

**FINANCIAL STATEMENTS**  
**For**  
**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**  
**For the year ended**  
**DECEMBER 31, 2018**

## **INDEPENDENT AUDITOR'S REPORT**

To the Council of the Corporation of the

**CITY OF TORONTO AND  
BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

*Opinion*

We have audited the financial statements of Board of Management of Leaside Memorial Community Gardens (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 notes to the financial statements, including a summary of significant accounting policies.

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 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.

*Welch LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
May 21, 2019.

**Welch LLP**

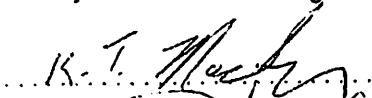
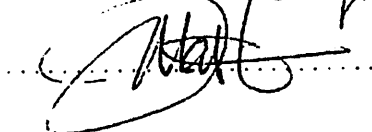
**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 822,530	\$ 703,061
Accounts receivable	63,728	146,120
Prepaid expenses	8,548	-
Due from City of Toronto - operating deficit (note 3)	133,310	253,729
- expansion deposit	20,000	20,000
- post-employment benefits (note 4)	26,646	25,626
- pool (note 5)	<u>235,913</u>	<u>548,543</u>
	<u>1,310,675</u>	<u>1,697,079</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	169,577	95,469
Government remittances payable	10,935	9,491
Refundable customer deposits	54,250	-
Due to City of Toronto - payroll and other (notes 6 and 7)	836,728	1,354,965
Loans payable (note 6)	7,474,439	7,655,560
Deferred revenue	155,047	150,950
Post-employment benefits payable (note 4)	<u>88,441</u>	<u>87,421</u>
	<u>8,789,417</u>	<u>9,353,856</u>
<b>NET DEBT</b>	<u>(7,478,742)</u>	<u>(7,656,777)</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventories	4,303	1,217
Arena expansion (note 6)	<u>7,474,439</u>	<u>7,655,560</u>
	<u>7,478,742</u>	<u>7,656,777</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ -</u>	<u>\$ -</u>

Approved by the Board of Management:

 ..... Chair  
 ..... Treasurer

(See accompanying notes)

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2018**

	Budget 2018 (unaudited)	2018	2017
<b>Revenue</b>			
Arena ice rental	\$ 1,360,003	\$ 1,407,612	\$ 1,357,085
Dash board rental	55,000	54,653	51,089
Debt reserve surcharge (note 7)	82,960	63,470	66,060
Pro shop	8,300	10,077	9,250
Pool (note 5)	298,954	332,899	298,331
Banquet/meeting room	105,200	92,117	80,056
Snack bar and vending	109,000	76,852	78,344
Other	<u>49,200</u>	<u>106,584</u>	<u>104,012</u>
	<u>2,068,617</u>	<u>2,144,264</u>	<u>2,044,227</u>
<b>Expenses</b>			
Salaries and wages	623,721	675,608	572,273
Employee benefits	128,000	139,680	125,422
Building repairs and maintenance	67,000	176,078	117,178
Equipment repairs and maintenance	49,000	5,219	45,309
Supplies	9,700	16,703	18,452
Food and other purchases	51,000	28,758	31,823
Utilities	420,693	410,797	419,275
Advertising and promotions	5,000	450	1,969
Insurance	12,380	12,380	12,380
Professional fees	6,200	10,716	6,500
Office expenses	20,080	23,540	21,841
Ice resurfacers costs	20,700	26,941	26,122
Miscellaneous	<u>19,254</u>	<u>9,987</u>	<u>13,818</u>
	<u>1,432,728</u>	<u>1,536,857</u>	<u>1,412,362</u>
<b>Excess of revenue over expenses before items below</b>	635,889	607,407	631,865
Debt service reserve fund contributions (note 7)	(82,960)	(63,470)	(66,060)
Vehicle and equipment reserve contributions (note 8)	(20,000)	(20,000)	(20,000)
Amortization of arena expansion (note 6)	(169,475)	(181,121)	(196,743)
Interest expense on loans payable (note 6)	<u>(355,525)</u>	<u>(346,420)</u>	<u>(367,810)</u>
<b>Operating deficit</b>	<u>\$ 7,929</u>	(3,604)	(18,748)
<b>Net receivable from the City of Toronto</b>		3,604	18,748
<b>Annual deficit</b>		<u>-</u>	<u>-</u>
<b>Accumulated surplus, beginning and end of year</b>		<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Annual deficit	\$ -	\$ -
Amortization of arena expansion	181,121	196,743
Utilization (purchase) of inventories, net	<u>(3,086)</u>	<u>2,363</u>
Changes in net debt	178,035	199,106
Net debt, beginning of year	<u>(7,656,777)</u>	<u>(7,855,883)</u>
Net debt, end of year	<u>\$ (7,478,742)</u>	<u>\$ (7,656,777)</u>

