

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
For the year ended
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

We have audited the accompanying financial statements of the Board of Management of Leaside Memorial Community Gardens, 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 Board of Management of Leaside Memorial Community Gardens as at December 31, 2017 and the results of its operations, changes in net debt 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
June 6, 2018.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

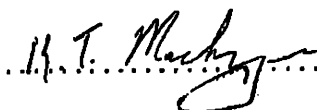
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 703,061	\$ 260,817
Accounts receivable	146,120	132,875
Due from City of Toronto - operating deficit (note 3)	253,729	234,981
Due from City of Toronto - expansion deposit	20,000	20,000
Due from City of Toronto - post-employment benefits (note 4)	25,626	30,441
Due from City of Toronto - pool (note 5)	<u>548,543</u>	<u>250,212</u>
	<u>1,697,079</u>	<u>929,326</u>
 FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	104,960	122,746
Due to City of Toronto - payroll and other (notes 6 and 7)	1,354,965	582,840
Loans payable (note 6)	7,655,560	7,852,303
Deferred revenue	150,950	135,084
Post-employment benefits payable (note 4)	<u>87,421</u>	<u>92,236</u>
	<u>9,353,856</u>	<u>8,785,209</u>
 NET DEBT	<u>(7,656,777)</u>	<u>(7,855,883)</u>
 NON-FINANCIAL ASSETS		
Inventories	1,217	3,580
Arena expansion (note 6)	<u>7,655,560</u>	<u>7,852,303</u>
	<u>7,656,777</u>	<u>7,855,883</u>
 ACCUMULATED SURPLUS	<u>\$ -</u>	<u>\$ -</u>

Approved by the Board of Management:

..... Chair

..... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	Budget <u>2017</u> (unaudited)	<u>2017</u>	<u>2016</u>
Revenue			
Arena ice rental	\$ 1,360,003	\$ 1,357,085	\$ 1,392,500
Dash board rental	55,000	51,089	38,848
Debt reserve surcharge (note 7)	82,960	66,060	75,640
Pro shop	8,300	9,250	8,625
Pool (note 5)	298,954	298,331	250,212
Banquet/meeting room	105,200	80,056	80,650
Snack bar and vending	109,000	78,344	83,262
Other	<u>49,200</u>	<u>108,827</u>	<u>79,388</u>
	<u>2,068,617</u>	<u>2,049,042</u>	<u>2,009,125</u>
Expenses			
Salaries and wages	623,721	572,273	553,851
Employee benefits	128,000	130,237	125,052
Building repairs and maintenance	67,000	117,178	122,326
Equipment repairs and maintenance	49,000	45,309	39,514
Supplies	9,700	18,452	8,778
Food and other purchases	51,000	31,823	38,321
Utilities	420,693	419,275	399,826
Advertising and promotions	5,000	1,969	-
Insurance	12,380	12,380	12,380
Professional fees	6,200	6,500	6,500
Office expenses	20,080	21,841	26,077
Amortization of tangible capital assets	-	-	1,078
Ice resurfacers costs	20,700	26,122	33,562
Miscellaneous	<u>19,254</u>	<u>13,818</u>	<u>18,512</u>
	<u>1,432,728</u>	<u>1,417,177</u>	<u>1,385,777</u>
Excess of revenue over expenses before items below	635,889	631,865	623,348
Debt service reserve fund contributions (note 7)	(82,960)	(66,060)	(75,640)
Vehicle and equipment reserve contributions (note 8)	(20,000)	(20,000)	(20,000)
Amortization of arena expansion (note 6)	(169,475)	(196,743)	(196,685)
Interest expense on loans payable (note 6)	<u>(355,525)</u>	<u>(367,810)</u>	<u>(361,512)</u>
Operating deficit	\$ <u>7,929</u>	(18,748)	(30,489)
Net expenditure receivable from the City of Toronto		<u>18,748</u>	<u>29,411</u>
Annual deficit		-	(1,078)
Accumulated surplus, beginning of year		-	<u>1,078</u>
Accumulated surplus, end of year		\$ <u>-</u>	\$ <u>-</u>

