

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET 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 519 CHURCH STREET COMMUNITY CENTRE

Qualified Opinion

We have audited the accompanying financial statements of The Board of Management for the 519 Church Street Community Centre ("The 519"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 519 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 519 derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The 519 and we were not able to determine whether any adjustments might be necessary to donations revenue, 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 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 519 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 519'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 519 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The 519'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 519'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 519'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 519 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
August 26, 2019.

Welch LLP

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,708,361	\$ 835,287
Investments	25,000	25,000
Due from City of Toronto	325,401	37,600
Accounts receivable	669,043	714,377
Inventories	8,549	14,273
Prepaid expenses	<u>18,717</u>	<u>13,157</u>
	2,755,071	1,639,694
DUE FROM CITY OF TORONTO (note 7)	346,517	337,006
CAPITAL ASSETS (note 3)	<u>111,077</u>	<u>164,838</u>
	<u>\$ 3,212,665</u>	<u>\$ 2,141,538</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Due to City of Toronto	\$ 23,433	\$ 22,086
Accounts payable and accrued liabilities	569,435	459,116
Deferred contributions (note 5)	<u>1,096,338</u>	<u>219,100</u>
	1,689,206	700,302
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	96,525	116,728
POST-EMPLOYMENT BENEFITS PAYABLE (note 7)	<u>346,517</u>	<u>337,006</u>
	<u>2,132,248</u>	<u>1,154,036</u>
NET ASSETS		
Invested in capital assets, internally restricted (note 9)	14,552	48,110
Program reserve, internally restricted (note 10)	447,811	447,811
Fund and intermediary balances, externally restricted (schedule B and note 11)	223,785	201,176
Unrestricted	<u>394,269</u>	<u>290,405</u>
	<u>1,080,417</u>	<u>987,502</u>
	<u>\$ 3,212,665</u>	<u>\$ 2,141,538</u>

Approved by the Board:


