

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
For the year ended
DECEMBER 31, 2017

February 21, 2018

Board of Management for the 519 Church Street Community Centre
519 Church Street
Toronto, Ontario
M4Y 2C9

PRIVATE AND CONFIDENTIAL

Attention: Ms. Maura Lawless,
Executive Director

Dear Madam:

Re: Audit of the December 31, 2017 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2017, 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.

DEFICIENCY IN INTERNAL CONTROLS AND REPORTABLE MATTERS

Issue - Inconsistencies in Treatment of HST

During the course of our 2017 fiscal audit, we noted that there were some inconsistencies in the treatment of HST. In our substantive testing, we discovered two errors related to HST recorded. In one, the entire HST was set up as receivable instead of only the refundable portion. In the other, the entire HST was set up as expense instead of only the non-refundable portion.

We recommend that the calculations included on the cheque requisition forms and related entries into the accounting system be reviewed and approved by someone other than the preparer.

Management's Comments

The cheque requisition is currently prepared by staff submitting the invoice with supporting back-up documentation. The cheque requisition form includes an automated formula that is intended to automatically calculate the correct HST. The HST calculation is then checked by the Finance Clerk and confirmed and or corrected by the Manager, Finance. In 2018, we will review the form, practice and ensure that the calculations are done correctly at all times.

Issue - Controls over Wires/Electronic Fund Transfers (EFTs)

During the course of our 2017 fiscal audit, we noted that the internal controls in place for wires and EFTs were not consistent with those in place for cheques. According to the Purchasing & Signing Authority Policy, wires and EFTs require two authorized signatures no matter the dollar value of the payment. However, wires and EFTs are prepared by the Finance Administrator, and reviewed and approved by the Manager of Finance. No equivalent second authorized signature is required in order to issue payment.

We recommend that the wire and EFTs process through the bank be set up to require dual approval prior to the release of payment.

Management's Comments

The separation of duties is impacted by the limited number of employees in The 519's Finance department. In 2018, we will review this business process to determine if we are able to designate an additional position to authorize the release of these payments. In the interim we will continue the practice that the Executive Director and Director, Finance sign-off and authorize all EFTs prior to payment in accordance with the Board approved Purchasing, Procurement and Signing Authorities policy.

Issue - Third Party Documentation for Fund and Intermediary Expenditures

During the course of our 2017 fiscal audit, we noted that the Finance department did not have supporting documentation for certain fund and intermediary expenditures on hand. While the Finance department was able to provide supporting documentation after making requests from other staff members and trustees, not having the documentation on hand made it difficult to ensure validity of the fund and intermediary expenditure activity.

We recommend that third party supporting documentation for all expenditures be maintained (for example, invoice, expense reports, authorization by trustees) and filed with diligence by the Finance department in order to ensure documentation exists to support the fund and intermediary expenditures for the fiscal year.

Management's Comments

In managing the Trustee accounts The 519 considered attaching the confidential health information to the back-up supporting documentation but decided to side on protecting the confidentiality of applicants for the Munroe fund and accordingly stored the back-up approval information in a separate folder in the department that manages the application and approval processes. The 519 will now attach the relevant approval documentation and redact the health information which should resolve the issue.

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

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

We have audited the accompanying financial statements of the Board of Management for the 519 Church Street Community Centre, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, net revenue over expenses and cash flow from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016 and unrestricted net assets as at January 1 and December 31 for both the 2016 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board of Management for the 519 Church Street Community Centre as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

A handwritten signature in black ink that reads "Welch LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 26, 2018.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE


STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 835,287	\$ 1,280,625
Investments	25,000	25,000
Due from City of Toronto	37,600	60,678
Accounts receivable	714,377	364,737
Inventories	14,273	6,966
Prepaid expenses	<u>13,157</u>	<u>19,897</u>
	1,639,694	1,757,903
DUE FROM CITY OF TORONTO (note 7)	337,006	335,108
CAPITAL ASSETS (note 3)	<u>164,838</u>	<u>213,419</u>
	<u>\$ 2,141,538</u>	<u>\$ 2,306,430</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Due to City of Toronto	\$ 22,086	\$ 45,919
Accounts payable and accrued liabilities	459,116	490,233
Deferred revenue	-	11,000
Deferred contributions (note 5)	219,100	452,591
Deferred capital contributions (note 6)	<u>116,728</u>	<u>136,931</u>
	817,030	1,136,674
POST-EMPLOYMENT BENEFITS PAYABLE (note 7)	<u>337,006</u>	<u>335,108</u>
	<u>1,154,036</u>	<u>1,471,782</u>
NET ASSETS		
Invested in capital assets, internally restricted (note 9)	48,110	76,488
Program reserve, internally restricted (note 10)	447,811	387,500
Fund and intermediary balances, externally restricted (schedule B and note 11)	201,176	168,944
Unrestricted	<u>290,405</u>	<u>201,716</u>
	<u>987,502</u>	<u>834,648</u>
	<u>\$ 2,141,538</u>	<u>\$ 2,306,430</u>

Approved by the Board:

 Chair

 Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	<u>Invested in Capital Assets</u> (note 9)	<u>Program Reserve</u> (note 10)	<u>Fund and Intermediary Balances</u> (note 11)	<u>Unrestricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Net assets, beginning of year	\$ 76,488	\$ 387,500	\$ 168,944	\$ 201,716	\$ 834,648	\$ 394,320
Net revenue over expenses	-	-	-	120,622	120,622	424,841
Net revenue over expenses - fund and intermediary balances (schedule B)	-	-	32,232	-	32,232	15,487
Investment in capital assets	9,429	-	-	(9,429)	-	-
Amortization of capital assets	(37,807)	-	-	37,807	-	-
Transfers between reserves	<u>-</u>	<u>60,311</u>	<u>-</u>	<u>(60,311)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 48,110</u>	<u>\$ 447,811</u>	<u>\$ 201,176</u>	<u>\$ 290,405</u>	<u>\$ 987,502</u>	<u>\$ 834,648</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Administration</u>	<u>2017</u>	<u>2016</u>
Revenue				
Grants				
City of Toronto	\$ 341,293	\$ 1,389,685	\$ 1,730,978	\$ 1,678,538
United Way	247,844	-	247,844	269,167
Government of Canada	405,642	-	405,642	316,644
Others	145,310	-	145,310	118,896
Province of Ontario	<u>119,527</u>	<u>-</u>	<u>119,527</u>	<u>86,921</u>
	1,259,616	1,389,685	2,649,301	2,470,166
Donations	1,347,901	-	1,347,901	2,487,527
Fundraising	1,208,796	-	1,208,796	1,103,900
Cafe	589,140	-	589,140	524,185
Workshops, education and training	273,807	-	273,807	249,804
Rental fees	45,984	-	45,984	45,256
Other revenue	10,934	-	10,934	24,513
Interest	5,052	-	5,052	12,468
Amortization of deferred capital contributions	<u>20,203</u>	<u>-</u>	<u>20,203</u>	<u>20,203</u>
	<u>4,761,433</u>	<u>1,389,685</u>	<u>6,151,118</u>	<u>6,938,022</u>
Expenses (Schedule A)				
Salaries and wages	1,822,677	863,105	2,685,782	2,662,576
Employee benefits	449,132	250,698	699,830	653,001
Purchase of services	1,451,525	115,571	1,567,096	2,217,557
Materials, supplies and services	859,467	160,311	1,019,778	913,181
Amortization of capital assets	<u>58,010</u>	<u>-</u>	<u>58,010</u>	<u>66,866</u>
	<u>4,640,811</u>	<u>1,389,685</u>	<u>6,030,496</u>	<u>6,513,181</u>
Net revenue over expenses	<u>\$ 120,622</u>	<u>\$ -</u>	<u>\$ 120,622</u>	<u>\$ 424,841</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net revenue over expenses	\$ 120,622	\$ 424,841
Net revenue over expenses - fund and intermediary balances	<u>32,232</u>	<u>15,487</u>
	152,854	440,328
Adjustments for:		
Amortization of capital assets	58,010	66,866
Amortization of deferred capital contributions	<u>(20,203)</u>	<u>(20,203)</u>
	190,661	486,991
Increase (decrease) resulting from changes in:		
Due from City of Toronto	23,078	(25,997)
Accounts receivable	(349,640)	(3,572)
Inventories	(7,307)	6,331
Prepaid expenses	6,740	(9,593)
Long term amount due from City of Toronto	(1,898)	(2,075)
Due to City of Toronto	(23,833)	21,654
Accounts payable and accrued liabilities	(31,117)	277,178
Deferred revenue	(11,000)	11,000
Deferred contributions	(233,491)	(1,210,186)
Post-employment benefits payable	<u>1,898</u>	<u>2,075</u>
	<u>(435,909)</u>	<u>(446,194)</u>
 CASH FLOW USED IN INVESTMENT ACTIVITIES		
Acquisition of capital assets - program	<u>(9,429)</u>	<u>(150,510)</u>
	(9,429)	(150,510)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of deferred capital contributions	-	96,276
Repayment of bank indebtedness	<u>-</u>	<u>(58,617)</u>
	-	37,659
 DECREASE IN CASH AND CASH EQUIVALENTS	(445,338)	(559,045)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,280,625</u>	<u>1,839,670</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 835,287</u>	<u>\$ 1,280,625</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 - 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at No. 519 Church Street as a community recreation centre under the authority of the Municipal Act, known as 519 Church Street Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board of Management which, among other matters, shall:

