

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE
For the year ended
DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
THE BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE**

Qualified Opinion

We have audited the accompanying financial statements of Board of Management for the Central Eglinton Community Centre (the Centre), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2018 and results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to fundraising revenue, net revenue over expenses and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and unrestricted net assets as at January 1 and December 31, 2017 and 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Centre 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 qualified audit 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 for government not-for-profit organizations, 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 Centre'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 Centre 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 27, 2019.

Welch LLP

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ -	\$ 63,264
Investments (note 3)	552,600	549,796
Due from City of Toronto (note 8)	11,114	31,059
Accounts receivable	<u>23,845</u>	<u>14,098</u>
	587,559	658,217
CAPITAL ASSETS (note 4)	49,238	10,465
DUE FROM CITY OF TORONTO (note 7)	<u>169,497</u>	<u>175,896</u>
	<u>\$ 806,294</u>	<u>\$ 844,578</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Bank indebtedness	\$ 2,787	\$ -
Due to City of Toronto (note 8)	57,165	51,500
Accounts payable and accrued liabilities	63,896	98,964
Deferred contributions (note 5)	<u>25,025</u>	<u>82,737</u>
	148,873	233,201
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	48,380	10,465
POST-EMPLOYMENT BENEFITS PAYABLE (note 7)	<u>169,497</u>	<u>175,896</u>
	<u>366,750</u>	<u>419,562</u>
NET ASSETS		
Unrestricted	407,369	382,841
Internally restricted (note 3)	<u>32,175</u>	<u>42,175</u>
	439,544	425,016
	<u>\$ 806,294</u>	<u>\$ 844,578</u>

Approved by the Board:

 Chair
 Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Net assets, beginning of year	\$ 382,841	\$ 42,175	\$ 425,016	\$ 347,989
Net revenue over expenses	14,528	-	14,528	77,027
Interfund transfer (note 3)	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 407,369</u>	<u>\$ 32,175</u>	<u>\$ 439,544</u>	<u>\$ 425,016</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018

	<u>Parent and Child Program</u>	<u>Summer Camp Program</u>	<u>Older Adult Program</u>	<u>Other Programs</u>	<u>Programs Total</u>	<u>Administration (note 8)</u>	<u>2018</u>	<u>2017</u>
Revenue								
Grants								
City of Toronto	\$ 37,112	\$ 7,940	\$ 12,025	\$ 16,385	\$ 73,462	\$ 660,814	\$ 734,276	\$ 740,224
Province of Ontario	-	-	38,375	-	38,375	-	38,375	25,400
Government of Canada	<u>7,594</u>	<u>22,781</u>	<u>-</u>	<u>-</u>	<u>30,375</u>	<u>-</u>	<u>30,375</u>	<u>29,445</u>
	44,706	30,721	50,400	16,385	142,212	660,814	803,026	795,069
Program fees	58,754	62,493	24,657	45,761	191,665	-	191,665	163,931
Fundraising	-	5,000	3,094	13,302	21,396	-	21,396	100,596
Memberships	-	3,735	6,827	360	10,922	-	10,922	21,545
Other revenue	-	-	-	9,008	9,008	-	9,008	6,973
Rental fees	-	-	-	3,370	3,370	-	3,370	2,903
Amortization of deferred capital contributions (note 6)	<u>-</u>	<u>-</u>	<u>77</u>	<u>-</u>	<u>77</u>	<u>3,207</u>	<u>3,284</u>	<u>3,370</u>
	<u>103,460</u>	<u>101,949</u>	<u>85,055</u>	<u>88,186</u>	<u>378,650</u>	<u>664,021</u>	<u>1,042,671</u>	<u>1,094,387</u>
Expenses								
Salaries and wages	91,808	61,893	59,647	31,367	244,715	412,240	656,955	697,740
Employee benefits	13,895	5,916	14,558	3,668	38,037	105,170	143,207	149,665
Materials and supplies	9,181	7,578	16,666	3,297	36,722	43,105	79,827	60,402
Purchase of services	10,677	5,170	10,778	17,939	44,564	100,299	144,863	106,183
Amortization of capital assets	<u>-</u>	<u>-</u>	<u>84</u>	<u>-</u>	<u>84</u>	<u>3,207</u>	<u>3,291</u>	<u>3,370</u>
	<u>125,561</u>	<u>80,557</u>	<u>101,733</u>	<u>56,271</u>	<u>364,122</u>	<u>664,021</u>	<u>1,028,143</u>	<u>1,017,360</u>
Net revenue over expenses (expenses over revenue)	<u>\$ (22,101)</u>	<u>\$ 21,392</u>	<u>\$ (16,678)</u>	<u>\$ 31,915</u>	<u>\$ 14,528</u>	<u>\$ -</u>	<u>\$ 14,528</u>	<u>\$ 77,027</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net revenue over expenses	\$ 14,528	\$ 77,027
Adjustments for non-cash items:		
Amortization of capital assets	3,291	3,370
Amortization of deferred capital contributions	<u>(3,284)</u>	<u>(3,370)</u>
	14,535	77,027
Increase (decrease) resulting from changes in:		
Due from City of Toronto	19,945	3,686
Accounts receivable	(9,747)	608
Long-term amount due from City of Toronto	6,399	1,892
Due to City of Toronto	5,665	11,868
Accounts payable and accrued liabilities	(35,068)	19,206
Deferred contributions	(57,712)	60,256
Post-employment benefits payable	<u>(6,399)</u>	<u>(1,892)</u>
	<u>(62,382)</u>	<u>172,651</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(552,600)	(549,796)
Proceeds on sale of investments	549,796	434,628
Purchase of capital assets	<u>(42,064)</u>	<u>-</u>
	<u>(44,868)</u>	<u>(115,168)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions received	41,199	-
Bank indebtedness increased	<u>2,787</u>	<u>-</u>
	<u>43,986</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(63,264)	57,483
CASH, BEGINNING OF YEAR	<u>63,264</u>	<u>5,781</u>
CASH, END OF YEAR	<u>\$ -</u>	<u>\$ 63,264</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 - 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at 160 Eglinton Avenue East, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Central Eglinton Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board of Management which, among other matters, shall:

- (a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and
- (b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profits ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

Program fees, membership fees and rental income are recognized as the services are provided. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Financial instruments

The Centre initially measures its financial assets and financial liabilities at fair value.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, investments, accounts receivable and due from City of Toronto. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to City of Toronto.

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. Monetary donations are recorded as received.

Capital assets

Capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Furniture and equipment	5 years straight line
Leasehold improvements	10 years straight line

Employee related costs

The Centre 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 Centre's employees. Due to the nature of the Plan, the Centre 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 Centre also offers its 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 Centre 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 PSA-GNPO 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 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

3. INVESTMENTS

The investments consist of GICs with maturity dates ranging from January 28, 2019 to November 28, 2019 and interest rates ranging from 1.93% to 3.00%. Investments include \$32,175 (2017 - \$42,175) specifically reserved for expenses related to the 50+ program. The Board of Management approved a transfer of \$10,000 from internally restricted net assets to cover expenses related to the 50+ program in 2018.

4. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and equipment	\$ 39,218	\$ 4,892	\$ 26,619	\$ 22,260
Leasehold improvements	<u>22,323</u>	<u>7,411</u>	<u>12,211</u>	<u>6,105</u>
	61,541	\$ 12,303	38,830	\$ 28,365
Less: Accumulated amortization	<u>12,303</u>		<u>28,365</u>	
	<u>\$ 49,238</u>		<u>\$ 10,465</u>	

5. DEFERRED CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 82,737	\$ 22,481
Add: Funds received	751,712	857,217
Less: Amounts recognized as revenue	<u>(803,026)</u>	<u>(796,961)</u>
Balance, end of year	<u>\$ 25,025</u>	<u>\$ 82,737</u>

6. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 10,465	\$ 13,835
Add: Capital contributions received	41,199	-
Less: Amortization recognized as revenue	<u>(3,284)</u>	<u>(3,370)</u>
Balance, end of year	<u>\$ 48,380</u>	<u>\$ 10,465</u>

7. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM ACCOUNTS RECEIVABLE

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of July 1, 2008, unused sick leave accumulates and eligible retirees are entitled to a cash payment when they leave the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the employee upon termination, retirement or death. This sick bank plan was replaced by a Short-Term Disability Plan (STD) effective March 1, 2008, for all non-union employees of the City of Toronto. Upon the effective date, the sick banks were locked with no further accumulation. Grandfathered management staff remain entitled to payout of frozen, banked time, as described above. Under the new STD plan, management employees are entitled to 130 days annual coverage with salary protection at 100 or 75 percent, depending upon years of service. Non-management employees continue to receive sick bank time as stipulated in the applicable Collective Agreement, which specifies no financial conversion of unused sick leave.

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

7. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNTS RECEIVABLE - Cont'd.