 Chair


 Treasurer

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	<u>Invested in Capital Assets</u> (note 9)	<u>Program Reserve</u> (note 10)	<u>Fund and Intermediary Balances</u> (note 11)	<u>Unrestricted</u>
Net assets, beginning of year	\$ 48,110	\$ 447,811	\$ 201,176	\$ 290,405
Net revenue over expenses	-	-	-	75,306
Net revenue over expenses - fund and intermediary balances (schedule B)	-	-	17,609	-
Amortization of capital assets	(33,558)	-	-	33,558
Transfers between reserves	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Net assets, end of year	<u>\$ 14,552</u>	<u>\$ 447,811</u>	<u>\$ 223,785</u>	<u>\$ 394,269</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Administration</u> (note 8)	<u>2018</u>	<u>2017</u>
Revenue				
Grants				
City of Toronto	\$ 758,906	\$ 1,478,975	\$ 2,237,881	\$ 1,732,876
United Way	279,004	-	279,004	247,844
Government of Canada	568,009	-	568,009	405,642
Others	233,754	-	233,754	145,310
Province of Ontario	<u>217,118</u>	<u>-</u>	<u>217,118</u>	<u>119,527</u>
	2,056,791	1,478,975	3,535,766	2,651,199
Donations	951,972	-	951,972	1,347,901
Fundraising	1,199,070	-	1,199,070	1,208,796
Cafe	539,565	-	539,565	589,140
Workshops, education and training	255,822	-	255,822	273,807
Rental fees	52,644	-	52,644	45,984
Other revenue	13,171	-	13,171	10,934
Interest	10,410	-	10,410	5,052
Amortization of deferred capital contributions	<u>20,203</u>	<u>-</u>	<u>20,203</u>	<u>20,203</u>
	<u>5,099,648</u>	<u>1,478,975</u>	<u>6,578,623</u>	<u>6,153,016</u>
Expenses (Schedule A)				
Salaries and wages	2,140,029	895,487	3,035,516	2,685,782
Employee benefits	517,796	254,946	772,742	701,728
Purchase of services	1,407,455	131,475	1,538,930	1,567,096
Materials, supplies and services	905,301	197,067	1,102,368	1,019,778
Amortization of capital assets	<u>53,761</u>	<u>-</u>	<u>53,761</u>	<u>58,010</u>
	<u>5,024,342</u>	<u>1,478,975</u>	<u>6,503,317</u>	<u>6,032,394</u>
Net revenue over expenses	<u>\$ 75,306</u>	<u>\$ -</u>	<u>\$ 75,306</u>	<u>\$ 120,622</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET 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	\$ 75,306	\$ 120,622
Net revenue over expenses - fund and intermediary balances	<u>17,609</u>	<u>32,232</u>
	92,915	152,854
Adjustments for:		
Amortization of capital assets	53,761	58,010
Amortization of deferred capital contributions	<u>(20,203)</u>	<u>(20,203)</u>
	126,473	190,661
Increase (decrease) resulting from changes in:		
Due from City of Toronto	(287,801)	23,078
Accounts receivable	45,334	(349,640)
Inventories	5,724	(7,307)
Prepaid expenses	(5,560)	6,740
Long term amount due from City of Toronto	(9,511)	(1,898)
Due to City of Toronto	1,347	(23,833)
Accounts payable and accrued liabilities	110,319	(31,117)
Deferred revenue	-	(11,000)
Deferred contributions	877,238	(233,491)
Post-employment benefits payable	<u>9,511</u>	<u>1,898</u>
	<u>873,074</u>	<u>(435,909)</u>
CASH FLOW USED IN INVESTMENT ACTIVITIES		
Acquisition of capital assets - program	<u>-</u>	<u>(9,429)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	873,074	(445,338)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>835,287</u>	<u>1,280,625</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,708,361</u>	<u>\$ 835,287</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET 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 No. 519 Church Street as a community recreation centre under the authority of the Municipal Act, known as 519 Church Street Community Centre ("The 519"). The 519 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 519 follows the restricted fund method of accounting for contributions to funds detailed in Schedule B and The 519 follows the deferral method of accounting for all other contributions. Unrestricted 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

Workshop fees, rental and similar revenues are recognized as the services are provided.

Cafe revenues from the restaurant are recognized as earned, upon performance of the service.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit with financial institutions and savings funds with original maturities of less than three months at the date of acquisition.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Financial instruments

The 519 initially measures its financial assets and financial liabilities at fair value.

The 519 subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, short-term investments, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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:

Computers	- 3 years straight line
Furniture and equipment	- 3 to 5 years straight line
Website	- 10 years straight line
Capital improvements	- 20 years straight line

Employee related costs

The 519 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 519's employees. Due to the nature of the Plan, The 519 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 519 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 519 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.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations 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.

3. 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>
Program				
Computers	\$ 153,240	\$ 153,240	\$ 153,240	\$ 142,475
Furniture and equipment	573,466	544,224	573,466	508,478
Website	24,370	24,370	24,370	21,933
Capital improvements	<u>96,276</u>	<u>14,441</u>	<u>96,276</u>	<u>9,628</u>
	847,352	<u>\$ 736,275</u>	847,352	<u>\$ 682,514</u>
Less: accumulated amortization	<u>(736,275)</u>		<u>(682,514)</u>	
	<u>\$ 111,077</u>		<u>\$ 164,838</u>	

4. CREDIT FACILITIES

The 519 has an operating demand loan with an authorized limit of \$350,000, of which \$nil (2017 - \$nil) was utilized at year-end. The demand loan bears interest at prime plus 2% and is secured by The 519's cash and cash equivalents and short-term investments.

5. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 219,100	\$ 452,591
Add: contributions received	4,384,715	2,769,990
Less: recognized as revenue	<u>(3,507,477)</u>	<u>(3,003,481)</u>
Balance, end of year	<u>\$ 1,096,338</u>	<u>\$ 219,100</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 116,728	\$ 136,931
Less: amortization of deferred capital contributions	<u>(20,203)</u>	<u>(20,203)</u>
Balance, end of year	<u>\$ 96,525</u>	<u>\$ 116,728</u>

7. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM DUE FROM CITY OF TORONTO

The 519 participates in a number of defined benefits 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 April 1, 2003, unused sick leave accumulated until March 1, 2008, and eligible employees may be entitled to a cash payment upon leaving The 519'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.

The 519 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, 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 519'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	\$ 114,355	\$ 180,547
Add: unamortized actuarial gain	<u>232,162</u>	<u>156,459</u>
Post-employment benefit liability	<u>\$ 346,517</u>	<u>\$ 337,006</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

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

The continuity of the accrued benefit obligation is as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 337,006	\$ 335,108
Current service cost	28,779	22,146
Interest cost	6,698	5,069
Plan amendment	1,483	(1,437)
Amortization of actuarial gain	<u>(27,449)</u>	<u>(23,880)</u>
Balance, end of year	<u>\$ 346,517</u>	<u>\$ 337,006</u>

A long-term receivable from the City of \$346,517 (2017 - \$337,006) 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 administration staff that may be incurred by The 519.

The 519 also 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 \$223,088 in 2018 (2017 - \$212,684).

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 519's contributions accounted for an insignificant portion of the Plan's total employer contributions. Additional contributions, if any, required to address The 519's proportionate share of the deficit will be expensed during the period incurred.

8. FUNDS PROVIDED BY 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 519 unless Council approval has been obtained for additional funding.

	<u>2018</u> <u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
Administration expenses:			
Salaries and wages	\$ 904,093	\$ 895,487	\$ 863,105
Employee benefits	250,260	254,946	252,596
Purchase of services	154,643	131,475	115,571
Materials, supplies and services	<u>160,258</u>	<u>197,067</u>	<u>160,311</u>
	<u>\$ 1,469,254</u>	<u>1,478,975</u>	<u>1,391,583</u>
The 519's actual administration revenue:			
Administration budget		1,469,254	1,389,685
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term amount due from City of Toronto		9,511	1,898
Difference between funding received and budgeted		<u>210</u>	<u>-</u>
		<u>1,478,975</u>	<u>1,391,583</u>
Administration expenses under approved budget		<u>\$ -</u>	<u>\$ -</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

9. INVESTED IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	<u>2018</u>	<u>2017</u>
Capital assets	\$ 111,077	\$ 164,838
Amounts financed by deferred capital contributions	<u>(96,525)</u>	<u>(116,728)</u>
	<u>\$ 14,552</u>	<u>\$ 48,110</u>

Change in net assets invested in capital assets is calculated as follows:

	<u>2018</u>	<u>2017</u>
Net revenue over expenses (expenses over revenue)		
Amortization of deferred capital contributions	\$ 20,203	\$ 20,203
Amortization of capital assets	<u>(53,761)</u>	<u>(58,010)</u>
	<u>\$ (33,558)</u>	<u>\$ (37,807)</u>
Net investment in capital assets		
Capital assets acquired	<u>\$ -</u>	<u>\$ 9,429</u>

10. PROGRAM RESERVE

The 519's Program Reserve Policy was established by the Board to ensure the stability of The 519's mission, programs and ongoing operations and to provide a source of internal funds for planned and emerging organizational priorities such as programming, capacity building, special projects, human resource liabilities, and emergency needs. The funds set aside exclude grant funding and other defined contributions.