(See accompanying notes)

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual deficit	-	-
Adjustments for:		
Amortization of arena expansion	181,121	196,743
Non-cash changes to operations:		
Accounts receivable	82,392	(13,245)
Prepaid expenses	(8,548)	-
Due from City of Toronto - operating deficit	120,419	(18,748)
- post-employment benefits	(1,020)	4,815
- pool	312,630	(298,331)
Accounts payable and accrued liabilities	74,108	(17,064)
Government remittances payable	1,444	(722)
Refundable customer deposits	54,250	-
Due to City of Toronto - payroll and other	(518,237)	772,125
Deferred revenue	4,097	15,866
Post-employment benefits payable	1,020	(4,815)
Inventories	(3,086)	2,363
	<u>300,590</u>	<u>638,987</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of loans payable	<u>(181,121)</u>	<u>(196,743)</u>
<b>INCREASE IN CASH</b>	119,469	442,244
<b>CASH, BEGINNING OF YEAR</b>	<u>703,061</u>	<u>260,817</u>
<b>CASH, END OF YEAR</b>	<u>\$ 822,530</u>	<u>\$ 703,061</u>

(See accompanying notes)

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

**1. NATURE OF OPERATIONS**

The Leaside Memorial Community Gardens was established as a Memorial Community Centre under the Community Recreation Centres Act (RSO 1990, Chapter C.22), pursuant to Chapter 25 of the City of Toronto Municipal Code, by By-law No. 1374 (former Town of Leaside, December 17, 1951), as amended. The Board of Management operates and manages the Leaside Memorial Gardens Arena (the "Arena") on behalf of the City of Toronto.

Under the By-law, the Board of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Board over and above that necessary to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises.

**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 and rental deposits for the auditorium paid in advance are recorded as deposits or deferred revenue, if the amount has been invoiced.

*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, and loans payable.

*Inventories*

Inventories held for resale are initially recorded at cost and subsequently measured at the lower of cost and net realizable value. The cost is determined on a first-in, first-out basis.

*Arena expansion*

Arena expansion is recorded at cost. Amortization is provided using the sinking fund method. The sinking fund method amortizes the arena expansion on the same basis as the loan repayments are required to be made.

*Contributed material and services*

Major capital expenditures that are financed by the City of Toronto, which owns the facility, 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.

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**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 of Toronto offers a multi-employer defined benefit pension plan to the Arena's eligible employees. Due to the nature of the Plan, the Arena does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.
- (b) The Arena also offers its eligible 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 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 conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its tangible capital assets, 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.

**3. DUE FROM CITY OF TORONTO - OPERATING DEFICIT**

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ <u>253,729</u>	\$ <u>234,981</u>
Operating deficit	3,604	18,748
Amortization of arena expansion	181,121	196,743
Principal loan repayments	<u>(181,121)</u>	<u>(196,743)</u>
Net expenditure receivable from the City of Toronto	<u>3,604</u>	<u>18,748</u>
Received during the current year	<u>(124,023)</u>	<u>-</u>
Balance, end of year	\$ <u>133,310</u>	\$ <u>253,729</u>

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2018**

**3. DUE FROM CITY OF TORONTO - OPERATING DEFICIT - Cont'd.**

The balance at the beginning of 2017 is comprised of the following:

2002 deficit	\$ 78,332
2004 adjustment to deficit due to change in accounting policy	9,355
2006 adjustment to deficit due to change in accounting policy	449
2006 restatement deficit due to change in accounting policy	76,037
2008 over payment	10
2014 deficit	83,851
2015 surplus (note 7)	(42,464)
2016 deficit	<u>29,411</u>
	<u>\$ 234,981</u>

The loan agreement between the Arena and the City, as described in note 6, requires that any annual operating deficits be added to the principal balance of the City loan to the Arena and that a revised loan amortization schedule be prepared. City Council authorized a one-time exception for the 2014 operating deficit incurred by the Arena from being added to the principle balance. As a result, the 2014 deficit is receivable from the City of Toronto and included in the balance above. The 2016, 2017 and 2018 deficits have been included in the balance due from the City of Toronto until a revised loan amortization schedule is prepared.