(a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and

(b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profits ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Centre follows the restricted fund method of accounting for contributions to funds detailed in Schedule B and the Centre follows the deferral method of accounting for all other contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position

Workshop fees, rental and similar revenues are recognized as the services are provided.

Cafe revenues from the restaurant are recognized as earned, upon performance of the service.

Revenues related to catering events are recognized on the date of the event.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit with financial institutions and savings funds with original maturities of less than three months at the date of acquisition.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

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

Financial instruments

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

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

Financial assets measured at amortized cost include cash and cash equivalents, short-term investments, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. Monetary donations are recorded as received.

Capital assets

Capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Computers	- 3 years straight line
Furniture and equipment	- 3 to 5 years straight line
Building fixtures	- 5 years straight line
Website	- 10 years straight line
Capital improvements	- 20 years straight line

Employee related costs

The Centre has adopted the following policies with respect to employee benefit plans:

- (a) The City of Toronto offers a multi-employer defined benefit pension plan to the Centre's employees. Due to the nature of the Plan, the Centre does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.
- (b) The Centre also offers its employees a defined benefit sick leave plan, a post-retirement life, health and dental plan, a long-term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Centre recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations 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 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

3. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Program				
Computers	\$ 153,240	\$ 142,475	\$ 153,240	\$ 131,710
Furniture and equipment	573,466	508,478	564,037	468,484
Website	24,370	21,933	24,370	19,496
Capital improvements	<u>96,276</u>	<u>9,628</u>	<u>96,276</u>	<u>4,814</u>
	847,352	<u>\$ 682,514</u>	837,923	<u>\$ 624,504</u>
 Accumulated amortization	 <u>682,514</u>		 <u>624,504</u>	
	 <u>\$ 164,838</u>		 <u>\$ 213,419</u>	

4. CREDIT FACILITIES

The Centre has an operating demand loan with an authorized limit of \$350,000, of which \$NIL (2016 - \$NIL) was utilized at year-end. The demand loan bears interest at prime plus 2% and is secured by the Centre's cash and cash equivalents and short-term investments.