(See accompanying notes)

Welch LLP

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual deficit	\$ -	\$ (1,078)
Amortization of tangible capital assets	-	1,078
Amortization of arena expansion	196,743	196,685
Utilization (purchase) of inventories, net	<u>2,363</u>	<u>(3,580)</u>
Changes in net debt	199,106	193,105
Net debt, beginning of year	<u>(7,855,883)</u>	<u>(8,048,988)</u>
Net debt, end of year	<u>\$ (7,656,777)</u>	<u>\$ (7,855,883)</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	\$ -	\$ (1,078)
Adjustments for:		
Amortization of tangible capital assets	-	1,078
Amortization of arena expansion	<u>196,743</u>	<u>196,685</u>
	196,743	196,685
Non-cash changes to operations:		
Accounts receivable	(13,245)	219,147
Due from City of Toronto - operating deficit	(18,748)	(29,411)
Due from City of Toronto - post-employment benefits	4,815	4,422
Due from City of Toronto - pool	(298,331)	(7,431)
Accounts payable and accrued liabilities	(17,786)	(69,108)
Due to City of Toronto - payroll and other	772,125	(72,600)
Deferred revenue	15,866	37,195
Post-employment benefits payable	(4,815)	(4,423)
Inventories	<u>2,363</u>	<u>(443)</u>
	<u>638,987</u>	<u>274,033</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of loans payable	<u>(196,743)</u>	<u>(196,685)</u>
 INCREASE IN CASH	442,244	77,348
 CASH AT BEGINNING OF YEAR	<u>260,817</u>	<u>183,469</u>
 CASH AT END OF YEAR	\$ <u>703,061</u>	\$ <u>260,817</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

The Leaside Memorial Community Gardens was established as a Memorial Community Centre under the Community Recreation Centres Act (RSO 1990, Chapter C.22), pursuant to Chapter 25 of the City of Toronto Municipal Code, by By-law No. 1374 (former Town of Leaside, December 17, 1951), as amended. The Board of Management operates and manages the Leaside Memorial Gardens Arena (the "Arena") on behalf of the City of Toronto.

Under the By-law, the Board of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Board 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.

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 and rental deposits for the auditorium paid in advance are recorded as deposits or deferred revenue, if the amount has been invoiced.

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 loans payable.

Inventories

Inventories held for resale are initially recorded at cost and subsequently measured at the lower of cost and net realizable value. The cost is determined on a first-in, first-out basis.

Arena expansion

Arena expansion is recorded at cost. Amortization is provided using the sinking fund method. The sinking fund method amortizes the arena expansion on the same basis as the loan repayments are required to be made.

Contributed material and services

Major capital expenditures that are financed by the City of Toronto, which owns the facility, are not recorded in these financial statements. Services provided without charge by the City are not recorded in these financial statements. Other contributed materials and services are not recognized in the financial statements due to the difficulty of determining their fair value.

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

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

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 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.
- (b) The Arena also offers its eligible 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 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 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 the useful life of its tangible 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.

3. **DUE FROM CITY OF TORONTO - OPERATING DEFICIT**

The balance due from the City of Toronto consists of the following:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ <u>234,981</u>	\$ <u>205,570</u>
Operating deficits	18,748	30,489
Amortization of tangible capital assets	-	(1,078)
Amortization of arena expansion	196,743	196,685
Principal loan repayments	<u>(196,743)</u>	<u>(196,685)</u>
Net expenditure receivable from the City of Toronto	<u>18,748</u>	<u>29,411</u>
Balance, end of year	\$ <u>253,729</u>	\$ <u>234,981</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

3. DUE FROM CITY OF TORONTO - OPERATING DEFICIT - Cont'd.

The balance at the beginning of 2016 is comprised of the following:

2002 deficit	\$ 78,332
2004 adjustment to deficit due to change in accounting policy	9,355
2006 adjustment to deficit due to change in accounting policy	449
2006 restatement deficit due to change in accounting policy	76,037
2008 over payment	10
2014 deficit	83,851
2015 surplus (note 7)	<u>(42,464)</u>
	<u>\$ 205,570</u>

The loan agreement between the Arena and the City, as described in note 6, requires that any annual operating deficits be added to the principal balance of the City loan to the Arena and that a revised loan amortization schedule be prepared. City Council authorized a one-time exception for the 2014 operating deficit incurred by the Arena from being added to the principle balance. As a result, the 2014 deficit is receivable from the City of Toronto and included in the balance above. The 2016 and 2017 deficits have been included in the balance due from the City of Toronto until a revised loan amortization schedule is prepared.

