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Attachment 3

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
For the year ended
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA**

We have audited the accompanying financial statements of the Committee of Management of Forest Hill Memorial Arena, which comprise the statement of financial position as at December 31, 2017, and the 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 Forest Hill Memorial 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 6, 2018.

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 99,566	\$ 65,969
Accounts receivable	78,412	71,114
Due from City of Toronto (note 5)	<u>-</u>	<u>12,457</u>
	<u>177,978</u>	<u>149,540</u>
 FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	162,594	126,605
Due to City of Toronto (note 5)	3,594	-
Deferred revenue	24,508	35,377
City of Toronto - working capital advance	<u>10,000</u>	<u>10,000</u>
	<u>200,696</u>	<u>171,982</u>
 NET DEBT	 (22,718)	 (22,442)
 NON-FINANCIAL ASSETS		
Inventories	22,718	22,442
Tangible capital assets (note 4)	<u>35,242</u>	<u>35,317</u>
 ACCUMULATED SURPLUS	 \$ 35,242	 \$ 35,317

Approved on behalf of the Committee of Management:


Chair

Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Revenue			
Ice rentals	\$ 1,027,841	\$ 1,050,782	\$ 980,161
Snack bar and vending machine operations (Schedule A)	72,000	55,498	58,906
Pro shop operations (Schedule A)	41,000	40,067	41,026
Other	<u>37,000</u>	<u>38,559</u>	<u>45,418</u>
	<u>1,177,841</u>	<u>1,184,906</u>	<u>1,125,511</u>
Expenses			
Salaries and wages	590,280	590,632	584,070
Utilities	244,852	253,632	254,281
Employee benefits	162,869	159,198	159,611
Maintenance and repairs	97,243	92,467	66,151
General administration	34,028	37,112	28,288
Amortization	20,000	18,110	14,928
Insurance	10,864	10,864	10,864
Professional fees	5,728	5,349	5,270
Bad debts	<u>-</u>	<u>3,023</u>	<u>-</u>
	<u>1,165,864</u>	<u>1,170,387</u>	<u>1,123,463</u>
Excess revenues over expenses before the following	11,977	14,519	2,048
Vehicle and equipment reserve contribution (note 7)	<u>(11,000)</u>	<u>(11,000)</u>	<u>(11,000)</u>
Operating surplus (deficit)	\$ <u>977</u>	3,519	(8,952)
Net balance receivable from (payable to) the City of Toronto (note 5)		<u>(3,594)</u>	<u>15,812</u>
Annual surplus (deficit)		(75)	6,860
Accumulated surplus, beginning of year		<u>35,317</u>	<u>28,457</u>
Accumulated surplus, end of year		\$ <u>35,242</u>	\$ <u>35,317</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus (deficit)	\$ (75)	\$ 6,860
Acquisition of tangible capital assets	(18,035)	(21,788)
Amortization of tangible capital assets	18,110	14,928
Purchases of inventories, net	<u>(276)</u>	<u>(809)</u>
Changes in net debt	(276)	(809)
Net debt, beginning of year	<u>(22,442)</u>	<u>(21,633)</u>
Net debt, end of year	<u>\$ (22,718)</u>	<u>\$ (22,442)</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (75)	\$ 6,860
Adjustments for amortization	<u>18,110</u>	<u>14,928</u>
	18,035	21,788
Non-cash changes to operations:		
Accounts receivable	(7,298)	1,618
Inventories	(276)	(809)
Accounts payable and accrued liabilities	35,989	(5,331)
Due to/from City of Toronto	16,051	(15,812)
Deferred revenue	<u>(10,869)</u>	<u>(627)</u>
Cash flows from operating activities	<u>51,632</u>	<u>827</u>
 CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(18,035)</u>	<u>(21,788)</u>
Cash flows used in capital transactions	<u>(18,035)</u>	<u>(21,788)</u>
 INCREASE (DECREASE) IN CASH	33,597	(20,961)
 CASH AT BEGINNING OF YEAR	<u>65,969</u>	<u>86,930</u>
 CASH AT END OF YEAR	<u>\$ 99,566</u>	<u>\$ 65,969</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

The Committee of Management of Forest Hill Memorial 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. 361-70 of the former Village of Forest Hill, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto (the "City").

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, 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.

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 FOREST HILL MEMORIAL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

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:

Furniture and equipment - 5 years straight line

Contributed materials and services

Major capital expenditures are financed by the City, 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 the employee benefit plan:

The City offers a multi-employer defined benefit pension plan (the "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.

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 and accounts receivable. 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.

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

3. FINANCIAL INSTRUMENTS - Cont'd.

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 these financial instruments 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:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and equipment	\$ 89,151	\$ 53,909	\$ 75,718	\$ 40,401
Accumulated amortization	<u>53,909</u>		<u>40,401</u>	
	<u>\$ 35,242</u>		<u>\$ 35,317</u>	

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

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ (12,457)	\$ 3,355
Current year's operating surplus (deficit)	3,519	(8,952)
Current year's tangible capital assets purchase	(18,035)	(21,788)
Current year's amortization	<u>18,110</u>	<u>14,928</u>
Net balance receivable from (payable to) the City of Toronto	<u>3,594</u>	<u>(15,812)</u>
Received during the current year	<u>12,457</u>	<u>-</u>
Balance, end of year	<u>\$ 3,594</u>	<u>\$ (12,457)</u>

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

6. EMPLOYEE-RELATED COST

The Committee participates in the Ontario Municipal Employees Retirement System ("OMERS"), which is a Multi-employer plan, on behalf of its eligible employees. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$45,536 (2016 - \$44,946).

The most recent actuarial valuation of the OMERS plan as at December 31, 2017 indicates the Plan is not fully funded and the plan's December 31, 2017 financial statements indicate a deficit of \$5.4003 billion (less an additional \$6.008 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 0.0024% 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

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

8. COMPARATIVE FIGURES

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

COMMITTEE OF MANAGEMENT OF FOREST HILL MEMORIAL ARENA
YEAR ENDED DECEMBER 31, 2017

SCHEDULE A

SNACK BAR AND VENDING MACHINE OPERATIONS

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Snack bar sales	\$ 125,000	\$ 105,793	\$ 111,278
Cost of goods sold	<u>57,000</u>	<u>50,295</u>	<u>52,372</u>
Gross profit	<u>\$ 68,000</u>	<u>\$ 55,498</u>	<u>\$ 58,906</u>

PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Pro shop sales	\$ 65,000	\$ 49,285	\$ 49,518
Cost of goods sold	<u>21,000</u>	<u>9,218</u>	<u>8,492</u>
Gross profit	<u>\$ 44,000</u>	<u>\$ 40,067</u>	<u>\$ 41,026</u>