5. DEFERRED CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 452,591	\$ 1,662,777
Add: Funds received	2,769,990	1,330,787
Less: Amounts recognized as revenue	<u>(3,003,481)</u>	<u>(2,540,973)</u>
Balance, end of year	<u>\$ 219,100</u>	<u>\$ 452,591</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

6. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 136,931	\$ 60,858
Add: Funds received	-	96,276
Less: Amortization of deferred capital contributions	<u>(20,203)</u>	<u>(20,203)</u>
Balance, end of year	<u>\$ 116,728</u>	<u>\$ 136,931</u>

7. POST-EMPLOYMENT BENEFITS AND LONG TERM ACCOUNT RECEIVABLE

The Centre participates in a number of defined benefits plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of April 1, 2003, unused sick leave accumulated until March 1, 2008, and eligible employees may be entitled to a cash payment upon leaving the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the employee upon termination, retirement or death. This sick bank plan was replaced by a Short-Term Disability Plan (STD) effective March 1, 2008, for all non-union employees of the City of Toronto. Upon the effective date, the sick banks were locked with no further accumulation. Grandfathered management staff remain entitled to payout of frozen, banked time, as described above. Under the new STD plan, management employees are entitled to 130 days annual coverage with salary protection at 100 or 75 percent, depending upon years of service. Non-management employees continue to receive sick bank time as stipulated in the applicable Collective Agreement, which specifies no financial conversion of unused sick leave.

The Centre 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 obligation were as follows:

- long-term inflation rate - 2.0%
- assumed health care cost trends - range from 3.0% to 4.0%
- rate of compensation increase - 3.0% to 3.5%
- discount rates - post-retirement 3.2%, post-employment 2.8%, sick leave 3.0%

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

	<u>2017</u>	<u>2016</u>
Post-retirement benefits	\$ 180,547	\$ 122,684
Add: Unamortized actuarial gain	<u>156,459</u>	<u>212,424</u>
Post-employment benefit liability	<u>\$ 337,006</u>	<u>\$ 335,108</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

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

The continuity of the accrued benefit obligation is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 335,108	\$ 333,033
Current service cost	22,146	21,739
Interest cost	5,069	4,087
Plan amendment	(1,437)	-
Amortization of actuarial gain	<u>(23,880)</u>	<u>(23,751)</u>
Balance, end of year	\$ <u>337,006</u>	\$ <u>335,108</u>

A long-term receivable from the City of \$337,006 (2016 - \$335,108) has resulted from recording sick leave and post-retirement benefits. Funding for these costs continues to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities of administration staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. The Plan is a defined benefit plan, which specifies the amount of 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 \$212,684 in 2017 (2016 - \$194,923).

The most recent actuarial valuation of the OMERS plan as at December 31, 2017 indicates the Plan is in a surplus position and the Plan's December 31, 2017 financial statements indicate a net surplus of \$605 million (a deficit of \$5.403 billion netted against unrecognized investment returns of \$6.008 billion that will be recognized over the next four years). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Centre's contributions accounted for 0.0109% of the Plan's total employer contributions. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

8. FUNDS PROVIDED BY CITY OF TORONTO - ADMINISTRATION

Funding for administration expenses is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, excluding those accruals for long-term employee benefits, are funded by the Centre unless Council approval has been obtained for additional funding.

	<u>2017</u> <u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Administration expenses:			
Salaries and wages	\$ 836,289	\$ 863,105	\$ 808,894
Employee benefits	247,810	250,698	217,829
Purchase of services	153,866	115,571	135,730
Materials, supplies and services	<u>151,720</u>	<u>160,311</u>	<u>188,173</u>
	\$ <u>1,389,685</u>	\$ <u>1,389,685</u>	\$ <u>1,350,626</u>
Centre's actual administration revenue:			
Administration budget		\$ <u>1,389,685</u>	\$ <u>1,350,626</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

9. INVESTED IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	<u>2017</u>	<u>2016</u>
Capital assets	\$ 164,838	\$ 213,419
Amounts financed by deferred capital contributions	<u>(116,728)</u>	<u>(136,931)</u>
	<u>\$ 48,110</u>	<u>\$ 76,488</u>