4. POST-EMPLOYMENT BENEFITS PAYABLE AND AMOUNT RECEIVABLE

The Arena participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its eligible employees. Under the sick leave plan for administration staff, unused sick leave accumulates and eligible employees may be entitled to a cash payment when they leave the Arena's employment. The liability for these accumulated days represents the extent to which they have vested and can be taken in cash by an employee upon termination, retirement or death.

The Arena 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 obligations 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:

	<u>2017</u>	<u>2016</u>
Post-retirement benefits	\$ 75,640	\$ 61,764
Sick leave benefits	<u>51,727</u>	<u>51,363</u>
	127,367	113,127
Add: unamortized actuarial gain	<u>(39,946)</u>	<u>(20,891)</u>
Employee benefit liability	<u>\$ 87,421</u>	<u>\$ 92,236</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

4. POST-EMPLOYMENT BENEFITS PAYABLE AND AMOUNT RECEIVABLE - Cont'd.

The continuity of the accrued benefit obligation during 2017 is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 92,236	\$ 96,659
Current service cost	2,164	2,125
Interest cost	3,805	3,549
Plan amendment	(550)	-
Amortization of actuarial gain	(8,696)	(8,570)
Expected benefits paid	<u>(1,538)</u>	<u>(1,527)</u>
Balance, end of year	<u>\$ 87,421</u>	<u>\$ 92,236</u>

A receivable of \$25,626 (2016 - \$30,441) from the City has resulted from the recording of 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 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. 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 \$40,110 (2016 - \$45,061).

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. The Arena's contributions account for an insignificant portion 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.

5. POOL AGREEMENT WITH CITY OF TORONTO

Under an agreement commencing October 1, 1996, between the Arena and the former Corporation of the Borough of East York (now the City of Toronto), the Board is appointed to operate, manage and maintain the swimming pool facility located at 1073 Millwood Road. The agreement was for a one year period and, without notice to terminate the agreement from either party, automatically renews for successive one year terms.

The agreement requires the City of Toronto to pay an annual rental fee to the Arena for the swimming pool facility equal to the annual capital and operating deficits as authorized by the Board of Management and approved by the City. In the year, the annual rental fee was \$298,331 (2016 - \$250,212).

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

6. LOANS PAYABLE

The Arena received approval from Toronto City Council through the 2012 capital budget for the construction of a second ice pad on adjacent lands acquired by the City of Toronto.

In 2013, the Arena received a bond loan of \$1,052,200 from Infrastructure Ontario, borrowed by the City of Toronto on the Arena's behalf. Included in an agreement between the Arena and the City of Toronto dated May 15, 2012, the Arena also received a recoverable debt loan of \$7,302,334.

In 2013, the arena expansion of \$8,354,534 was recorded as a tangible asset in an amount equal to the total loans payable. Amortization expense and accumulated amortization amounted to \$196,743 (2016 - \$196,685) and \$698,974 (2016 - \$502,231), respectively.

Loans payable is comprised of the following:

	<u>2017</u>	<u>2016</u>
Loan from Infrastructure Ontario through the City of Toronto - 4.52%, payable in blended quarterly payments of \$20,051 over 20 years	\$ 851,226	\$ 914,802
Recoverable debt loan from the City of Toronto - 4.60%, payable in blended quarterly payments of \$112,504 over 30 years	<u>6,804,334</u>	<u>6,937,501</u>
	<u>\$ 7,655,560</u>	<u>\$ 7,852,303</u>

The quarterly repayments to the City commenced in January 31, 2014. Total loan principal repayments made in the year amounted to \$196,743 (2016 - \$196,685).