**4. POST-EMPLOYMENT BENEFITS PAYABLE AND AMOUNT RECEIVABLE**

The Arena participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its eligible employees. Under the sick leave plan for administration staff, unused sick leave accumulates and eligible employees may be entitled to a cash payment when they leave the Arena's employment. The liability for these accumulated days represents the extent to which they have vested and can be taken in cash by an employee upon termination, retirement or death.

The Arena 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 obligations 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>
Post-retirement benefits	\$ 75,630	\$ 75,640
Sick leave benefits	<u>51,011</u>	<u>51,727</u>
	126,641	127,367
Add: unamortized actuarial gain	<u>(38,200)</u>	<u>(39,946)</u>
Employee benefit liability	<u>\$ 88,441</u>	<u>\$ 87,421</u>

BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

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

The continuity of the accrued benefit obligation is as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 87,421	\$ 92,236
Current service cost	2,574	2,164
Interest cost	4,020	3,805
Plan amendment	568	(550)
Amortization of actuarial gain	(3,836)	(8,696)
Expected benefits paid	<u>(2,306)</u>	<u>(1,538)</u>
Balance, end of year	<u>\$ 88,441</u>	<u>\$ 87,421</u>

A receivable of \$26,646 (2017 - \$25,626) from the City has resulted from the recording of 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 Arena.

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. 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 \$46,112 (2017 - \$40,110).

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

5. **POOL AGREEMENT WITH CITY OF TORONTO**

Under an agreement commencing October 1, 1996, between the Arena and the former Corporation of the Borough of East York (now the City of Toronto), the Board is appointed to operate, manage and maintain the swimming pool facility located at 1073 Millwood Road. The agreement was for a one year period and, without notice to terminate the agreement from either party, automatically renews for successive one year terms.

The agreement requires the City of Toronto to pay an annual rental fee to the Arena for the swimming pool facility equal to the annual capital and operating deficits as authorized by the Board of Management and approved by the City. In the year, the annual rental fee was \$332,899 (2017 - \$298,331).

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2018**

**6. LOANS PAYABLE**

The Arena received approval from Toronto City Council through the 2012 capital budget for the construction of a second ice pad on adjacent lands acquired by the City of Toronto.

In 2013, the Arena received a bond loan of \$1,052,200 from Infrastructure Ontario, borrowed by the City of Toronto on the Arena's behalf. Included in an agreement between the Arena and the City of Toronto dated May 15, 2012, the Arena also received a recoverable debt loan of \$7,302,334.

In 2013, the arena expansion of \$8,354,534 was recorded as a tangible asset in an amount equal to the total loans payable. Amortization expense and accumulated amortization amounted to \$181,121 (2017 - \$196,743) and \$880,095 (2017 - \$698,974), respectively.

Loans payable is comprised of the following:

	<u>2018</u>	<u>2017</u>
Loan from Infrastructure Ontario through the City of Toronto - 4.52%, payable in blended quarterly payments of \$20,051 over 20 years	\$ 809,802	\$ 851,226
Recoverable debt loan from the City of Toronto - 4.60%, payable in blended quarterly payments of \$112,504 over 30 years	<u>6,664,934</u>	<u>6,804,334</u>
	<u>\$ 7,474,439</u>	<u>\$ 7,655,560</u>

Total loan principal repayments made in the year amounted to \$181,121 (2017 - \$196,743).

Principal repayments over the next five years are estimated to be as follows:

2019	\$ 187,488
2020	196,229
2021	205,377
2022	214,951
2023	224,971
Thereafter	<u>6,445,423</u>
	<u>\$ 7,474,439</u>

During the year, \$346,420 (2017 - \$367,810) of interest expense was recorded related to the loans payable. Included in the balance due to the City of Toronto - payroll and other was \$85,855 (2017 - \$88,532) of accrued interest related to the loans payable.

**7. DEBT SERVICE RESERVE FUND**

As part of the agreement between the Arena and the City of Toronto dated May 15, 2012, described in note 6, the Arena must charge a levy surcharge on the ice rental rates charged to all contracted users of the Arena during prime time of not less than \$20. The levy surcharge is to be remitted to the City to establish a debt service reserve fund and is to be levied until the reserve fund has reached an amount equal to four regular payments on the loans payable, \$530,219. The Arena began charging this levy surcharge in October 2013. The debt service reserve fund consists of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 317,085	\$ 251,025
Levy surcharges charged	<u>63,470</u>	<u>66,060</u>
Balance, end of year	<u>\$ 380,555</u>	<u>\$ 317,085</u>

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2018**

**7. DEBT SERVICE RESERVE FUND - Cont'd.**

Included in the balance due to the City of Toronto - payroll and other was \$175,590 (2017 - \$112,120) of levy surcharges payable.