Change in net assets invested in capital assets is calculated as follows:

	<u>2017</u>	<u>2016</u>
Net revenue over expenses (expenses over revenue)		
Amortization of deferred capital contributions	\$ 20,203	\$ 20,203
Amortization of capital assets	<u>(58,010)</u>	<u>(66,866)</u>
	<u>\$ (37,807)</u>	<u>\$ (46,663)</u>
Net investment in capital assets		
Capital assets acquired	\$ 9,429	\$ 150,510
Amounts financed by deferred capital contributions	<u>-</u>	<u>(96,276)</u>
	<u>\$ 9,429</u>	<u>\$ 54,234</u>

10. PROGRAM RESERVE

The Centre's Program Reserve Policy was established by the Board in 2016 to ensure the stability of the Centre's mission, programs and ongoing operations and to provide a source of internal funds for planned and emerging organizational priorities such as programming, capacity building, special projects, human resource liabilities, and emergency needs. The funds set aside exclude grant funding and other defined contributions.

11. FUND AND INTERMEDIARY BALANCES

Fund and Intermediary balances can be summarized as follows:

	<u>2017</u>	<u>2016</u>
Fund balances:		
AIDS Vigil	\$ 11,467	\$ 12,589
AIDS Memorial	55,997	63,129
Building	34,026	34,026
Recreation Centre Capital Campaign	2,967	2,967
Intermediary balances:		
ORAD	15,381	3,281
HOLA	1,270	1,270
Senior Pride Network	5,765	11,022
Hospitality Workers	-	650
Kyle Scanlon Memorial	19,045	13,845
Will Munro	22,449	26,125
Open Streets Toronto	-	40
Community Fund	20,000	-
Alliance for Equity of Blind Canadians	<u>12,809</u>	<u>-</u>
	<u>\$ 201,176</u>	<u>\$ 168,944</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

11. FUND AND INTERMEDIARY BALANCES - Cont'd.

Schedule B to these financial statements reflects the revenue, expenditures and surplus of the above noted Fund and Intermediary balances.

(a) AIDS Vigil

This fund was established in 1998 to fund expenditures related to the AIDS Candlelight Vigil. This event is held annually in June to remember those who have died from AIDS.

(b) AIDS Memorial

Since 1990, the Board has accepted donations for the establishment of an AIDS Memorial. This is a joint project between the City, the Board of Management of the 519 Church Street Community Centre, various funding agencies including other charitable foundations and individual and corporate donors. The AIDS Memorial Fund was established to fund expenditures related to the AIDS Memorial, which is located in Cawthra Park.

(c) Building

In 2000, the Board of Management commenced a capital campaign to renovate the existing building and build a new addition to the south side. The Board of Management in partnership with the City of Toronto agreed to cost share the project. The building project was completed in 2010. The Centre's contribution towards the capital renovations was \$980,000. The Centre also raised funds to pay for the replacement of the furnishings, throughout the building and meeting/conference rooms as well as replacing and upgrading the IT infrastructure, and a number of other building upgrades that were not part of the capital project.

On a go-forward basis, the Centre will continue to raise funds where possible to pay for capital expenses below \$50,000 to meet its obligations under the Relationship Framework.

(d) Recreation Centre Capital Campaign

In 2015, City Council approved the Centre to work in partnership with the City of Toronto, and a philanthropic donor to investigate the feasibility of redeveloping the John Innes Community Centre, Moss Park Arena and the surrounding parklands for the creation of a new transformational, multi-dimensional facility that will be dedicated to developing and providing inclusive recreational space and programs responsive to the needs of local communities including vulnerable at risk communities, while also advancing LGBTQ inclusion in sport and recreation. As part of the agreement the Centre has committed to raise a portion of the project costs by way of a capital campaign.