11. FUND AND INTERMEDIARY BALANCES

Fund and Intermediary balances can be summarized as follows:

	<u>2018</u>	<u>2017</u>
Fund balances:		
AIDS Vigil	\$ 10,268	\$ 11,467
AIDS Memorial	54,135	55,997
Building	34,026	34,026
Recreation Centre Capital Campaign	2,967	2,967
Intermediary balances:		
ORAD	17,556	15,381
HOLA	1,270	1,270
Senior Pride Network	5,165	5,765
Kyle Scanlon Memorial	24,045	19,045
Will Munro	18,978	22,449
Sunday Drop-in Community Fund	20,000	20,000
Alliance for Equity of Blind Canadians	<u>35,375</u>	<u>12,809</u>
	<u>\$ 223,785</u>	<u>\$ 201,176</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

11. FUND AND INTERMEDIARY BALANCES - Cont'd.

Schedule B to these financial statements reflects the revenue, expenditures and surplus of the above noted Fund and Intermediary balances.

(a) AIDS Vigil

This fund was established in 1998 to fund expenditures related to the AIDS Candlelight Vigil. This event is held annually in June to remember those who have died from AIDS.

(b) AIDS Memorial

Since 1990, the Board has accepted donations for the establishment of an AIDS Memorial. This is a joint project between the City, The 519, various funding agencies including other charitable foundations and individual and corporate donors. The AIDS Memorial Fund was established to fund expenditures related to the AIDS Memorial, which is located in Cawthra Park.

(c) Building

In 2000, the Board of Management commenced a capital campaign to renovate the existing building and build a new addition to the south side. The Board of Management in partnership with the City of Toronto agreed to cost share the project. The building project was completed in 2010. The 519 also raised funds to pay for the replacement of the furnishings, throughout the building and meeting/conference rooms as well as replacing and upgrading the IT infrastructure, and a number of other building upgrades that were not part of the capital project.

On a go-forward basis, The 519 will continue to raise funds where possible to pay for capital expenses below \$50,000 to meet its obligations under the Relationship Framework.

(d) Recreation Centre Capital Campaign

In 2015, City Council approved The 519 to work in partnership with the City of Toronto and a philanthropic donor to investigate the feasibility of redeveloping the John Innes Community Centre, Moss Park Arena and the surrounding parklands for the creation of a new transformational, multi-dimensional facility that will be dedicated to developing and providing inclusive recreational space and programs responsive to the needs of local communities including vulnerable at risk communities, while also advancing LGBTQ inclusion in sport and recreation. As part of the agreement The 519 has committed to raise a portion of the project costs by way of a capital campaign.

(e) ORAD

ORAD is a social and support group for Deaf Gay Men, Lesbians, Bisexuals and Trans People. Their project, Austin Unbound, brought the film regarding a Deaf man's choice to get a double mastectomy. The film was followed by a discussion with the filmmaker, Eliza Greenwood about issues faced by Austin. This provided an outreach opportunity to Deaf Transsexual and Transgender people, and an educational event for the membership of ORAD.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

11. FUND AND INTERMEDIARY BALANCES - Cont'd.

(f) HOLA

HOLA is a social and support group for Spanish speaking Gay Men, Lesbians, Bisexuals and Trans People. The project is meant to increase their visibility in the community through supporting their social events and their Pride Week activities. The 519 acts as intermediary for this fund because HOLA is a community group within The 519's space use structure.

(g) Senior Pride Network

The Senior Pride Network is an association committed to promoting the delivery of appropriate positive community and health services for older Gay, Lesbian, Bisexual, Transgender, Transsexual, Intersexed and 2 Spirited people in Toronto. In 2011, The 519 with approval from the Network expanded its role of intermediary to be responsible for the coordination and delivery of the Senior's conference and other funding applications.

(h) Kyle Scanlon Memorial

Created in 2012 as a legacy in memory of Kyle Scanlon, a much-loved trans activist and staffer of The 519. The Kyle Scanlon Memorial Fund is intended to support projects and initiatives important to members of Toronto's trans community. In 2018, after community, family and staff consultation, the Board approved the terms of reference for the use of the funds which will begin in 2019. In addition, the Board approved a transfer of \$5,000 from the unrestricted fund.