The agreement between the Arena and the City also requires that operating surpluses be deposited into the Arena's debt service reserve fund. In 2015, the Arena had an operating surplus and Toronto City Council approved a one-time exception for the surplus, resulting in the surplus being repaid to the City of Toronto.

Toronto City Council also authorized an amendment to the agreement to allow operating surpluses to be deposited into the debt service reserve fund at year-end, rather than at the four payment dates currently provided for in the agreement.

**8. 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 \$20,000 (2017 - \$20,000).

**9. ALLOCATED EXPENSES**

	2018				2017			
	Arena	Pool	Banquet/ Meeting Room	Total	Arena	Pool	Banquet/ Meeting Room	Total
Salaries and wages	\$ 171,729	\$ 64,078	\$ 20,505	\$ 256,312	\$ 125,281	\$ 46,746	\$ 14,959	\$ 186,986
Employee benefits	92,902	34,665	11,093	138,660	87,259	32,559	10,419	130,237
Building repairs and maintenance	8,073	3,013	964	12,050	8,756	3,267	1,045	13,068
Supplies	3,373	1,259	403	5,035	4,260	1,590	509	6,359
Insurance	8,295	3,095	990	12,380	8,295	3,095	990	12,380
Professional fees	7,180	2,679	857	10,716	4,355	1,625	520	6,500
Office expenses	15,772	5,884	1,883	23,539	14,634	5,460	1,747	21,841
Miscellaneous	6,691	2,497	799	9,987	9,256	3,455	1,106	13,817
<b>Total</b>	<b>\$ 314,015</b>	<b>\$ 117,170</b>	<b>\$ 37,494</b>	<b>\$ 468,679</b>	<b>\$ 262,096</b>	<b>\$ 97,797</b>	<b>\$ 31,295</b>	<b>\$ 391,188</b>

**10. 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 Arena manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2018**

**10. 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 loans payable. The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Arena believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

*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 Arena's financial instruments are all denominated in Canadian dollars and the Arena 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 refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Arena's cash earns interest at prevailing market rates, and the Arena's loans payable bear interest at fixed rates. Consequently, the Arena's exposure to interest rate risk is negligible.

*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 Arena is not exposed to significant other price risk.

*Changes in risk*

There have been no significant changes in the Arena'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.

## BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

## SUPPLEMENTAL SCHEDULE - ARENA OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>		
Arena ice rental	\$ 1,407,612	\$ 1,357,085
Dash board rental	54,653	51,089
Debt reserve surcharge	63,470	66,060
Pro shop	<u>10,077</u>	<u>9,250</u>
	<u>1,535,812</u>	<u>1,483,484</u>
<b>Expenses</b>		
Salaries and wages	298,835	275,383
Building repairs and maintenance	101,394	47,532
Equipment repairs and maintenance	5,219	39,739
Utilities	329,844	342,517
Ice resurfacers costs	26,941	26,122
Allocated expenses (note 9)	<u>314,015</u>	<u>262,096</u>
	<u>1,076,248</u>	<u>993,389</u>
<b>Excess of revenue over expenses before items below</b>	459,564	490,095
Debt service reserve fund contributions (note 7)	(63,470)	(66,060)
Vehicle and equipment reserve contributions (note 8)	(20,000)	(20,000)
Amortization of arena expansion (note 6)	(181,121)	(196,743)
Interest expense on loans payable (note 6)	<u>(346,420)</u>	<u>(367,810)</u>
<b>Operating deficit</b>	<u>\$ (151,447)</u>	<u>\$ (160,518)</u>

## BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS

## SUPPLEMENTAL SCHEDULE - POOL OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>		
Pool (note 5)	\$ <u>332,899</u>	\$ <u>298,331</u>
<b>Expenses</b>		
Salaries and wages	74,411	67,995
Building repairs and maintenance	60,997	51,480
Equipment repairs and maintenance	-	4,506
Supplies	11,669	12,093
Utilities	68,652	64,460
Allocated expenses (note 9)	<u>117,170</u>	<u>97,797</u>
	<u>332,899</u>	<u>298,331</u>
<b>Excess of revenue over expenses</b>	\$ <u>-</u>	\$ <u>-</u>

