of Toronto. The Arena's cash is with a Canadian chartered bank and as a result management believes the risk of loss on these items 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. The Arena has recorded an allowance for doubtful accounts of \$7,809.

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. The Arena's loans payable bear interest at fixed rates. Consequently, the Arena's exposure to interest rate risk 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 loans payable.

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.

Change 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	\$ 15,668	\$ 15,668	\$ 15,668	\$ 14,590
Accumulated amortization	<u>15,668</u>		<u>14,590</u>	
	<u>\$ -</u>		<u>\$ 1,078</u>	

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

5. OPERATING SURPLUS (DEFICIT) DUE TO (FROM) THE CITY OF TORONTO

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ (205,570)	\$ (392,394)
Current year's operating surplus (deficit)	(30,489)	39,330
Current year's amortization	1,078	3,134
Current year's arena expansion amortization	(196,685)	(156,253)
Current year's principal loan repayments	<u>196,685</u>	<u>156,253</u>
Net revenue payable to (expenditure receivable from) the City of Toronto	(29,411)	42,464
Received during the current year	<u>-</u>	<u>144,360</u>
Balance, end of year	\$ (234,981)	\$ (205,570)

The balance at the beginning of 2015 is comprised of the following:

2002 operating deficit	\$ 78,332
2008 over payment (\$24,997-\$24,987)	10
Adjustment to 2004 deficit due to change in accounting policy	9,355
Adjustment to 2006 deficit due to change in accounting policy	449
2006 restatement deficit due to change in accounting policy	76,037
2013 deficit	144,360
2014 deficit	<u>83,851</u>
	\$ <u>392,394</u>

As part of the loan agreement between the Arena and the City as described in note 10, requires that any annual operating deficits be added to the principal balance of the City loan to Leaside Memorial Gardens Arena and that a revised loan amortization schedule be prepared. City Council authorized a one-time exception for the 2014 operating deficit incurred by the Leaside Memorial Gardens Arena from being added to the principle balance. As a result the 2014 deficit is receivable from the City of Toronto and included in the balance above. The 2016 deficit has been included in the amount due from the City of Toronto until a revised loan amortization schedule is prepared.

6. AMOUNTS TO BE RECOVERED - CITY OF TORONTO

	<u>2016</u>	<u>2015</u>
Employee benefits - post retirement benefits (note 7)	\$ 30,444	\$ 34,866
Expansion deposit	20,000	20,000
Recovery related to expansion (note 10)	<u>7,852,303</u>	<u>8,048,988</u>
	\$ <u>7,902,747</u>	\$ <u>8,103,854</u>

The amounts shown above will ultimately be received from the City of Toronto when the post-retirement benefits are paid, the expansion funds are used and the loan is paid.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

7. POST-EMPLOYMENT BENEFITS PAYABLE AND ACCOUNTS RECEIVABLE

The Arena participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its eligible employees. Under the sick leave plan for administration staff, unused sick leave accumulates and eligible employees may be entitled to a cash payment when they leave the Arena's employment. The liability for these accumulated days represents the extent to which they have vested and can be taken in cash by an employee upon termination, retirement or death.

The Arena also provides health, dental, accidental death and disability, life insurance and long-term disability benefits to eligible employees. Depending on length of service and individuals' 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 obligations 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 Arena's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

	<u>2016</u>	<u>2015</u>
Sick leave benefits	\$ 51,363	\$ 52,076
Post-retirement benefits	<u>61,764</u>	<u>58,489</u>
	113,127	110,565
Add: unamortized actuarial gain (loss)	<u>(20,891)</u>	<u>(13,906)</u>
Employee benefit liability	\$ <u>92,236</u>	\$ <u>96,659</u>

The continuity of the accrued benefit obligation during 2016 is as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 96,659	\$ 104,433
Current service cost	2,125	1,073
Interest cost	3,549	2,621
Amortization of actuarial gain	(8,570)	(10,835)
Expected benefits paid	<u>(1,527)</u>	<u>(833)</u>
Balance, end of year	\$ <u>92,236</u>	\$ <u>96,659</u>

Recoveries in 2016 relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of \$4,423 (2015 - \$7,774) and include the following components:

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 2,125	\$ 1,073
Interest cost	3,549	2,621
Amortization of actuarial gain	(8,570)	(10,835)
Less expected benefits paid during the year	<u>(1,527)</u>	<u>(833)</u>
Total expenditures related to post-employment benefits	\$ <u>(4,423)</u>	\$ <u>(7,774)</u>

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BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

7. POST-EMPLOYMENT BENEFITS PAYABLE AND ACCOUNTS RECEIVABLE - Cont'd.

A receivable of \$30,444 (2015 - \$34,866) from the City has resulted from the recording of sick leave and post-retirement benefits and is included in the amounts to be recovered from the City, per note 6. 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 Arena.

In addition, the Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$45,061 in 2016 (2015 - \$37,737).

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 \$6.98 billion (less an additional \$1.7 billion of deferred gains that must be recognized over the next four years). The plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Arena's contributions accounted for 0.0021% 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.

8. VEHICLE AND EQUIPMENT REPLACEMENT RESERVE

These contributions are for the financing of replacement ice resurfer machines required by the Arena Boards in future years. In 2016, the contribution was \$20,000 (2015 - \$20,000).

9. POOL AGREEMENT WITH CITY OF TORONTO

Under an agreement between the Board of Management of Leaside Memorial Community Gardens and the former Corporation of the Borough of East York and now the City of Toronto, the Board is appointed to operate, manage and maintain the swimming pool facility located at 1073 Millwood Road. The agreement commenced on October 1, 1996 and was for a one year period and without notice to terminate the agreement from either party, automatically renews for successive one year terms.

The agreement requires the City of Toronto to pay an annual rental fee to the Board of Management of Leaside Memorial Community Gardens for the swimming pool facility equal to the annual capital and operating deficits as authorized by the Board and approved by the City.

As at December 31, 2016, \$250,212 (2015 - \$242,781) is receivable from the City of Toronto for rental fees owing to Board of Management of Leaside Memorial Community Gardens for the current year. This amount has been included in the statement of financial position as a reduction to accounts payable and accrued liabilities - City of Toronto.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

10. LOANS PAYABLE

The Arena Board received approval from Toronto City Council through the 2012 capital budget for the construction of a second ice pad on adjacent lands acquired by the City of Toronto. The projected total cost of the project was \$12.5 million. Of this up to \$7.5 million was to be provided through irrevocable debt repayable by the Arena Board over 30 years and Infrastructure Ontario was to provide up to \$1.5 million through a subordinate non-recourse loan repayable by the Arena Board over 20 years. The irrevocable debt repayable was included in an agreement between the Arena and the City dated May 15, 2012. The City of Toronto was to provide \$1.0 million from Reserve Funding. The Arena Board has met and paid its fundraising obligation to the City of Toronto of \$2.5 million.

On December 31, 2013 the City received the loan from Infrastructure Ontario in the amount of \$1,052,200 amortized and repayable by the Arena through the City over 20 years. The City has also provided an amount of \$7,302,334 for this Project as a recoverable debt loan, amortized and repayable by the Arena to the City over 30 years. The quarterly repayment to the City commenced in January 31, 2014. A tangible asset was recorded in 2013 in an amount equal to the total loans payable. This amount will be amortized and deducted from operating surplus equal to principle paid when the loan payments are made.

Loans payable is comprised of the following:

	<u>2016</u>	<u>2015</u>
Recoverable debt loan from the City - 4.6% amortized and repayable over 30 years, payable in blended quarterly payments of \$112,504.26	\$ 6,937,501	\$ 7,064,715
Loan from Infrastructure Ontario - 4.52% amortized and repayable over 20 years, payable in blended quarterly payments of \$20,050.51	<u>914,802</u>	<u>984,273</u>
	<u>\$ 7,852,303</u>	<u>\$ 8,048,988</u>

During the year \$361,512 (2015 - \$364,762) of interest expense was recorded related to the loans payable with \$79,781 (2015 - \$84,952) included in the payable to the City.

Total loan principal repayments made in 2016 amounted to \$196,685 (2015 - \$149,293) .

