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Attachment 6

FINANCIAL STATEMENTS
For
NORTH TORONTO MEMORIAL ARENA
For the year ended
DECEMBER 31, 2017

DRAFT
For Discussion Purposes Only

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND NORTH TORONTO MEMORIAL ARENA

We have audited the accompanying financial statements of the North Toronto 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 North Toronto Memorial Arena as at December 31, 2017 and the results of its operations and its cash flows for the year ended then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
Date to be determined.

NORTH TORONTO MEMORIAL ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 24,186	\$ 15,591
Accounts receivable	63,351	9,405
Due from City of Toronto	<u>41,862</u>	<u>92,558</u>
	<u>129,399</u>	<u>117,554</u>
FINANCIAL LIABILITIES		
Due to City of Toronto	22,264	21,914
Accounts payable and accrued liabilities	128,295	126,533
Due to City of Toronto - operating surplus (note 5)	2,417	1,923
Deferred revenue	21,200	13,593
City of Toronto - working capital advance	<u>15,000</u>	<u>15,000</u>
	<u>189,176</u>	<u>178,963</u>
NET DEBT	(59,777)	(61,409)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	50,744	47,562
Inventories	<u>59,777</u>	<u>61,409</u>
ACCUMULATED SURPLUS	<u>\$ 50,744</u>	<u>\$ 47,562</u>

Approved on behalf of the Board of Management:

.....Chair

.....Member

(See accompanying notes)

NORTH TORONTO MEMORIAL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Revenue			
Ice rentals	\$ 745,335	\$ 706,758	\$ 695,123
City of Toronto - recovery of expenses (note 8)	83,725	102,630	101,729
Banquet room rentals	28,160	28,381	28,568
Pro shop operations (Schedule A)	19,800	12,016	13,389
Snack bar and vending machine operations (Schedule A)	16,507	12,279	15,336
Advertising	18,000	15,845	17,200
Zamboni replacement - contribution	11,000	11,000	11,000
Arena floor rentals	<u>1,420</u>	<u>1,400</u>	<u>1,400</u>
	<u>923,947</u>	<u>890,309</u>	<u>883,745</u>
Expenses			
Salaries and wages	441,838	397,086	390,634
Employee benefits	130,628	124,588	113,549
Utilities	211,374	235,448	236,206
Maintenance and repairs	65,000	58,974	64,169
General administration	47,773	37,396	38,932
Insurance	11,264	11,264	10,914
Professional fees	5,015	5,616	5,491
Amortization	<u>-</u>	<u>4,607</u>	<u>4,087</u>
	<u>912,892</u>	<u>874,979</u>	<u>863,982</u>
Excess revenues over expenses before the following	11,055	15,330	19,763
Vehicle and equipment reserve contribution (note 7)	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Operating surplus	\$ <u>55</u>	4,330	8,763
Net revenue payable to the City of Toronto (note 5)		<u>(1,148)</u>	<u>(1,271)</u>
Annual surplus		3,182	7,492
Accumulated surplus, beginning of year		<u>47,562</u>	<u>40,070</u>
Accumulated surplus, end of year, end of year		\$ <u>50,744</u>	\$ <u>47,562</u>

(See accompanying notes)

**NORTH TORONTO MEMORIAL ARENA
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Annual surplus	\$ 3,182	\$ 7,492
Acquisition of tangible capital assets	(7,789)	(11,579)
Amortization of tangible capital assets	4,607	4,087
Purchase of inventories, net	<u>1,632</u>	<u>3,600</u>
Changes in net debt	1,632	3,600
Net debt, beginning of year	<u>(61,409)</u>	<u>(65,009)</u>
Net debt, end of year	<u>\$ (59,777)</u>	<u>\$ (61,409)</u>

DRAFT

For Discussion Purposes Only

(See accompanying notes)

