

**FINANCIAL STATEMENTS**  
**For**  
**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY 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 TED REEVE COMMUNITY ARENA**

We have audited the accompanying financial statements of the Committee of Management of Ted Reeve Community Arena, which comprise the statement of financial position as at December 31, 2016, and the 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 Ted Reeve Community 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 29, 2017.

Welch LLP - Chartered Professional Accountants  
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COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA


STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 166,396	\$ 235,668
Accounts receivable - other	89,301	72,461
Due from City of Toronto - operating deficit (note 5)	3,622	13,208
Inventories	<u>6,823</u>	<u>6,950</u>
	<u>266,142</u>	<u>328,287</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities - City of Toronto	43,244	51,644
Accounts payable and accrued liabilities - other	161,142	213,985
Deferred revenue	46,756	47,658
City of Toronto - working capital advance	<u>15,000</u>	<u>15,000</u>
	<u>266,142</u>	<u>328,287</u>
<b>NET DEBT</b>	-	-
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 4)	<u>109,647</u>	<u>91,244</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 109,647</u>	<u>\$ 91,244</u>

Approved by the Board:

  
..... Chair

  
..... Member

29/05/17

(See accompanying notes)

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**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget 2016 (unaudited)	2016	2015
<b>Revenue</b>			
Ice rentals	\$ 576,400	\$ 592,036	\$ 585,275
Snack bar and vending machine operations (Schedule A)	20,500	23,599	38,919
Contracted services - outdoor rink (Schedule B)	38,000	29,500	29,000
Lacross rentals	26,500	33,903	37,914
Meeting room rentals	13,000	30,688	35,309
Other	<u>18,200</u>	<u>32,050</u>	<u>22,493</u>
	<u>692,600</u>	<u>741,776</u>	<u>748,910</u>
<b>Expenses</b>			
Salaries and wages	341,600	334,179	360,093
Employee benefits	70,100	76,231	74,420
Utilities	124,000	146,005	138,210
Maintenance and repairs	84,200	85,794	75,216
General administration	36,650	25,145	23,860
Insurance	11,250	10,881	10,532
Professional fees	14,500	9,075	8,959
Amortization	<u>-</u>	<u>16,477</u>	<u>9,140</u>
	<u>682,300</u>	<u>703,787</u>	<u>700,430</u>
<b>Excess revenue over expenses before the following</b>	10,300	37,989	48,480
<b>Vehicle and equipment reserve contribution (note 7)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
<b>Operating surplus (deficit)</b>	<u>\$ 300</u>	27,989	38,480
<b>Net expenditure receivable from (revenue payable to) the City of Toronto (note 5)</b>		<u>(9,586)</u>	<u>13,880</u>
<b>Annual surplus</b>		18,403	52,360
<b>Accumulated surplus, beginning of year</b>		<u>91,244</u>	<u>38,884</u>
<b>Accumulated surplus, end of year</b>		<u>\$ 109,647</u>	<u>\$ 91,244</u>

(See accompanying notes)

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**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**STATEMENT OF CHANGE IN NET DEBT**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Annual surplus	\$ 18,403	\$ 52,360
Acquisition of capital assets	(34,880)	(61,500)
Amortization of tangible capital assets	<u>16,477</u>	<u>9,140</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 TED REEVE COMMUNITY 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	\$ 18,403	\$ 52,360
Adjustments for:		
Amortization	<u>16,477</u>	<u>9,140</u>
	34,880	61,500
Changes in non-cash working capital components:		
Accounts receivable - other	(16,840)	50,337
Accounts receivable - City of Toronto	-	10,500
Due from City of Toronto - operating deficit	9,586	(10,854)
Inventories	127	(918)
Accounts payable and accrued liabilities - City of Toronto	(8,400)	19,210
Accounts payable and accrued liabilities - other	(52,843)	62,206
Deferred revenue	<u>(902)</u>	<u>4,467</u>
<b>Cash flows from (used in) operating activities</b>	<u>(34,392)</u>	<u>196,448</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	<u>(34,880)</u>	<u>(61,500)</u>
<b>Cash flows used in investing activities</b>	<u>(34,880)</u>	<u>(61,500)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(69,272)	134,948
<b>CASH AT BEGINNING OF YEAR</b>	<u>235,668</u>	<u>100,720</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 166,396</u>	<u>\$ 235,668</u>

(See accompanying notes)

**Welch LLP**

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**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. NATURE OF OPERATIONS**

The Toronto East Arena Gardens Incorporated operating as the Committee of Management of Ted Reeve Community Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code, By-Law No. 19484, 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 and accounts receivable and amounts due from the City of Toronto.

