

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA
For the year ended
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the members of the

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Committee of Management of McCormick Playground 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
June 27, 2018.

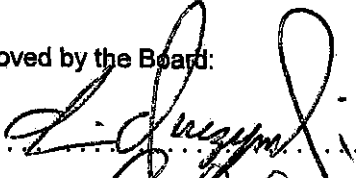
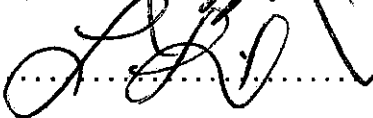
COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Accounts receivable	\$ 40,174	\$ 22,424
Due from City of Toronto - operating deficit (note 6)	<u>67,348</u>	<u>51,166</u>
	<u>107,522</u>	<u>73,590</u>
FINANCIAL LIABILITIES		
Bank indebtedness (note 5)	57,750	29,009
Accounts payable and accrued liabilities - other	35,193	32,394
Deferred revenue	8,462	6,968
Due to City of Toronto - working capital advance	<u>10,000</u>	<u>10,000</u>
	<u>111,405</u>	<u>78,371</u>
NET DEBT	<u>(3,883)</u>	<u>(4,781)</u>
NON-FINANCIAL ASSETS		
Inventories	3,883	4,781
Tangible capital assets (note 4)	<u>8,632</u>	<u>12,913</u>
	<u>12,515</u>	<u>17,694</u>
ACCUMULATED SURPLUS	<u>\$ 8,632</u>	<u>\$ 12,913</u>

Approved by the Board:


 Chair

 Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Revenue			
Ice rentals	\$ 740,339	\$ 740,128	\$ 728,610
Snack bar and vending machine operations (Schedule A)	7,620	1,787	3,969
Pro shop operations (Schedule A)	8,770	5,526	5,512
Other	<u>-</u>	<u>962</u>	<u>935</u>
	<u>756,729</u>	<u>748,403</u>	<u>739,026</u>
Expenses			
Salaries and wages	381,778	388,117	375,722
Employee benefits	107,613	109,444	104,096
Utilities	195,357	191,625	195,976
Maintenance and repairs	26,824	26,045	26,325
General administration	57,794	23,927	19,710
Insurance	10,427	10,427	10,427
Professional fees	5,071	5,000	4,996
Amortization	<u>-</u>	<u>4,281</u>	<u>8,952</u>
	<u>784,864</u>	<u>758,866</u>	<u>746,204</u>
Excess expenses over revenue	(28,135)	(10,463)	(7,178)
Vehicle and equipment reserve contribution (note 8)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Operating deficit	\$ <u>(38,135)</u>	(20,463)	(17,178)
Net expenditure receivable from the City of Toronto (note 6)		<u>16,182</u>	<u>20,202</u>
Annual surplus (deficit)		(4,281)	3,024
Accumulated surplus, beginning of year		<u>12,913</u>	<u>9,889</u>
Accumulated surplus, end of year		\$ <u>8,632</u>	\$ <u>12,913</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus (deficit)	\$ (4,281)	\$ 3,024
Acquisition of tangible capital assets	-	(11,976)
Utilization of inventories, net	898	(4,781)
Amortization of tangible capital assets	<u>4,281</u>	<u>8,952</u>
Change in net debt	898	(4,781)
Net debt, beginning of year	<u>(4,781)</u>	<u>-</u>
Net debt, end of year	<u>\$ (3,883)</u>	<u>\$ (4,781)</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (4,281)	\$ 3,024
Adjustments for:		
Amortization	<u>4,281</u>	<u>8,952</u>
	-	11,976
Non-cash changes to operations:		
Accounts receivable	(17,750)	(6,586)
Due from City of Toronto - operating deficit	(16,184)	(20,202)
Inventories	900	(840)
Accounts payable and accrued liabilities - other	2,799	11,987
Deferred revenue	<u>1,494</u>	<u>(2,167)</u>
Cash flows used in operating activities	<u>(28,741)</u>	<u>(5,832)</u>
 CASH FLOWS FROM INVESTING TRANSACTIONS		
Purchase of tangible capital assets	<u>-</u>	<u>(11,976)</u>
Cash flows used in investing transactions	<u>-</u>	<u>(11,976)</u>
 DECREASE IN CASH	(28,741)	(17,808)
 BANK INDEBTEDNESS, AT BEGINNING OF YEAR	<u>(29,009)</u>	<u>(11,201)</u>
 BANK INDEBTEDNESS, AT END OF YEAR	\$ <u>(57,750)</u>	\$ <u>(29,009)</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

The Committee of Management of McCormick Playground 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.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 accounts receivable and amounts due from City of Toronto.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, deferred revenue and amounts due to City of Toronto.

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.

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
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COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

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 the employee benefit plan:

The City of Toronto offers a multi-employer defined benefit pension plan to the Arena's eligible employees. Due to the nature of the Plan, the Arena does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining useful life of its capital assets, 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, accounts receivable and amounts due from City of Toronto. The Arena's cash is with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote.

Management believes that the Arena's credit risk with respect to accounts receivable and amounts due from City of Toronto is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Arena's cash earns interest at prevailing market rates and the interest rate exposure related to this financial instrument is negligible.

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

3. 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 bank indebtedness, 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:

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	\$ 44,758	\$ 36,126	\$ 44,758	\$ 31,845
Accumulated amortization	36,126		31,845	
	\$ 8,632		\$ 12,913	

5. BANK INDEBTEDNESS

Bank indebtedness as at December 31, 2017 is due to \$169,331 (2016 - \$97,559) of outstanding cheques drawn on the cash balance.

6. OPERATING DEFICIT DUE FROM THE CITY OF TORONTO

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

	2017	2016
Balance, beginning of year	\$ (51,166)	\$ (30,964)
Current year's operating deficit	(20,463)	(17,178)
Current year's capital assets purchases	-	(11,976)
Current year's amortization	4,281	8,952
Net expenditure receivable from the City of Toronto	(16,182)	(20,202)
Balance, end of year	\$ (67,348)	\$ (51,166)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

7. EMPLOYEE-RELATED LIABILITIES

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its permanent 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 \$35,512 (2016 - \$34,408)

The most recent actuarial valuation of the OMERS plan available at this time was as at December 31, 2017, and 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 Area's contributions accounted for 0.0024% of the Plan's total employer contributions. Additional contributions, if any, required to address the Square's proportionate share of the deficit will be expensed during the period incurred.

8. 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 future years. The contribution for the year was \$10,000 (2016 - \$10,000).

9. COMPARATIVE FIGURES

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

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA
YEAR ENDED DECEMBER 31, 2017

SNACK BAR AND VENDING OPERATIONS

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Sales			
Snack bar	\$ 7,752	\$ 4,700	\$ 4,234
Vending machine	<u>19,770</u>	<u>13,991</u>	<u>15,392</u>
	27,522	18,691	19,626
Cost of goods sold	<u>16,657</u>	<u>11,974</u>	<u>11,956</u>
Gross profit	10,865	6,717	7,670
Wages - snack bar	<u>3,245</u>	<u>4,930</u>	<u>3,701</u>
Net revenue	<u>\$ 7,620</u>	<u>\$ 1,787</u>	<u>\$ 3,969</u>

PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Sales	\$ 10,859	\$ 6,509	\$ 6,777
Cost of goods sold	<u>2,289</u>	<u>983</u>	<u>1,265</u>
Gross profit	<u>\$ 8,570</u>	<u>\$ 5,526</u>	<u>\$ 5,512</u>