11. DEBT RESERVE

As part of the agreement between the Arena and the City, described in note 10, the Arena must charge a levy surcharge on the ice rental rates charged to all contracted users of the Arena during Prime Time of not less than \$20. The surcharge is to be remitted to the City to establish a debt service reserve fund and is to be levied until the reserve fund has reached an amount equal to four regular payments on the loans payable. The Arena began charging this surcharge at a rate of \$20 in October 2013. The surcharge collected in 2016 amounted to \$75,640 (2015 - \$68,190). The cumulative debt reserve as of December 31, 2016 totalled \$221,445 (2015 - \$175,385).

As at December 31, 2016 the debt reserve balance payable to the City was \$46,060 (2015 - \$68,190). The debt reserve payable to the City for 2016 has been included in the amount payable to the City of Toronto.

The agreement between the Arena and the City also requires that excess revenue, operating surpluses, be deposited into the Leaside Memorial Gardens Arena Debt Service Reserve Fund. The Arena had an operating surplus in 2015 however City Council approved a one-time exception for the 2015 operating surplus which will result in the surplus being repaid to the City of Toronto.

City council also authorized an amendment to the Leaside Memorial Gardens Arena Loan Agreement to allow for excess revenue, operating surpluses, to be determined and deposited into the Debt Service Reserve Fund at year-end, rather than at the four Payment Dates currently provided for in the Agreement.

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BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

ARENA OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	Budget 2016 (Unaudited)	2016	2015
Revenue			
Arena ice rental	\$ 1,363,910	\$ 1,392,500	\$ 1,340,003
Dasher board rental	50,000	38,848	47,781
Debt reserve surcharge	82,960	75,640	68,190
Pro shop income	<u>8,000</u>	<u>8,625</u>	<u>8,125</u>
	<u>1,504,870</u>	<u>1,515,613</u>	<u>1,464,099</u>
Expenses			
Wages	270,000	240,278	249,910
Hydro	235,000	289,643	254,793
Building repairs and maintenance	55,000	89,619	54,945
Gas	68,000	52,814	57,150
Equipment repairs and maintenance	35,000	29,828	41,594
Ice resurfacers	16,800	33,563	21,904
Bad debt expense	-	-	7,809
Water	<u>5,500</u>	<u>-</u>	<u>-</u>
	<u>685,300</u>	<u>735,745</u>	<u>688,105</u>
Allocated expenses			
Office/management salaries	133,496	131,068	104,932
Employee benefits	86,642	83,785	69,654
Office supplies	6,030	8,287	7,067
Insurance	8,295	8,295	8,295
Professional fees	4,154	4,355	4,020
Telephone/fax	3,350	5,005	3,447
General supplies	2,546	3,226	2,765
Amortization	-	724	2,100
Security	3,350	3,566	2,070
Garbage removal	1,340	1,706	2,017
Bank service charges	536	614	457
Travel expenses	2,680	1,238	410
Weekend paging	-	2,767	2,697
Uniforms	3,654	3,793	2,128
Professional upgrade	<u>3,350</u>	<u>2,896</u>	<u>2,117</u>
	<u>259,423</u>	<u>261,325</u>	<u>214,176</u>
	<u>944,723</u>	<u>997,070</u>	<u>902,281</u>
Excess of revenue over expenses before the following	560,147	518,543	561,818
Debt reserve	(82,960)	(75,640)	(68,190)
Vehicle and equipment reserve contributions	(20,000)	(20,000)	(20,000)
Arena expansion amortization	(160,000)	(196,685)	(156,253)
Interest expense on loans payable	<u>(365,000)</u>	<u>(361,512)</u>	<u>(364,762)</u>
Net deficit - arena operations	<u>\$ (67,813)</u>	<u>\$ (135,294)</u>	<u>\$ (47,387)</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