(e) ORAD

ORAD is a social and support group for Deaf Gay Men, Lesbians, Bisexuals and Trans People. Their project, Austin Unbound, brought the film regarding a Deaf man's choice to get a double mastectomy. The film was followed by a discussion with the filmmaker, Eliza Greenwood about issues faced by Austin. This provided an outreach opportunity to Deaf Transsexual and Transgender people, and an educational event for the membership of ORAD.

(f) HOLA

HOLA is a social and support group for Spanish speaking Gay Men, Lesbians, Bisexuals and Trans People. The project is meant to increase their visibility in the community through supporting their social events and their Pride Week activities. The Centre acts as intermediary for this fund because HOLA is a community group within the Centre's space use structure.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

11. FUND AND INTERMEDIARY BALANCES - Cont'd.

(g) Senior Pride Network

The Senior Pride Network is an association committed to promoting the delivery of appropriate positive community and health services for older gay, lesbian, bisexual, transgender, transsexual, intersexed and 2 Spirited people in Toronto. In 2011, the Centre with approval from the Network expanded its role of intermediary to be responsible for the coordination and delivery of the Senior's conference and other funding applications.

(h) Hospitality Workers

Established in 2012, the Hospitality Workers project is intended to create a workforce development solution that partners with Toronto's hotel and restaurant sector to reduce poverty, create accessible employment and advance the skills development and employment opportunities for new and incumbent workers in this industry. The Centre acted as a intermediary.

(i) Kyle Scanlon Memorial

Created in 2012 as a legacy in memory of Kyle Scanlon, a much-loved trans activist and 519 staffer. The Kyle Scanlon Memorial Fund is intended to support projects and initiatives important to members of Toronto's trans community. The Centre is working with the community and members of Kyle's family to finalize the formal mandate for the Fund.

(j) Will Munro

Established in 2010 by the friends and family of Will Munro, the Will Munro Fund for Queer and Trans People Living with Cancer will serve as a dedicated emergency relief fund offering financial assistance to LGBTQ people of all ages who are currently living with cancer in Ontario.

(j) Open Streets Toronto

Open Streets deliver community recreation events in the City of Toronto. It is meant to be open, accessible, and inclusive to all persons in the City of Toronto. Funding was received from various donors. The Centre acted as an intermediary.

(l) Sunday Drop-in Community Fund

Established as a restricted-use fund in 2017, based on a gift from a donor, to provide emergency support and an annual commemorative event and celebration of The Centre's Sunday Drop-in (SDI) program participants for a five-year duration.

(m) Alliance for Equity of Blind Canadians

Alliance of Equality for Blind Canadians is a peer support advocacy organization promoting equal access and participation of the blind, partially sighted and deaf/blind in mainstream society for the "Inclusive Employment Advocacy" Project. The Centre acted as a intermediary.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

12. FINANCIAL INSTRUMENTS

The Centre is exposed to and manages various financial risks resulting from operations. 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 Centre's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre's maximum exposure to credit risk represents the sum of the carrying value of its cash and cash equivalents, short-term investments and accounts receivable. The Centre's cash and cash equivalents and short-term investments are deposited 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 Centre's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its obligations as they become due. The Centre's financial liabilities are comprised of accounts payable and accrued liabilities, and trust accounts. The Centre manages its liquidity risk by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal as the Centre's financial assets are considered to be highly liquid.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Centre's financial instruments are all denominated in Canadian dollars, except for one U.S. cash account with a balance of \$2,127 (2016 - \$961), and the Centre transactions primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Centre's cash and cash equivalents and short-term investments earn interest at prevailing market rates. As a result the interest rate exposure related to these financial instruments is a result of interest rate movements.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Centre is not exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Centre's risk exposures from the prior year.

13. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
SCHEDULE OF PROGRAM EXPENDITURES BY ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>		<u>2016</u>
General	\$ 349,254		\$ 285,133
Fundraising, philanthropy & membership	436,578		418,437
Green Space event	819,566		584,534
Community Programs/Services			
Child and family programs	\$ 174,154		\$ 169,456
Community food and drop-in programs	450,563		322,167
Community support services	270,611		196,256
Newcomer services	<u>569,925</u>	1,465,253	<u>419,092</u>
			1,106,971
Social/Productive Enterprises			
Social enterprise - restaurant and catering	658,620		653,458
Social enterprise - education and training initiatives	491,864		574,832
Social enterprise - rentals and sales	<u>8,023</u>	1,158,507	<u>95</u>
			1,228,385
Recreation centre development	353,643		1,472,229
Amortization of capital assets	<u>58,010</u>		<u>66,866</u>
	<u>\$ 4,640,811</u>		<u>\$ 5,162,555</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
SCHEDULE OF OPERATIONS AND CHANGE IN FUND AND INTERMEDIARY BALANCES
YEAR ENDED DECEMBER 31, 2017

	Fund								Intermediary					
	AIDS Vigil		AIDS Memorial		Building		Recreation Centre Capital Campaign		ORAD		HOLA		Senior Pride Network	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue														
Donation, grants, and fundraising	\$ 12,460	\$ 19,530	\$ 1,555	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 50	\$ -	\$ -	\$ 1,701	\$ 5,096
Expenses														
Professional services	3,162	1,918	-	-	-	-	-	-	-	-	-	-	1,250	-
Construction	-	-	7,551	-	-	-	-	-	-	-	-	-	-	-
Material, supplies and services	10,420	7,895	1,136	1,459	-	-	-	-	2,900	-	-	-	5,708	1,811
	<u>13,582</u>	<u>9,813</u>	<u>8,687</u>	<u>1,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,958</u>	<u>1,811</u>
Excess of revenue over expenses (expenses over revenue)	(1,122)	9,717	(7,132)	(1,109)	-	-	-	-	12,100	50	-	-	(5,257)	3,285
Balance, beginning of year	<u>12,589</u>	<u>2,872</u>	<u>63,129</u>	<u>64,238</u>	<u>34,026</u>	<u>34,026</u>	<u>2,967</u>	<u>2,967</u>	<u>3,281</u>	<u>3,231</u>	<u>1,270</u>	<u>1,270</u>	<u>11,022</u>	<u>7,737</u>
Balance, end of year	<u>\$ 11,467</u>	<u>\$ 12,589</u>	<u>\$ 55,997</u>	<u>\$ 63,129</u>	<u>\$ 34,026</u>	<u>\$ 34,026</u>	<u>\$ 2,967</u>	<u>\$ 2,967</u>	<u>\$ 15,381</u>	<u>\$ 3,281</u>	<u>\$ 1,270</u>	<u>\$ 1,270</u>	<u>\$ 5,765</u>	<u>\$ 11,022</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
SCHEDULE OF OPERATIONS AND CHANGE IN FUND AND INTERMEDIARY BALANCES - Cont'd.
YEAR ENDED DECEMBER 31, 2017

	Intermediary												Total Fund and Intermediary Balances	
	Hospitality Workers		Kyle Scanlon Memorial		Will Munro		Open Streets Toronto		Sunday Drop-in Community Fund		Alliance for Equity of Blind Canadians			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		
Revenue														
Donation, grants, and fundraising	\$ 239,150	\$ 438,350	\$ 5,200	\$ 5,000	\$ 1,494	\$ 3,894	\$ 32,460	\$ 130,000	\$ 20,000	\$ -	\$ 48,000	\$ -	\$ 377,020	\$ 602,270
Expenses														
Professional services	-	-	-	-	-	-	-	-	-	-	34,163	-	38,575	1,918
Construction	-	-	-	-	-	-	-	-	-	-	-	-	7,551	-
Material, supplies and services	239,800	437,700	-	-	5,170	6,000	32,500	130,000	-	-	1,028	-	298,662	584,865
	<u>239,800</u>	<u>437,700</u>	<u>-</u>	<u>-</u>	<u>5,170</u>	<u>6,000</u>	<u>32,500</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>35,191</u>	<u>-</u>	<u>344,788</u>	<u>586,783</u>
Excess of revenue over expenses (expenses over revenue)	(650)	650	5,200	5,000	(3,676)	(2,106)	(40)	-	20,000	-	12,809	-	32,232	15,487
Balance, beginning of year	<u>650</u>	<u>-</u>	<u>13,845</u>	<u>8,845</u>	<u>26,125</u>	<u>28,231</u>	<u>40</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,944</u>	<u>153,457</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 650</u>	<u>\$ 19,045</u>	<u>\$ 13,845</u>	<u>\$ 22,449</u>	<u>\$ 26,125</u>	<u>\$ -</u>	<u>\$ 40</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 12,809</u>	<u>\$ -</u>	<u>\$ 201,176</u>	<u>\$ 168,944</u>