**BOARD OF MANAGEMENT OF LEASIDE MEMORIAL COMMUNITY GARDENS**  
**SUPPLEMENTAL SCHEDULE - BANQUET/MEETING ROOM OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>		
Banquet/meeting room	\$ <u>92,117</u>	\$ <u>80,056</u>
<b>Expenses</b>		
Salaries and wages	22,050	17,909
Building repairs and maintenance	1,637	5,098
Equipment repairs and maintenance	-	1,064
Food and other purchases	2,075	1,854
Utilities	12,300	12,300
Office expenses	450	1,969
Allocated expenses (note 9)	<u>37,494</u>	<u>31,295</u>
	<u>76,006</u>	<u>71,489</u>
<b>Excess of revenue over expenses</b>	<u>\$ 16,111</u>	<u>\$ 8,567</u>

May 21, 2019

Board of Management of Leaside Memorial Community Gardens  
1073 Millwood Road  
Toronto, Ontario  
M4G 1X6

**PRIVATE AND CONFIDENTIAL**

Attention: Anna Donadio, Acting General Manager

Dear Madam:

**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 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 management and received their comments thereon.

**OTHER REPORTABLE MATTERS**

**Issue - Consistent review and approval of bank reconciliations and statements**

During the course of our 2018 fiscal audit, we noted that no evidence of review and approval was documented by the General Manager on the bank reconciliations and corresponding bank statements. If the bank reconciliations and statements are not reviewed, this could lead to bank errors or fraudulent transactions remaining undetected and uncorrected.

We recommend that the General Manager consistently review the monthly bank reconciliations and statements. We also recommend that the General Manager initial and date stamp the bank reconciliations to indicate their review.

*Management's Comments*

Acting General Manager indicates the monthly bank reconciliations and bank statements are reviewed, but not initialed. The Acting General Manager has agreed to initial the bank reconciliations and statements going forward.

**Issue - Retention of employee timecards**

During the course of our 2018 fiscal audit, we noted that some of the timecards selected for testing could not be provided. While we were able to use alternative methods to verify payroll expenses, timecards should be maintained as audit evidence to confirm the hours worked by staff.

We recommend that all timecards be retained in a binder and organized sequentially.

*Management's Comments*

Acting General Manager acknowledges that audit testing indicated that there were timecards missing, likely due to the transition of payroll systems. Every effort will be taken to ensure that regular timecard processes will be completed to prevent any reoccurrence of missing timecards, and that timecards will be maintained in an orderly fashion for audit purposes.

**Issue - Consistent review and approval of payroll registers**

During the course of our 2018 fiscal audit, we noted that the General Manager was inconsistent in reviewing and approving the pay registers prepared and provided by the City of Toronto.

We recommend that the General Manager consistently review the payroll registers provided by the City of Toronto to ensure that only staff costs are captured by the Arena's payroll expenses and that the hours and wage rates used to calculate pays match supporting documentation retained by the Arena. We also recommend that the General Manager initial and date stamp the payroll registers to indicate their review. This recommendation is consistent with one that was provided in 2018.

*Management's Comments*

The City moved to a new payroll system in 2018 which caused confusion in Leaside's payroll process. Pay registers will still be reviewed intermittently, but that they were not approving the pay registers regularly. They will be looking to implement a formal review process in the coming year.

**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 General 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*

Acting General Manager has indicated that Leaside has a file for each and every employee on staff. Any new employee will have a contract as Leaside follows the new City process.

**Issue - Balances due to/from City of Toronto**

During the course of our 2016 fiscal audit, we noted that the receivable balances due from and payable balances due to the City of Toronto recorded by the Arena do not reconcile to the City's books. In 2016, we recommended that the General Manager work with City staff in order to address the discrepancies. During the course of our 2018 fiscal audit, we noted that these discrepancies still exist.

We reiterate our recommendation that the General Manager work with City staff in order to address the discrepancies appropriately.

*Management's Comments*

Acting General Manager wants to sit down with the City to straighten out the issues. Acting General Manager emphasizes the need to have a point-person within the City to work with Leaside to resolve the discrepancies.

**Issue - Post-employment benefits payable and related balance due from City of Toronto**

During the course of our 2016 fiscal audit, we noted that the long-term receivable from the City of Toronto for post-employment benefits does not equal the related post-employment benefits payable. In 2016, we recommended that the General Manager work with City staff in order to address the discrepancy. During the course of our 2018 fiscal audit, we noted that this discrepancy still exists.

We reiterate our recommendation that the General Manager work with City staff in order to address this discrepancy appropriately.

*Management's Comments*

Acting General Manager agrees that the actuarial evaluations should be reflected in the financial statements and will work with City staff to properly record the long-term receivable from the City of Toronto for post-employment benefits and the related post-employment benefits payable.

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**

A handwritten signature in black ink that reads "Christa Casey". The signature is written in a cursive, flowing style.

Christa Casey, CPA, CA