POOL OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	Budget 2016 (Unaudited)	2016	2015
Revenue			
Pool	\$ 302,105	\$ 250,212	\$ 242,781
Expenses			
Wages	75,000	75,932	67,691
Hydro	43,650	27,662	45,141
Gas	49,392	17,481	22,225
Building repairs and maintenance	27,000	28,967	19,472
Shop supplies	5,500	3,965	8,335
Water	4,763	-	-
	<u>205,305</u>	<u>154,007</u>	<u>162,864</u>
Allocated expenses			
Office/management salaries	49,812	47,602	39,154
Employee benefits	32,329	31,263	25,990
Office supplies	2,250	3,092	2,638
Insurance	3,095	3,095	3,095
Professional fees	1,550	1,625	1,500
Telephone/fax	1,250	1,867	1,286
General supplies	950	1,204	1,032
Amortization	-	270	783
Security	1,250	1,331	773
Garbage removal	500	637	753
Bank service charges	200	229	170
Travel expenses	1,000	462	153
Weekend paging	-	1,033	1,006
Uniforms	1,364	1,415	794
Professional upgrade	1,250	1,080	790
	<u>96,800</u>	<u>96,205</u>	<u>79,917</u>
	<u>302,105</u>	<u>250,212</u>	<u>242,781</u>
Net surplus - pool operations	\$ -	\$ -	\$ -

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
BANQUET/MEETING ROOM OPERATIONS
YEAR ENDED DECEMBER 31, 2016

	Budget 2016 (Unaudited)	2016	2015
Revenue			
Banquet/meeting room	\$ 100,200	\$ 80,650	\$ 88,624
Expenses			
Wages - full time	16,050	16,050	19,788
Hydro	11,000	11,000	9,564
Building repairs and maintenance	6,500	13,426	4,224
Other purchases	5,000	682	1,939
Food and bar purchases	1,000	188	188
Wages - part time	6,000	2,028	-
Gas	1,225	1,225	-
Advertising and promotion	5,000	-	-
	<u>51,775</u>	<u>44,599</u>	<u>35,703</u>
Allocated expenses			
Office/management salaries	15,940	15,233	12,529
Employee benefits	10,345	10,004	8,317
Office supplies	720	989	843
Insurance	991	990	990
Professional fees	496	520	480
Telephone/fax	400	598	412
General supplies	304	385	330
Weekend paging	-	330	322
Uniforms	436	453	254
Professional upgrade	400	346	252
Amortization	-	86	251
Security	400	426	247
Garbage removal	160	204	241
Bank service charges	64	73	55
Travel expenses	320	149	50
	<u>30,976</u>	<u>30,786</u>	<u>25,573</u>
	<u>82,751</u>	<u>75,385</u>	<u>61,276</u>
Net surplus - banquet/meeting room operations	<u>\$ 17,449</u>	<u>\$ 5,265</u>	<u>\$ 27,348</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
SNACK BAR AND VENDING OPERATIONS
YEAR ENDED DECEMBER 31, 2016

	Budget 2016 (Unaudited)	2016	2015
Revenue			
Snack bar and vending	\$ 114,000	\$ 83,262	\$ 93,877
Expenses			
Snack bar and vending	38,000	37,451	35,313
Wages	<u>22,795</u>	<u>25,659</u>	<u>23,325</u>
	<u>60,795</u>	<u>63,110</u>	<u>58,638</u>
Net surplus - snack bar and vending operations	\$ 53,205	\$ 20,152	\$ 35,239

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

SCHEDULE OF OTHER INCOME

YEAR ENDED DECEMBER 31, 2016

	Budget 2016 (Unaudited)	2016	2015
Other income			
Advertising income	\$ 10,000	\$ 21,244	\$ 13,497
Mediacom sign revenue	11,000	10,072	9,777
Miscellaneous income	<u>8,400</u>	<u>48,072</u>	<u>856</u>
	<u>\$ 29,400</u>	<u>\$ 79,388</u>	<u>\$ 24,130</u>

June 1, 2017

Board of Management of Leaside Memorial Community Gardens
1073 Millwood Road
Toronto, Ontario
M4G 1X6

PRIVATE AND CONFIDENTIAL

Attention: Henry Stachelbeck, General Manager

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 management and received their comments thereon.

