

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA
For the year ended
DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
THE COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA**

Opinion

We have audited the accompanying financial statements of the Committee of Management of George Bell Arena (the Arena), which comprise the statement of financial position as at December 31, 2018, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Arena as at December 31, 2018 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Arena in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Arena's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Arena or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Arena's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Arena's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arena's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Arena to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 18, 2019.

Welch LLP

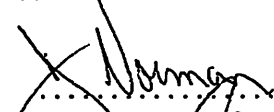
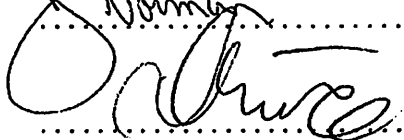
COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash	\$ 109,624	\$ 97,565
Accounts receivable	13,241	12,375
Due from the City of Toronto - operating deficit (note 4)	31,985	30,491
Due from City of Toronto - post employment benefits (note 5)	<u>140,648</u>	<u>182,308</u>
	<u>295,498</u>	<u>322,739</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	31,332	22,786
HST payable	20,173	18,107
Deferred revenue	88,880	85,073
Due to City of Toronto - working capital advance (note 6)	15,000	15,000
Post-employment benefits payable (note 5)	<u>140,648</u>	<u>182,308</u>
	<u>296,033</u>	<u>323,274</u>
NET DEBT	<u>(535)</u>	<u>(535)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	3,388	5,082
Prepaid expenses	<u>535</u>	<u>535</u>
	<u>3,923</u>	<u>5,617</u>
ACCUMULATED SURPLUS	<u>\$ 3,388</u>	<u>\$ 5,082</u>

Approved by the Board:


Chair

Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
Revenue			
Ice rentals	\$ 686,927	\$ 682,421	\$ 615,644
Facility rentals	15,723	24,513	15,728
Snack bar and vending machine operations	15,000	5,922	6,482
Other	64,227	57,757	52,231
Funding from the City of Toronto for employee related costs (note 5)	<u>-</u>	<u>(41,660)</u>	<u>(20,721)</u>
	<u>781,877</u>	<u>728,953</u>	<u>669,364</u>
Expenses			
Salaries and wages	384,117	335,774	339,368
Utilities	156,283	171,401	150,101
Employee benefits	115,126	69,840	90,774
Maintenance and repairs	76,184	114,366	97,840
Insurance	10,234	11,690	10,234
General administration	27,066	7,997	5,653
Professional fees	-	7,379	5,478
Amortization	-	1,694	19,577
	<u>769,010</u>	<u>720,141</u>	<u>719,025</u>
Excess revenue over expenses (expenses over revenue) before items below	12,867	8,812	(49,661)
Vehicle and equipment reserve contribution (note 7)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(11,000)</u>
Operating deficit	<u>\$ 867</u>	(3,188)	(60,661)
Net expenditure receivable from the City of Toronto (note 4)		<u>1,494</u>	<u>41,084</u>
Annual deficit		(1,694)	(19,577)
Accumulated surplus, beginning of year		<u>5,082</u>	<u>24,659</u>
Accumulated surplus, end of year		<u>\$ 3,388</u>	<u>\$ 5,082</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Annual deficit	\$ (1,694)	\$ (19,577)
Amortization of tangible capital assets	<u>1,694</u>	<u>19,577</u>
Changes in net debt	-	-
Net debt, beginning of year	<u>(535)</u>	<u>(535)</u>
Net debt, end of year	<u>\$ (535)</u>	<u>\$ (535)</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual deficit	\$ (1,694)	\$ (19,577)
Adjustments for:		
Amortization of tangible capital assets	<u>1,694</u>	<u>19,577</u>
	-	-
Non-cash changes to operations:		
Accounts receivable	(866)	37,419
Due from City of Toronto - operating deficit	(1,494)	47,882
HST payable	2,066	-
Due from City of Toronto - post employment benefits	41,660	20,721
Accounts payable and accrued liabilities	8,546	(6,904)
Deferred revenue	3,807	12,285
Post-employment benefits payable	<u>(41,660)</u>	<u>(20,721)</u>
	<u>12,059</u>	<u>90,682</u>
INCREASE IN CASH	12,059	90,682
CASH, BEGINNING OF YEAR	<u>97,565</u>	<u>6,883</u>
CASH, END OF YEAR	<u>\$ 109,624</u>	<u>\$ 97,565</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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 ("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.