Principal repayments over the next five years are estimated to be as follows:

2018	\$ 179,139
2019	187,489
2020	196,226
2021	205,377
2022	214,951

During the year, \$367,810 (2016 - \$361,512) of interest expense was recorded related to the loans payable. Included in the balance due to the City of Toronto - payroll and other was \$88,532 (2016 - \$79,781) of accrued interest related to the loans payable.

7. DEBT SERVICE RESERVE FUND

As part of the agreement between the Arena and the City of Toronto dated May 15, 2012, described in note 6, the Arena must charge a levy surcharge on the ice rental rates charged to all contracted users of the Arena during prime time of not less than \$20. The levy surcharge is to be remitted to the City to establish a debt service reserve fund and is to be levied until the reserve fund has reached an amount equal to four regular payments on the loans payable, \$530,219. The Arena began charging this levy surcharge in October 2013. The debt service reserve fund consists of the following:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 251,025	\$ 175,385
Levy surcharges charged	<u>66,060</u>	<u>75,640</u>
Balance, end of year	<u>\$ 317,085</u>	<u>\$ 251,025</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

7. DEBT SERVICE RESERVE FUND - Cont'd.

Included in the balance due to the City of Toronto - payroll and other was \$112,120 (2016 - \$46,060) of levy surcharges payable.

The agreement between the Arena and the City also requires that operating surpluses be deposited into the Arena's debt service reserve fund. In 2015, the Arena had an operating surplus and Toronto City Council approved a one-time exception for the surplus, resulting in the surplus being repaid to the City of Toronto.

Toronto City Council also authorized an amendment to the agreement to allow operating surpluses to be deposited into the debt service reserve fund at year-end, rather than at the four payment dates currently provided for in the agreement.

8. VEHICLE AND EQUIPMENT RESERVE CONTRIBUTIONS

These contributions are for the financing of replacement ice resurfacer machines required by the Arenas in future years. In the year, the contribution was \$20,000 (2016 - \$20,000).

9. ALLOCATED EXPENSES

	2017				2016			
	<u>Arena</u>	<u>Pool</u>	<u>Banquet/ Meeting Room</u>	<u>Total</u>	<u>Arena</u>	<u>Pool</u>	<u>Banquet/ Meeting Room</u>	<u>Total</u>
Salaries and wages	\$ 125,281	\$ 46,746	\$ 14,959	\$ 186,986	\$ 129,915	\$ 48,476	\$ 15,512	\$ 193,903
Employee benefits	87,259	32,559	10,419	130,237	83,785	31,263	10,004	125,052
Building repairs and maintenance	8,756	3,267	1,045	13,068	-	-	-	-
Supplies	4,260	1,590	509	6,359	3,226	1,204	385	4,815
Insurance	8,295	3,095	990	12,380	8,295	3,095	990	12,380
Professional fees	4,355	1,625	520	6,500	4,355	1,625	520	6,500
Office expenses	14,634	5,460	1,747	21,841	17,472	6,519	2,086	26,077
Amortization of tangible capital assets	-	-	-	-	723	269	86	1,078
Miscellaneous	<u>9,256</u>	<u>3,455</u>	<u>1,106</u>	<u>13,817</u>	<u>13,554</u>	<u>3,754</u>	<u>1,203</u>	<u>18,511</u>
Total	\$ 262,096	\$ 97,797	\$ 31,295	\$ 391,188	\$ 261,325	\$ 96,205	\$ 30,786	\$ 388,316

10. 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 Arena manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. The Arena recorded an allowance for doubtful accounts of \$nil (2016 - \$7,809).

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

10. FINANCIAL INSTRUMENTS - Cont'd.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Arena will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and loans payable. 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.

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 Arena's financial instruments are all denominated in Canadian dollars and the Arena transacts 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 refers to 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 Arena's loans payable bear interest at fixed rates. Consequently, the Arena's exposure to interest rate risk is negligible.