February 21, 2018

Board of Management for the 519 Church Street Community Centre
519 Church Street
Toronto, Ontario
M4Y 2C9

PRIVATE AND CONFIDENTIAL

Attention: Ms. Maura Lawless,
Executive Director

Dear Madam:

Re: Audit of the December 31, 2017 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2017, 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.

DEFICIENCY IN INTERNAL CONTROLS AND REPORTABLE MATTERS

Issue - Inconsistencies in Treatment of HST

During the course of our 2017 fiscal audit, we noted that there were some inconsistencies in the treatment of HST. In our substantive testing, we discovered two errors related to HST recorded. In one, the entire HST was set up as receivable instead of only the refundable portion. In the other, the entire HST was set up as expense instead of only the non-refundable portion.

We recommend that the calculations included on the cheque requisition forms and related entries into the accounting system be reviewed and approved by someone other than the preparer.

Management's Comments

The cheque requisition is currently prepared by staff submitting the invoice with supporting back-up documentation. The cheque requisition form includes an automated formula that is intended to automatically calculate the correct HST. The HST calculation is then checked by the Finance Clerk and confirmed and or corrected by the Manager, Finance. In 2018, we will review the form, practice and ensure that the calculations are done correctly at all times.

Issue - Controls over Wires/Electronic Fund Transfers (EFTs)

During the course of our 2017 fiscal audit, we noted that the internal controls in place for wires and EFTs were not consistent with those in place for cheques. According to the Purchasing & Signing Authority Policy, wires and EFTs require two authorized signatures no matter the dollar value of the payment. However, wires and EFTs are prepared by the Finance Administrator, and reviewed and approved by the Manager of Finance. No equivalent second authorized signature is required in order to issue payment.

We recommend that the wire and EFTs process through the bank be set up to require dual approval prior to the release of payment.

Management's Comments

The separation of duties is impacted by the limited number of employees in The 519's Finance department. In 2018, we will review this business process to determine if we are able to designate an additional position to authorize the release of these payments. In the interim we will continue the practice that the Executive Director and Director, Finance sign-off and authorize all EFTs prior to payment in accordance with the Board approved Purchasing, Procurement and Signing Authorities policy.

Issue - Third Party Documentation for Fund and Intermediary Expenditures

During the course of our 2017 fiscal audit, we noted that the Finance department did not have supporting documentation for certain fund and intermediary expenditures on hand. While the Finance department was able to provide supporting documentation after making requests from other staff members and trustees, not having the documentation on hand made it difficult to ensure validity of the fund and intermediary expenditure activity.

We recommend that third party supporting documentation for all expenditures be maintained (for example, invoice, expense reports, authorization by trustees) and filed with diligence by the Finance department in order to ensure documentation exists to support the fund and intermediary expenditures for the fiscal year.

Management's Comments

In managing the Trustee accounts The 519 considered attaching the confidential health information to the back-up supporting documentation but decided to side on protecting the confidentiality of applicants for the Munroe fund and accordingly stored the back-up approval information in a separate folder in the department that manages the application and approval processes. The 519 will now attach the relevant approval documentation and redact the health information which should resolve the issue.

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