NORTH TORONTO MEMORIAL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 3,182	\$ 7,492
Adjustments for:		
Amortization	<u>4,607</u>	<u>4,087</u>
	7,789	11,579
Non-cash changes to operations:		
Accounts receivable	(3,250)	(11,190)
Inventories	1,632	3,600
Due to City of Toronto	350	-
Accounts payable and accrued liabilities	1,762	(1,954)
Deferred revenue	7,607	6,620
Due to City of Toronto - operating surplus	<u>494</u>	<u>1,271</u>
Cash flows from (used in) operating activities	<u>16,384</u>	<u>9,926</u>
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(7,789)</u>	<u>(11,579)</u>
Cash flows used in capital transactions	<u>(7,789)</u>	<u>(11,579)</u>
INCREASE (DECREASE) IN CASH	8,595	(1,653)
CASH AT BEGINNING OF YEAR	<u>15,591</u>	<u>17,244</u>
CASH AT END OF YEAR	<u>\$ 24,186</u>	<u>\$ 15,591</u>

(See accompanying notes)

**NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

1. NATURE OF OPERATIONS

The North Toronto 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.22583, as amended. The Arena is located at 174 Orchardview Boulevard. The Board of Management operates and manages 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.

The Board 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 Board 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

Revenue 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 and accounts receivable.

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 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:

Machinery and equipment	- 15 years straight line
Leasehold improvements	- 20 years straight line

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.

NORTH TORONTO MEMORIAL ARENA
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 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 the useful life of its tangible capital assets, assessing the allowance of doubtful accounts, recoverability of inventory 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.

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.

NORTH TORONTO MEMORIAL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

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>
Machinery and equipment	\$ 67,551	\$ 19,033	\$ 59,762	\$ 14,629
Leasehold improvements	<u>4,049</u>	<u>1,823</u>	<u>4,049</u>	<u>1,620</u>
	71,600	\$ 20,856	63,811	\$ 16,249
Accumulated amortization	<u>20,856</u>		<u>16,249</u>	
	<u>\$ 50,744</u>		<u>\$ 47,562</u>	

5. OPERATING SURPLUS DUE TO THE CITY OF TORONTO

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 1,923	\$ 652
Current year's operating surplus	4,330	8,763
Current year's capital assets purchase	(7,789)	(11,579)
Current year's amortization	<u>4,607</u>	<u>4,087</u>
Net revenue payable to the City of Toronto Received during the current year	1,148	1,271
	<u>(654)</u>	<u>-</u>
Balance, end of year	<u>\$ 2,417</u>	<u>\$ 1,923</u>

6. EMPLOYEE-RELATED EXPENSES

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 \$43,913 (2016 - \$31,202).

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 net 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 0.0023% 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 for the financing of replacement ice resurfacer machines required by the Arena Boards in future years. The contribution for the year was \$11,000 (2016 - \$11,000)

8. OUTDOOR RINK

Under an arrangement with the City of Toronto, the Board services an artificial outdoor rink located adjacent to the Arena. The Board is reimbursed \$102,630 (2016 - \$101,729) by the City for expenditures incurred in servicing this rink, based upon a budgetary provision, which may not be exceeded without prior approval from the City.

NORTH TORONTO MEMORIAL ARENA

YEAR ENDED DECEMBER 31, 2017

SNACK BAR AND VENDING MACHINE OPERATIONS

	Budget (unaudited)	2017	2016
Sales			
Snack bar and vending machine	\$ 91,600	\$ 72,660	\$ 76,329
Cost of goods sold	<u>40,000</u>	<u>35,166</u>	<u>36,022</u>
	<u>51,600</u>	<u>37,494</u>	<u>40,307</u>
Expenses			
Wages	34,093	23,552	24,680
Maintenance	<u>1,000</u>	<u>1,663</u>	<u>291</u>
	<u>35,093</u>	<u>25,215</u>	<u>24,971</u>
Excess revenue over expenses	<u>\$ 16,507</u>	<u>\$ 12,279</u>	<u>\$ 15,336</u>

PRO SHOP OPERATIONS

	Budget (unaudited)	2017	2016
Sales			
Pro shop sales	\$ 41,000	\$ 29,454	\$ 30,103
Cost of goods sold	<u>15,000</u>	<u>10,770</u>	<u>9,469</u>
	<u>26,000</u>	<u>18,684</u>	<u>20,634</u>
Expenses			
Wages	5,200	6,250	6,150
Equipment maintenance	<u>1,000</u>	<u>418</u>	<u>1,095</u>
	<u>6,200</u>	<u>6,668</u>	<u>7,245</u>
Excess revenue over expenses	<u>\$ 19,800</u>	<u>\$ 12,016</u>	<u>\$ 13,389</u>