(i) Will Munro

Established in 2010 by the friends and family of Will Munro, the Will Munro Fund for Queer and Trans People Living with Cancer will serve as a dedicated emergency relief fund offering financial assistance to LGBTQ people of all ages who are currently living with cancer in Ontario.

(j) Sunday Drop-in Community Fund

Established as a restricted-use fund in 2017, based on a gift from a donor, to provide emergency support and an annual commemorative event and celebration of The 519's Sunday Drop-in (SDI) program participants for a five-year duration. In 2017 and 2018, the costs for emergency support and the annual commemorative event have been funded through program and other fundraising. As a result, the total fund remains available for use.

(k) Alliance for Equity of Blind Canadians

Alliance of Equality for Blind Canadians is a peer support advocacy organization promoting equal access and participation of the blind, partially sighted and deaf/blind in mainstream society for the "Inclusive Employment Advocacy" Project. The 519 acted as an intermediary.

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

12. FINANCIAL INSTRUMENTS

The 519 is exposed to and manages various financial risks 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 519's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The 519 is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The 519's maximum exposure to credit risk represents the sum of the carrying value of its cash and cash equivalents, short-term investments and accounts receivable. The 519's cash and cash equivalents and short-term investments are deposited 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 519's credit risk with respect to accounts receivable is limited. The 519 manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Liquidity risk

Liquidity risk is the risk that The 519 cannot meet a demand for cash or fund its obligations as they become due. The 519's financial liabilities are comprised of accounts payable and accrued liabilities, and trust accounts. The 519 manages its liquidity risk by monitoring its cash flow requirements on a regular basis. The 519 believes its overall liquidity risk to be minimal as The 519'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 519's financial instruments are all denominated in Canadian dollars, except for one U.S. cash account with a balance of \$139 (2017 - \$2,127), and The 519 transactions 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 519's cash and cash equivalents and short-term investments earn interest at prevailing market rates. As a result the interest rate exposure related to these financial instruments is a result of interest rate movements.

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 519 is not exposed to significant other price risk.

Changes in risk

There have been no significant changes in The 519's risk exposures from the prior year.

13. COMPARATIVE FIGURES

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

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
SCHEDULE OF PROGRAM EXPENDITURES BY ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
General	\$ 503,485	\$ 349,254
Fundraising, philanthropy & membership	524,910	436,578
Green Space event	785,912	819,566
Community Programs/Services		
Child and family programs	\$ 205,195	\$ 174,154
Community food and drop-in programs	588,852	450,563
Community support services	185,185	270,611
Newcomer services	<u>646,407</u>	<u>569,925</u>
	1,625,639	1,465,253
Social/Productive Enterprises		
Social enterprise - restaurant and catering	630,089	658,620
Social enterprise - education and training initiatives	424,429	491,864
Social enterprise - rentals and sales	<u>48,147</u>	<u>8,023</u>
	1,102,665	1,158,507
Recreation centre development	427,970	353,643
Amortization of capital assets	<u>53,761</u>	<u>58,010</u>
	<u>\$ 5,024,342</u>	<u>\$ 4,640,811</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
SCHEDULE OF OPERATIONS AND CHANGE IN FUND AND INTERMEDIARY BALANCE
YEAR ENDED DECEMBER 31, 2018

