

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND 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 MCCORMICK PLAYGROUND ARENA**

We have audited the accompanying financial statements of the Committee of Management of McCormick Playground Arena, 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 Committee of Management of McCormick Playground 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
May 31, 2017.

Welch LLP - Chartered Professional Accountants
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COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Accounts receivable	\$ 22,424	\$ 15,838
Due from the City of Toronto - operating deficit (note 6)	51,166	30,964
Inventories	<u>4,781</u>	<u>3,941</u>
	<u>78,371</u>	<u>50,743</u>
FINANCIAL LIABILITIES		
Bank indebtedness (note 5)	29,009	11,201
Accounts payable and accrued liabilities - other	32,394	20,407
Deferred revenue	6,968	9,135
City of Toronto - working capital advance	<u>10,000</u>	<u>10,000</u>
	<u>78,371</u>	<u>50,743</u>
NET DEBT	<u>-</u>	<u>-</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>12,913</u>	<u>9,889</u>
ACCUMULATED SURPLUS	<u>\$ 12,913</u>	<u>\$ 9,889</u>

Approved by the Board:

..... Chair

..... Member

(See accompanying notes)

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COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Revenue			
Ice rentals	\$ 709,067	\$ 728,610	\$ 685,805
Snack bar and vending machine operations (Schedule A)	10,865	3,969	6,142
Pro shop operations (Schedule A)	8,570	5,512	5,791
Other	<u>-</u>	<u>935</u>	<u>841</u>
	<u>728,502</u>	<u>739,026</u>	<u>698,579</u>
Expenses			
Salaries and wages	368,954	375,722	366,783
Employee benefits	106,284	104,096	101,397
Utilities	174,888	195,976	180,871
Maintenance and repairs	30,813	26,325	23,207
General administration	21,675	19,710	20,617
Insurance	10,427	10,427	10,427
Professional fees	5,071	4,996	4,868
Amortization	<u>-</u>	<u>8,952</u>	<u>6,556</u>
	<u>718,112</u>	<u>746,204</u>	<u>714,726</u>
Excess revenue over expenses (expenses over revenue) before the following	10,390	(7,178)	(16,147)
Vehicle and equipment reserve contribution (note 8)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Operating surplus (deficit)	<u>\$ 390</u>	(17,178)	(26,147)
Net expenditure receivable from the City of Toronto (note 6)		<u>20,202</u>	<u>26,543</u>
Annual surplus		3,024	396
Accumulated surplus, beginning of year		<u>9,889</u>	<u>9,493</u>
Accumulated surplus, end of year		<u>\$ 12,913</u>	<u>\$ 9,889</u>

(See accompanying notes)

Welch LLP

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA
STATEMENT OF CHANGE IN NET DEBT
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Annual surplus	\$ 3,024	\$ 396
Acquisition of tangible capital assets	(11,976)	(6,952)
Amortization of tangible capital assets	<u>8,952</u>	<u>6,556</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 MCCORMICK PLAYGROUND ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 3,024	\$ 396
Adjustments for:		
Amortization	<u>8,952</u>	<u>6,556</u>
	11,976	6,952
Non-cash changes to operations:		
Accounts receivable	(6,586)	(3,723)
Due from the City of Toronto - operating deficit	(20,202)	(848)
Inventories	(840)	(217)
Accounts payable and accrued liabilities - City of Toronto	-	(37,572)
Accounts payable and accrued liabilities - other	11,987	(15,430)
Deferred revenue	<u>(2,167)</u>	<u>399</u>
Cash flows used in operating activities	<u>(5,832)</u>	<u>(50,439)</u>
 CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(11,976)</u>	<u>(6,952)</u>
Cash flows used in capital transactions	<u>(11,976)</u>	<u>(6,952)</u>
 DECREASE IN CASH	(17,808)	(57,391)
 CASH (BANK INDEBTEDNESS), AT BEGINNING OF YEAR	<u>(11,201)</u>	<u>46,190</u>
 BANK INDEBTEDNESS, AT END OF YEAR	<u>\$ (29,009)</u>	<u>\$ (11,201)</u>

(See accompanying notes)

Welch LLP

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. NATURE OF OPERATIONS

The Committee of Management of McCormick Playground 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.319-71, 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 capital 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 Arena subsequently measures all its financial assets and financial liabilities at amortized cost.

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

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities.

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.

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

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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 policies 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, accounts receivable and amounts due 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 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.

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 this financial instrument is negligible.

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

3. FINANCIAL INSTRUMENTS - Cont'd.

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	\$ 44,758	\$ <u>31,845</u>	\$ 32,782	\$ <u>22,893</u>
Accumulated amortization	<u>31,845</u>		<u>22,893</u>	
	<u>\$ 12,913</u>		<u>\$ 9,889</u>	

5. BANK INDEBTEDNESS

Bank indebtedness as at December 31, 2016 is due to \$97,559 (2015 - \$74,804) of outstanding cheques drawn on the cash balance.

6. OPERATING DEFICIT DUE 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	\$ <u>(30,964)</u>	\$ <u>(30,116)</u>
Current year's operating deficit	(17,178)	(26,147)
Current year's capital assets purchases	(11,976)	(6,952)
Current year's amortization	<u>8,952</u>	<u>6,556</u>
Net expenditure receivable from the City of Toronto	<u>(20,202)</u>	<u>(26,543)</u>
Received during the current year	<u>-</u>	<u>25,695</u>
Balance, end of year	\$ <u>(51,166)</u>	\$ <u>(30,964)</u>

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2016

7. EMPLOYEE-RELATED LIABILITIES

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its permanent employees. This 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 rate of pay. Employer contributions to this pension plan amounted to \$34,408 (2015 - \$33,313)

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 0.0019% 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

This reserve represents contributions made to the City of Toronto for the financing of replacement ice resurfacer machines required by the Arena Boards in future years. The contribution for the year was \$10,000 (2015 - \$10,000).

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA
YEAR ENDED DECEMBER 31, 2016

SNACK BAR AND VENDING OPERATIONS

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Sales			
Snack bar	\$ 7,752	\$ 4,234	\$ 7,049
Vending machine	<u>19,770</u>	<u>15,392</u>	<u>16,188</u>
	27,522	19,626	23,237
 Cost of goods sold	 <u>16,657</u>	 <u>11,956</u>	 <u>13,036</u>
Gross profit	10,865	7,670	10,201
 Wages - snack bar	 <u>3,181</u>	 <u>3,701</u>	 <u>4,059</u>
Net revenue	<u>\$ 7,684</u>	<u>\$ 3,969</u>	<u>\$ 6,142</u>

PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Sales	\$ 10,859	\$ 6,777	\$ 7,453
 Cost of goods sold	 <u>2,289</u>	 <u>1,265</u>	 <u>1,662</u>
Gross profit	<u>\$ 8,570</u>	<u>\$ 5,512</u>	<u>\$ 5,791</u>

April 25, 2017

Committee of Management of McCormick Playground Arena
179 Brock Avenue
Toronto, Ontario
M6K 2L7

PRIVATE AND CONFIDENTIAL

Attention: Mr. Mike Roach

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.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from you and your 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