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 Arena is not exposed to significant other price risk.

Changes in risk

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

11. COMPARATIVE FIGURES

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

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

SUPPLEMENTAL SCHEDULE - ARENA OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Revenue		
Arena ice rental	\$ 1,357,085	\$ 1,392,500
Dash board rental	51,089	38,848
Debt reserve surcharge	66,060	75,640
Pro shop	9,250	8,625
	<u>1,483,484</u>	<u>1,515,613</u>
Expenses		
Salaries and wages	275,383	240,278
Building repairs and maintenance	47,532	89,619
Equipment repairs and maintenance	39,739	29,828
Utilities	342,517	342,457
Ice resurfacers costs	26,122	33,563
Allocated expenses (note 9)	<u>262,096</u>	<u>261,325</u>
	<u>993,389</u>	<u>997,070</u>
Excess of revenue over expenses before items below	490,095	518,543
Debt service reserve fund contributions (note 7)	(66,060)	(75,640)
Vehicle and equipment reserve contributions (note 8)	(20,000)	(20,000)
Amortization of arena expansion (note 6)	(196,743)	(196,685)
Interest expense on loans payable (note 6)	<u>(367,810)</u>	<u>(361,512)</u>
Operating deficit	<u>\$ (160,518)</u>	<u>\$ (135,294)</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

SUPPLEMENTAL SCHEDULE - POOL OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Revenue		
Pool (note 5)	\$ <u>298,331</u>	\$ <u>250,212</u>
Expenses		
Salaries and wages	67,995	75,932
Building repairs and maintenance	51,480	19,281
Equipment repairs and maintenance	4,506	9,686
Supplies	12,093	3,965
Utilities	64,460	45,143
Allocated expenses (note 9)	<u>97,797</u>	<u>96,205</u>
	<u>298,331</u>	<u>250,212</u>
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ -</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS
SUPPLEMENTAL SCHEDULE - BANQUET/MEETING ROOM OPERATIONS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Revenue		
Banquet/meeting room	\$ <u>80,056</u>	\$ <u>80,650</u>
Expenses		
Salaries and wages	17,909	18,078
Building repairs and maintenance	5,098	13,426
Equipment repairs and maintenance	1,064	-
Food and other purchases	1,854	870
Utilities	12,300	12,225
Office expenses	1,969	-
Allocated expenses (note 9)	<u>31,295</u>	<u>30,786</u>
	<u>71,489</u>	<u>75,385</u>
Excess of revenue over expenses	<u>\$ 8,567</u>	<u>\$ 5,265</u>

June 20, 2018

Board of Management of Leaside Memorial Community Gardens
1073 Millwood Road
Toronto, Ontario
M4G 1X6

PRIVATE AND CONFIDENTIAL

Attention: Anna Donadio, Acting General Manager

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 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 management and received their comments thereon.

OTHER REPORTABLE MATTERS

Issue - Consistent review and approval of bank reconciliations and statements

During the course of our 2017 fiscal audit, we noted that no evidence of review and approval was documented by the General Manager on the bank reconciliations and corresponding bank statements. If the bank reconciliations and statements are not reviewed, this could lead to bank errors or fraudulent transactions remaining undetected and uncorrected.

We recommend that the General Manager consistently review the monthly bank reconciliations and statements. We also recommend that the General Manager initial and date stamp the bank reconciliations to indicate their review.

Management's Comments

Acting General Manager indicates the monthly bank reconciliations and bank statements are reviewed, but not initialed. The Acting General Manager has agreed to initial the bank reconciliations and statements going forward.

Issue - Retention of employee timecards

During the course of our 2017 fiscal audit, we noted that some of the timecards selected for testing could not be provided. While we were able to use alternative methods to verify payroll expenses, timecards should be maintained as audit evidence to confirm the hours worked by staff.

We recommend that all timecards be retained in a binder and organized sequentially.