The Centre also provides health, dental, accidental death and disability, life insurance and long term disability benefits to eligible employees. Depending upon length of service and an individual's 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, 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 Centre's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

	<u>2018</u>	<u>2017</u>
Post-retirement benefits	\$ 92,180	\$ 101,280
Sick leave benefits	-	<u>73,064</u>
	<u>92,180</u>	<u>174,344</u>
Add: unamortized actuarial gain	<u>77,317</u>	<u>1,552</u>
Post-employment benefit liability	\$ <u>169,497</u>	\$ <u>175,896</u>

The continuity of the accrued benefit obligation is as follows:

	<u>-2018</u>	<u>2017</u>
Balance, beginning of year	\$ 175,896	\$ 177,788
Current service cost	5,035	4,500
Interest cost	5,399	5,466
Plan amendment	767	(743)
Amortization of actuarial gain	(4,826)	(5,057)
Expected benefits paid	<u>(12,774)</u>	<u>(6,058)</u>
Balance, end of year	\$ <u>169,497</u>	\$ <u>175,896</u>

A long-term receivable of \$169,497 (2017 - \$175,896) has resulted from recording 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 administrative staff that may be incurred by the Centre.

The Centre also 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 rates of pay. Employer contributions to this pension plan amounted to \$51,957 in 2018 (2017 - \$52,155).

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

7. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNTS RECEIVABLE - Cont'd.

The most recent actuarial valuation of the OMERS plan as at December 31, 2018 indicates the Plan is in a deficit position and the plan's December 31, 2018 financial statements indicate a net deficit of \$2.79 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 Centre's contributions accounted for 0.0026% of the Plan's total employer contribution. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

8. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration expenses is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, excluding those accruals for long-term employee benefits, are funded by the Centre unless Council approval has been obtained for additional funding.

	2018 <u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
Administration expenses:			
Salaries and wages	\$ 504,445	\$ 412,240	\$ 462,202
Employee benefits	149,733	105,170	113,231
Materials and supplies	26,501	43,105	37,448
Purchase of services	<u>54,056</u>	<u>100,299</u>	<u>62,994</u>
	<u>\$ 734,735</u>	<u>\$ 660,814</u>	<u>\$ 675,875</u>
Centre's actual administration revenue:			
Administration budget		\$ 734,735	\$ 681,631
Retirement Funding		<u>29,420</u>	<u>-</u>
		<u>\$ 764,155</u>	<u>\$ 681,631</u>
Centre's actual administration expenses:			
Administration expenses		\$ 664,021	\$ 679,245
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term amount due from City of Toronto		6,399	1,892
Amortization of capital assets funded by deferred capital contribution		(3,207)	(3,370)
Vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto		8,004	3,686
Administration capital asset acquisitions		<u>31,953</u>	<u>-</u>
		<u>707,170</u>	<u>681,453</u>
Administration expenses under approved budget		<u>\$ 56,985</u>	<u>\$ 178</u>

The net under expenditure of \$56,985 (2017 - \$178) is included in Due to City of Toronto.

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

9. LEASE COMMITMENTS

The Centre has entered into agreements to lease office equipment which expire in 2019 and 2022. Minimum annual payments for the office equipment, in aggregate for each of the remaining years are as follows:

2019	\$	3,338
2020		1,117
2021		1,117
2022		70
	\$	<u>5,642</u>

10. FINANCIAL INSTRUMENTS

The Centre is exposed to and manages various financial risk resulting from operations. 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 Centre's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre's maximum exposure to credit risk represents the sum of the carrying value of its cash, investments and accounts receivable. The Centre's cash and investments are deposited with Canadian chartered banks and as a result management believes the risk of loss on these items to be remote. Management believes that the Centre'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.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or funds its obligations as they become due. The Centre's financial liabilities are comprised of accounts payable and accrued liabilities. The Centre manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal as the Centre'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 Centre's financial instruments are all denominated in Canadian dollars and the Centre 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 or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Centre's cash and investments earn interest at prevailing market rates. As a result, management believes that the interest rate exposure related to these financial instruments is negligible.

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

10. FINANCIAL INSTRUMENTS - Cont'd.

Market risk - Cont'd.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with financial instruments 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. Management does not believe the Centre is exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Centre'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.

April 27, 2019

Board of Management for the Central Eglinton Community Centre
160 Eglinton Ave East
Toronto, Ontario
M4P 3B5

PRIVATE AND CONFIDENTIAL

Attention: Mr. John Carey
Executive Director

Dear Mr. Carey:

Re: Audit of the December 31, 2018 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2018, we did not identify any matters which would 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 discussed our findings, which were minor matters, verbally with Central Eglinton Community Centre's staff and provided some suggestions for their consideration.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from Regina Chan and the rest of the team.

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
Partner