Issue - Review of quarterly payroll reports

During our audit we noted that the quarterly payroll reports provided by the City are not always maintained in hard copy and as such there is no evidence of review of the payroll by the Manager to ensure only Arena employees are being allocated to the Arena payroll. We recommend that the Quarterly report received from the City be printed and reviewed by the Manager ensuring all staff listed are Arena staff. We also recommend that the report be initialed and dated by the Manager to indicate the review and that the reports be filed.

Management's Comments

The General Manager has been working with City staff to streamline the quarterly payroll reports so as to remove the additional City staff who were clumped in the old version of the payroll report. The 1st quarter report prepared by City staff included only staff charged to Leaside Gardens. This new format is much easier to evaluate and should assist the General Manager in his review of the Quarterly report received from the City. Going forwards, the General Manager will print and review the Quarterly reports received from the City. The General Manager plans to indicate his review by initialing and dating the printed report. Once reviewed, these reports will be filed.

Issue - Payable balance to City of Toronto

The payable balance to the City of Toronto differs from what the City has recorded in their books due to differences related to hydro charges and credits recorded by the City related 2012 and 2013 which are not recorded by the Arena, the unrecorded amount is \$25,108. There is also difference due pool invoice amounts for 2015 and 2016 recorded by the City at estimated amounts not at the actual amounts recorded by the Arena. The City has recorded \$210,000 and \$220,000 as pool invoices for 2015 and 2016 respectively, whereas the Arena has \$242,781 and \$248,135 for 2015 and 2016, respectively. Also, the Arena paid \$27,210 of arena surcharges in 2015 as part of the 2014 arena debt reserve which was not allocated by the City to the Debt reserve account. We recommend that management work with City staff to address the hydro charges and credits, ensure the City properly records the pool income for 2015 and 2016 and allocates the \$27,210 paid in 2015 to the debt reserve account.

Management's Comments

The General Manager agrees with the above recommendation. The Leaside Gardens' Board has agreed to meet with the City's upper management to discuss and resolve the discrepancies between Leaside Gardens' records and those of the City.

Issue – Long-term Receivable from the City of Toronto

Included in the Long-term receivable from the City of Toronto balance is \$20,000 that has been described as expansion deposit. The explanation we received from management in prior years is that the amount was provided to the City at the start of the expansion project and was refundable to the Arena once the expansion was complete. We recommend the Arena address the matter with the City and either collect the monies or write-off the amount receivable if it will not be collected.

The long-term receivable from the City of Toronto also includes a receivable related to the post-employment benefit liability. The receivable should equal the liability, however the receivable balance as at December 31, 2016 is \$30,444 and the liability balance as at December 31, 2016 is \$92,236, resulting in an understatement of the long-term receivable of \$61,762. We recommend that management address this difference in 2017 when the other receivables with the City as described in the issue below are addressed.

Management's Comments

The General Manager agrees with the above recommendations. The Leaside Gardens' Board has agreed to meet with the City's upper management to discuss and resolve the discrepancies between Leaside Gardens' records and those of the City.

Issue - Due from City of Toronto operating deficit

The amount due from the City of Toronto operating deficit represents an accumulation of annual surplus/deficit balances payable(receivable) from the City. At present the account includes deficit balances receivable of \$164,172 related to 2002, 2004 and 2006. \$78,332 is the 2002 deficit receivable which should have been settled in early 2005. \$76,038 relates to the 2006 restatement deficit adjustment as described in the 2007 audited financial statements. The restatement per the 2007 audited financial statements was \$142,932, the City reported the restatement adjustment as \$66,894 and settled that amount recorded in 2012, the net difference is \$76,038. We recommend that management review its book and work with City staff to verify the 2002 deficit was settled in 2005 and if settled how it was recorded in the Arenas books. We also recommend that management review work with City staff to determine why the full amount of the 2006 restatement adjustment was not recorded by the City and have the difference settled.

Management's Comments

The General Manager agrees with the above recommendations. The Leaside Gardens' Board has agreed to meet with the City's upper management to discuss and resolve the discrepancies between Leaside Gardens' records and those of the City.

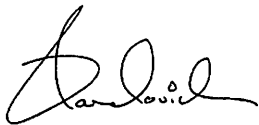
We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from management and their staff.

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

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

Yours very truly,

Welch LLP



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



Kathy Steffan, CPA, CA
Partner