Management's Comments

Acting General Manager acknowledges that audit testing indicated that there were timecards missing, likely due to equipment malfunction. Every effort will be taken to ensure that regular maintenance and testing of the equipment is undertaken to prevent any reoccurrence of missing timecards, and that timecards will be maintained in an orderly fashion for audit purposes.

Issue - Consistent review and approval of payroll registers

During the course of our 2017 fiscal audit, we noted that the General Manager was inconsistent in reviewing and approving the pay registers prepared and provided by the City of Toronto. The lack of this control led to payroll expenses capturing the costs for a City of Toronto employee not employed by the Arena. While this was caught and adjusted for during the audit, an audit is not guaranteed to catch these errors as testing is performed on a sample basis.

We recommend that the General Manager consistently review the payroll registers provided by the City of Toronto to ensure that only staff costs are captured by the Arena's payroll expenses and that the hours and wage rates used to calculate pays match supporting documentation retained by the Arena. We also recommend that the General Manager initial and date stamp the payroll registers to indicate their review. This recommendation is consistent with one that was provided in 2016.

Management's Comments

Acting General Manager has indicated that registers are viewed and verified correct. The cited was identified by the General Manager and reported to the Board of Directors. Internal communication breakdown with staff led to this error remaining uncorrected at the time of the audit. As registers are provided on a read-only basis by the City, there is no way to physically sign off on each register. Instead, the Acting General Manager will complete a log that certifies that each register has been reviewed and any discrepancies be reported immediately to staff for correction.

Issue - Lack of employment agreements

During the course of our 2017 fiscal audit, we noted that employment agreements could not be provided for some permanent or casual staff. While we were able to use alternative methods to verify payroll expenses, employment contracts should be maintained as audit evidence to confirm the roles and effective wage rates of staff.

We recommend that the General Manager generate and retain documentation to support each staff's effective rates of pay (e.g. employment agreement or letter to employee indicating their effective wage rate).

Management's Comments

Acting General Manager has indicated that Leaside has a file for each and every employee on staff. Any new employee will have a contract as Leaside follows the new City process.

Issue - Retention of signed copies of ice rental contracts

During the course of our 2017 fiscal audit, we noted that signed contracts for the key user groups' 2017 fiscal ice rentals could not be provided. While we were able to use alternative methods to verify ice rental revenue, signed ice rental contracts should be maintained as audit evidence for revenue.

We recommend that signed copies of the ice rental contracts for key user groups be retained in a binder and organized sequentially.

Management's Comments

Acting General Manager will implement a system to ensure all contracts are signed, accessibly filed and payments received prior to start date.

Issue - Balances due to/from City of Toronto

During the course of our 2016 fiscal audit, we noted that the receivable balances due from and payable balances due to the City of Toronto recorded by the Arena do not reconcile to the City's books. In 2016, we recommended that the General Manager work with City staff in order to address the discrepancies. During the course of our 2017 fiscal audit, we noted that these discrepancies still exist.

We reiterate our recommendation that the General Manager work with City staff in order to address the discrepancies appropriately.

Management's Comments

Acting General Manager wants to sit down with the City to straighten out the issues. Acting General Manager emphasizes the need to have a point-person within the City to work with Leaside to resolve the discrepancies.

Issue - Post-employment benefits payable and related balance due from City of Toronto

During the course of our 2016 fiscal audit, we noted that the long-term receivable from the City of Toronto for post-employment benefits does not equal the related post-employment benefits payable. In 2016, we recommended that the General Manager work with City staff in order to address the discrepancy. During the course of our 2017 fiscal audit, we noted that this discrepancy still exists.

We reiterate our recommendation that the General Manager work with City staff in order to address this discrepancy appropriately.

Management's Comments

Acting General Manager agrees that the actuarial evaluations should be reflected in the financial statements and will work with City staff to properly record the long-term receivable from the City of Toronto for post-employment benefits and the related post-employment benefits payable.

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.

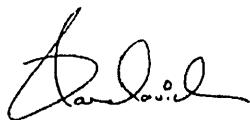
This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

Welch LLP



Kathy Steffan, CPA, CA



Bryan Haralovich, CPA, CA, CPA (Illinois)