Attachment 1

FINANCIAL STATEMENTS

For

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

For the year ended

DECEMBER 31, 2017

Welch LLP SINCE 1918

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND
COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

We have audited the accompanying financial statements of the Committee of Management of George Bell Arena, which comprise the statement of financial position as at December 31, 2017, statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Committee of Management of George Bell Arena 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 17, 2018.

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COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	$ 97,565	$ 6,883
Accounts receivable	12,375	49,794
Due from the City of Toronto - operating deficit (note 5)	30,491	78,373
Due from City of Toronto (note 6)	182,308	203,029
	322,739	338,079
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	40,893	47,797
Deferred revenue	85,073	72,788
City of Toronto - working capital advance	15,000	15,000
Post-employment benefits payable (note 6)	182,308	203,029
	323,274	338,614
NET DEBT	(535)	(535)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	5,082	24,659
Prepaid expenses	535	535
	5,617	25,194
ACCUMULATED SURPLUS	$ 5,082	$ 24,659

Approved by the Board:

.... ACTING Chair

.... Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
Revenue			
Ice rentals	$ 619,161	$ 615,644	$ 626,014
Facility rentals	15,723	15,728	16,513
Snack bar and vending machine operations (Schedule A)	15,000	6,482	7,325
Other	70,660	52,231	47,634
	720,544	690,085	697,486
Expenses			
Salaries and wages	344,100	339,368	313,594
Utilities	138,541	150,101	159,270
Employee benefits	112,578	111,495	106,551
Maintenance and repairs	87,469	97,840	91,975
Insurance	10,234	10,234	10,234
General administration	10,928	5,653	17,984
Professional fees	4,961	5,478	6,468
Amortization	-	19,577	19,577
Interest on long-term debt	-	-	342
	708,811	739,746	725,995
Excess revenue over expenses (expenses over revenue) before the undernoted	11,733	(49,661)	(28,509)
Loan repayments	-	-	(51,176)
Vehicle and equipment replacement reserve (note 7)	(11,000)	(11,000)	(11,000)
Operating (deficit) surplus	$ 733	(60,661)	(90,685)
Net expenditure receivable from the City of Toronto (note 5)		41,084	79,578
Annual deficit		(19,577)	(11,107)
Accumulated surplus, beginning of year		24,659	35,766
Accumulated surplus, end of year		$ 5,082	$ 24,659

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED DECEMBER 31, 2017

	2017	2016
Annual deficit	$ (19,577)	$ (11,107)
Acquisition of tangible capital assets	-	(8,470)
Amortization of tangible capital assets	19,577	19,577
Changes in net debt	-	-
Net debt, beginning of year	(535)	(535)
Net debt, end of year	$ (535)	$ (535)

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual deficit	$ (19,577)	$ (11,107)
Adjustments for:		
Amortization	19,577	19,577
	-	8,470
Non-cash changes to operations:		
Accounts receivable	37,419	(26,810)
Recoverable from City of Toronto - dehumidifier	-	51,176
Due from City of Toronto	20,721	16,231
Accounts payable and accrued liabilities	(6,904)	(18,872)
Deferred revenue	12,285	34,145
Due from City of Toronto - operating deficit	47,882	(79,578)
Post-employment benefits payable	(20,721)	(16,231)
	90,682	(31,469)
CASH FLOWS USED IN CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	-	(8,470)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of long-term loan from City of Toronto	-	(61,760)
INCREASE (DECREASE) IN CASH	90,682	(101,699)
CASH, BEGINNING OF YEAR	6,883	108,582
CASH, END OF YEAR	$ 97,565	$ 6,883

(See accompanying notes)

1. NATURE OF OPERATIONS

The Committee of Management of George Bell 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 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 cash, accounts receivable, and amounts due from the City of Toronto.

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

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

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 employee benefit plans:

(a) The City of Toronto offers a multi-employer defined benefit pension plan to the Arena's 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 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 accordance 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 revenue 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, significant accrued liabilities and the post-employment benefits 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 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.