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, HST payable, amounts due to the City of Toronto and post-employment benefits payable.

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
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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. Other contributed materials and services are not recognized in the financial statements due to the difficulty of determining their fair value.

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

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 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.

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	\$ 97,886	\$ <u>94,498</u>	\$ 97,886	\$ <u>92,804</u>
Accumulated amortization		<u>94,498</u>		<u>92,804</u>
	<u>\$ 3,388</u>		<u>\$ 5,082</u>	

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

4. DUE FROM CITY OF TORONTO - OPERATING DEFICIT

The balance from the City consists of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 30,491	\$ 78,373
Operating deficits	3,188	60,661
Amortization of tangible capital assets	<u>(1,694)</u>	<u>(19,577)</u>
Net expenditure receivable from (payable to) the City	1,494	41,084
Payment to the City	-	1,782
Received from the City	<u>-</u>	<u>(90,748)</u>
Balance, end of year	<u>\$ 31,985</u>	<u>\$ 30,491</u>

5. POST-EMPLOYMENT BENEFITS PAYABLE AND AMOUNT RECEIVABLE

The Arena participates in a benefit plan provided by the City. 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, 2018 with projections to December 31, 2019, 2020 and 2021. 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 5.5%
- rate of compensation increase - 3.0% to 3.5%
- discount rates - post-retirement 3.4%, post-employment 3.1%, sick leave 3.2%

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

	<u>2018</u>	<u>2017</u>
Continuation of benefits to disabled employees	\$ 74,986	\$ 113,873
Post-employment income benefits	<u>99,788</u>	<u>128,341</u>
	174,774	242,214
Deduct: Unamortized actuarial loss	<u>34,126</u>	<u>59,906</u>
Post-employment benefit liability	<u>\$ 140,648</u>	<u>\$ 182,308</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 182,308	\$ 203,029
Interest cost	6,169	7,058
Plan amendment	3,565	(3,468)
Amortization of actuarial loss	(7,646)	19,821
Expected benefits paid	<u>(43,748)</u>	<u>(44,132)</u>
	<u>(41,660)</u>	<u>(20,721)</u>
Balance, end of year	<u>\$ 140,648</u>	<u>\$ 182,308</u>

A long-term receivable of \$140,648 (2017 - \$182,308) 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.

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

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

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 \$29,953 (2017 - \$28,457).

The most recent actuarial valuation of the OMERS plan as at December 31, 2018 indicates the Plan is a deficit position and the Plan's December 31, 2018 financial statements indicate a net deficit of \$2.790 billion (a deficit of \$4.191 billion netted against unrecognized investment returns of \$1.401 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.

6. DUE TO CITY OF TORONTO - WORKING CAPITAL ADVANCE

The Committee of Management retains a working capital advance of \$15,000 (2017 - \$15,000) 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.

7. 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 \$12,000 (2017 - \$11,000).

8. 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.

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

8. **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 amounts due to the City of Toronto. The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. Management 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 risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value of financial 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 denominated in Canadian dollars and it 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 is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. As a result, management does not believe the Arena is exposed to interest rate risk as the Centre does not currently have any interest bearing debt.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market prices (other than those arising from currency risk or interest rate risk), whether these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management does not believe the Arena is exposed to significant other price risks.

Changes in risk

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

9. **COMPARATIVE FIGURES**

Comparative figures have been reclassified in order to conform to the financial statement presentation adopted in the current year.

April 16, 2019

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, 2018 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2018, 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 - Lack of employment agreements

During the course of our 2018 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 Arena 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

Supported by management

Issue - Review of bank reconciliations

During the course of our 2017 fiscal audit, we recommended that bank reconciliations be reviewed by someone other than the preparer and that their review be documented by initialing the bank reconciliations prepared. During the course of our 2018 fiscal audit, we noted that there continues to be no evidence that the bank reconciliations are reviewed.

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. This is especially important given that the bank reconciliations are prepared by the same individual that records receipts and payments.

Management's Comments

Supported by management

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



Christa Casey, CPA, CA
Partner