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

*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 TED REEVE COMMUNITY 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:

Computer equipment	- 3 years straight line
Furniture and equipment	- 4 - 15 years straight line

*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 employee benefit plans:

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 tangible 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.



COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA

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 due from 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 and amounts due from City of Toronto 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.

*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:

	2016		2015	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and equipment	\$ 180,397	\$ 70,750	\$ 145,517	\$ 54,273
Accumulated amortization	70,750		54,273	
	<u>\$ 109,647</u>		<u>\$ 91,244</u>	

# **COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**

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

**YEAR ENDED DECEMBER 31, 2016**

### **5. OPERATING SURPLUS (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	\$ (13,208)	\$ (2,354)
Current year's operating surplus	27,989	38,480
Current year's tangible capital assets purchase	(34,880)	(61,500)
Current year's amortization	<u>16,477</u>	<u>9,140</u>
Net revenue payable to (expenditure recoverable from) the City of Toronto	9,586	(13,880)
Received during the current year	<u>-</u>	<u>3,026</u>
Balance, end of year	\$ <u>(3,622)</u>	\$ <u>(13,208)</u>

### **6. EMPLOYEE-RELATED LIABILITIES**

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 \$23,453 (2015 - \$24,182).

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 0.0013% 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**

The reserve represents contributions made to the City for the financing of replacement ice resurface machines and energy retrofit projects required by the Arena Boards in future years. The contribution amount for the year was \$10,000 (2015 - \$10,000).

### **8. OUTDOOR RINK**

In 2003, the City of Toronto in conjunction with the Committee signed an agreement with Sports Centre Design & Management to operate and manage a permanent outdoor ice rink. The Committee provides the services of certain management, administrative, maintenance and operation staff members. Monthly the Sports Centre is required to reimburse the Committee for utility costs and the wage and employee benefits costs for maintenance and operation staff members. In addition, the Sports Centre is also required to pay to the Committee \$29,500 (2015 - \$29,000) (adjusted annually) for administration and the General Manager's services. The agreement expires on March 31, 2018.

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**SNACK BAR AND VENDING OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget <u>2016</u> (unaudited)	<u>2016</u>	<u>2015</u>
<b>Sales</b>			
Snack bar and vending	\$ 82,000	\$ 75,605	\$ 96,745
Vending machine	<u>13,500</u>	<u>15,178</u>	<u>17,163</u>
	95,500	90,783	113,908
 <b>Cost of goods sold</b>	 <u>49,000</u>	 <u>38,429</u>	 <u>47,367</u>
 <b>Gross profit</b>	 46,500	 52,354	 66,541
 <b>Expenses</b>			
Wages - snack bar	<u>26,000</u>	<u>28,755</u>	<u>27,622</u>
 <b>Net revenue</b>	 <u>\$ 20,500</u>	 <u>\$ 23,599</u>	 <u>\$ 38,919</u>

**COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**  
**CONTRACTED SERVICES - OUTDOOR RINK**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget 2016 (unaudited)	2016	2015
<b>Revenue</b>			
Recovery of expenses	\$ 166,050	\$ 205,552	\$ 178,941
Administration (note 8)	<u>38,000</u>	<u>29,500</u>	<u>29,000</u>
	<u>204,050</u>	<u>235,052</u>	<u>207,941</u>
<b>Expenses</b>			
Wages	82,700	83,542	83,022
Employee benefits	13,650	13,261	13,414
Utilities	51,600	67,167	52,431
Maintenance and repairs	17,600	29,037	18,414
Miscellaneous	<u>500</u>	<u>12,545</u>	<u>11,660</u>
	<u>166,050</u>	<u>205,552</u>	<u>178,941</u>
<b>Net revenue</b>	<u>\$ 38,000</u>	<u>\$ 29,500</u>	<u>\$ 29,000</u>

May 29, 2017

Committee of Management of Ted Reeve Community Arena  
175 Main Street  
Toronto, Ontario  
M4E 2W2

**PRIVATE AND CONFIDENTIAL**

Attention: Mr. Michael Haughton

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.

- Other deficiencies in internal controls and reportable matters

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 the General Manager and received his comments thereon.

## **DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS**

### **Issue - Board approval of salary raises not evident**

During the review of the minutes of the Board of Director meetings, Welch noted that there was no proof of approval of the salary raises by the board. Welch recommends that board approval of salary wages occurs at the board meeting, and is documented in the minutes.

### **Management's Comments**

Will be implemented in 2017 fiscal year.

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



Christa Casey, CPA, CA  
Partner



Kathy Steffan, CPA, CA  
Partner