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 amount 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:

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 97,886	$ 92,804	$ 97,886	$ 73,227
Accumulated amortization	92,804		73,227	
	$ 5,082		$ 24,659	

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

The amount due to (from) the City of Toronto consists of the following:

	2017	2016
Balance, beginning of year	$ (78,373)	$ 1,205
Current year's operating deficit	(60,661)	(90,685)
Current year's tangible capital assets purchases	-	8,470
Current year's amortization	19,577	19,577
Net expenditure receivable from the City of Toronto	(41,084)	(79,578)
Payment to the City during the current year	(1,782)	-
Received from the City during the current year	90,748	-
Balance, end of year	$ (30,491)	$ (78,373)

6. POST-EMPLOYMENT BENEFITS PAYABLE

The Arena participates in a benefit plan provided by the City of Toronto. The Arena provides administrative employees with long-term disability benefits and the continuation of health, dental and life insurance benefits to disabled employees.

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

	2017	2016
Continuation of benefits to disabled employees	$ 113,873	$ 133,276
Post-employment income benefits	128,341	150,182
	242,214	283,458
Deduct: Unamortized actuarial loss	59,906	80,429
Post-employment benefit liability	$ 182,308	$ 203,029

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

The continuity of the accrued benefit obligation is as follows:

	2017	2016
Balance, beginning of year	$ 203,029	$ 219,260
Interest cost	7,058	7,492
Plan amendment	(3,468)	-
Amortization of actuarial loss	19,821	19,972
Expected benefits paid	(44,132)	(43,695)
Balance, end of year	$ 182,308	$ 203,029

A long-term receivable of $182,308 (2016 - $203,029) from the City has resulted from the recording of sick leave and post-retirement benefits. Funding for these costs continue 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. 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 $28,457 (2016 - $27,410).

The most recent actuarial valuation of the OMERS plan as at December 31, 2017 indicates the Plan is 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 Arena's contributions accounted for 0.0015% of the Plan's total employer contribution. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

7. VEHICLE AND EQUIPMENT REPLACEMENT RESERVE

This reserve represents contributions made to the City of Toronto for the financing of replacement ice resurfacer machines required by the Arena Boards in the future years. The contribution amount for the year was $11,000 (2016 - $11,000).

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

YEAR ENDED DECEMBER 31, 2017

SNACK BAR AND VENDING MACHINE OPERATIONS

	Budget (unaudited)	2017	2016
Sales			
Snack bar and fundraising	$ 20,000	$ 10,961	$ 18,053
Vending machine	5,000	2,277	2,445
	25,000	13,238	20,498
Cost of goods sold	10,000	3,553	6,740
Gross profit	15,000	9,685	13,758
Direct expenses			
Wages and benefits	-	3,203	6,433
Gross profit	$ 15,000	$ 6,482	$ 7,325

Welch LLP

SINCE 1918

May 17, 2018

Committee of Management of George Bell Arena
215 Ryding Avenue
Toronto, Ontario
M6N 1H6

PRIVATE AND CONFIDENTIAL

Attention: Committee of Management

Dear Sir:

Re: Audit of the 31 December, 2017 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2017, 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 Larry Woodley and received his comments thereon.

Issue - Review of bank reconciliations

During our audit we noted that bank reconciliations are prepared on a monthly basis, however there was no evidence that they are reviewed. Given that the bank reconciliations are prepared by the same individual that records receipts and payments we recommend that the reconciliations be reviewed by someone other than the preparer and that their review be documented by initialing the bank reconciliations prepared.

Management's Comments

Supported by management

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Issue - Revenue and expense accounts classified as balance sheet accounts

During our audit we noted that there are various revenue and expense accounts that are classified as balance sheet accounts in the Arena's accounting software which results in the net surplus/deficit not being closed out at yearend to net assets. The accounts are; 4005 · Capital Contribution from City, and Amortization. We recommend that the accounts class type be changed in the accounting software to income statement account types.

Management's Comments

Welch directed Management on how to make the changes in the accounting system and will implement changes for the 2018 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 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

K Steffan

Kathy Steffan, CPA, CA
Partner

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