	Fund									
	AIDS Vigil		AIDS Memorial		Building		Recreation Centre Capital Campaign		ORAD	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue										
Donation, grants, and fundraising	\$ 12,100	\$ 12,460	\$ -	\$ 1,555	\$ -	\$ -	\$ -	\$ -	\$ 7,500	\$ 15,000
Expenses										
Professional services	7,237	3,162	-	-	-	-	-	-	-	-
Construction	-	-	1,862	7,551	-	-	-	-	-	-
Material, supplies and services	6,062	10,420	-	1,136	-	-	-	-	5,325	2,900
	<u>13,299</u>	<u>13,582</u>	<u>1,862</u>	<u>8,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,325</u>	<u>2,900</u>
Excess of revenue over expenses (expenses over revenue)	(1,199)	(1,122)	(1,862)	(7,132)	-	-	-	-	2,175	12,100
Balance, beginning of year	<u>11,467</u>	<u>12,589</u>	<u>55,997</u>	<u>63,129</u>	<u>34,026</u>	<u>34,026</u>	<u>2,967</u>	<u>2,967</u>	<u>15,381</u>	<u>3,281</u>
Balance, end of year	<u>\$ 10,268</u>	<u>\$ 11,467</u>	<u>\$ 54,135</u>	<u>\$ 55,997</u>	<u>\$ 34,026</u>	<u>\$ 34,026</u>	<u>\$ 2,967</u>	<u>\$ 2,967</u>	<u>\$ 17,556</u>	<u>\$ 15,381</u>

BOARD OF MANAGEMENT FOR THE 519 CHURCH STREET COMMUNITY CENTRE
SCHEDULE OF OPERATIONS AND CHANGE IN FUND AND INTERMEDIARY BALANCES -
YEAR ENDED DECEMBER 31, 2018

	Intermediary										
	Hospitality Workers		Kyle Scanlon Memorial		Will Munro		Open Streets Toronto		Sunday Drop-in Community Fund		o
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	o
Revenue											
Donation, grants, and fundraising	\$ -	\$ 239,150	\$ -	\$ 5,200	\$ 1,829	\$ 1,494	\$ -	\$ 32,460	\$ -	\$ 20,000	\$ -
Expenses											
Professional services	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-
Material, supplies and services	-	239,800	-	-	5,300	5,170	-	32,500	-	-	-
	-	239,800	-	-	5,300	5,170	-	32,500	-	-	-
Excess of revenue over expenses (expenses over revenue)	-	(650)	-	5,200	(3,471)	(3,676)	-	(40)	-	20,000	-
Interfund transfers	-	-	5,000	-	-	-	-	-	-	-	-
Balance, beginning of year	-	650	19,045	13,845	22,449	26,125	-	40	20,000	-	-
Balance, end of year	\$ -	\$ -	\$ 24,045	\$ 19,045	\$ 18,978	\$ 22,449	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ -

August 14, 2019

Board of Management for the 519 Church Street Community Centre
519 Church Street
Toronto, Ontario
M4Y 2C9

PRIVATE AND CONFIDENTIAL

Attention: Ms. Maura Lawless,
Executive Director

Dear Maura:

Re: Audit of the Monday, December 31, 2018 Financial Statements

During the course of our audit of the financial statements for the year ended Monday, 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 certain matters below along with some suggestions for your consideration.

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.

Issue - Payment and receipt management

We noted that the Board of Management for the 519 Church Street Community Centre ("The 519") continues to settle balances with suppliers and creditors utilizing cheques. While cheques are still an acceptable form of payment, we recommend that, where possible, The 519 settle balances electronically, either through electronic fund transfers (EFTs) or wire payments. There are a number of reasons to make this change:

Security Cheques have a higher chance of being lost or stolen, increasing the risk of payment fraud through the physical manipulation of the cheque. While management may have the appropriate controls over handling of the cheque while in their possession, once the cheque is released for payment management has lost control and is now relying on the controls of the delivery service and the customer.

Ease Electronic payments can be made quickly and easily utilizing the features offered by your financial institution, without losing the security features of a cheque. Two step ID verification and dual authorization over the internet to initiate and complete payments will actually (a) increase security over the payment and (b) increase employee and management efficiency.

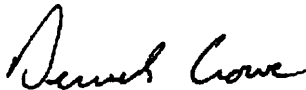
You will find that many of your suppliers and creditors will prefer electronic payments over physical cheques for the same reasons noted above.

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



Derrick Crowe, CPA, CA
Partner