

**FINANCIAL STATEMENTS**  
**For**  
**NORTH TORONTO MEMORIAL ARENA**  
**For the year ended**  
**DECEMBER 31, 2018**

## **INDEPENDENT AUDITOR'S REPORT**

To the Council of the Corporation of the

### **CITY OF TORONTO AND THE COMMITTEE OF MANAGEMENT OF NORTH TORONTO MEMORIAL ARENA**

#### *Opinion*

We have audited the accompanying financial statements of the Committee of Management of North Toronto Memorial Arena (the "Arena"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

#### *Responsibilities of Management and Those Charged with Governance*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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



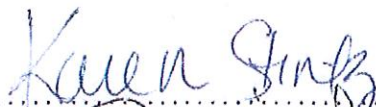

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
October 8, 2019.

**NORTH TORONTO MEMORIAL ARENA  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 8,254	\$ 24,186
Accounts receivable	69,650	63,351
Due from City of Toronto	<u>-</u>	<u>41,862</u>
	<u>77,904</u>	<u>129,399</u>
<b>FINANCIAL LIABILITIES</b>		
Due to City of Toronto	11,264	22,264
Accounts payable and accrued liabilities	81,377	109,776
Government remittances payable	19,699	18,519
Due to City of Toronto - operating surplus (note 3)	1,486	2,417
Deferred revenue	7,698	21,200
Due to City of Toronto - working capital advance (note 4)	<u>15,000</u>	<u>15,000</u>
	<u>136,524</u>	<u>189,176</u>
<b>NET DEBT</b>	(58,620)	(59,777)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 5)	59,701	50,744
Inventories	<u>58,620</u>	<u>59,777</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 59,701</u>	<u>\$ 50,744</u>

Approved on behalf of the Board of Management:

 .....Chair  
 .....Member

(See accompanying notes)

**NORTH TORONTO MEMORIAL ARENA**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
<b>Revenue</b>			
Ice rentals	\$ 769,345	\$ 736,426	\$ 706,758
Outdoor rink recoveries (note 6)	108,500	60,277	102,630
Banquet room rentals	29,286	30,191	28,381
Pro shop operations (Schedule A)	13,644	12,887	12,016
Snack bar and vending machine operations (Schedule A)	11,784	9,547	12,279
Advertising	15,000	23,309	15,845
Zamboni replacement - contribution	11,000	11,000	11,000
Arena floor rentals	1,462	1,450	1,400
Gain on sale of zamboni	-	11,500	-
	<u>960,021</u>	<u>896,587</u>	<u>890,309</u>
<b>Expenses</b>			
Salaries and wages	453,654	409,439	397,086
Employee benefits	137,127	106,514	124,588
Utilities	224,215	210,134	235,448
Maintenance and repairs	74,000	86,724	58,974
General administration	43,173	41,164	37,396
Insurance	11,400	11,264	11,264
Professional fees	5,100	5,700	5,616
Amortization of tangible capital assets	-	5,351	4,607
	<u>948,669</u>	<u>876,290</u>	<u>874,979</u>
<b>Excess revenue over expenses before the following</b>	11,352	20,297	15,330
<b>Vehicle and equipment reserve contributions (note 7)</b>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
<b>Operating surplus</b>	\$ <u>352</u>	9,297	4,330
<b>Net payable to the City of Toronto (note 4)</b>		<u>(340)</u>	<u>(1,148)</u>
<b>Annual surplus</b>		8,957	3,182
<b>Accumulated surplus, beginning of year</b>		<u>50,744</u>	<u>47,562</u>
<b>Accumulated surplus, end of year, end of year</b>		\$ <u>59,701</u>	\$ <u>50,744</u>

(See accompanying notes)

**NORTH TORONTO MEMORIAL ARENA  
STATEMENT OF CHANGES IN NET DEBT  
YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Annual surplus	\$ 8,957	\$ 3,182
Acquisition of tangible capital assets	(14,308)	(7,789)
Amortization of tangible capital assets	5,351	4,607
Purchase of inventories, net	<u>1,157</u>	<u>1,632</u>
Changes in net debt	1,157	1,632
Net debt, beginning of year	<u>(59,777)</u>	<u>(61,409)</u>
Net debt, end of year	<u>\$ (58,620)</u>	<u>\$ (59,777)</u>

(See accompanying notes)

**NORTH TORONTO MEMORIAL ARENA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Annual surplus	\$ 8,957	\$ 3,182
Adjustments for:		
Amortization of tangible capital assets	<u>5,351</u>	<u>4,607</u>
	14,308	7,789
Non-cash changes to operations:		
Accounts receivable	(6,299)	(3,250)
Due from City of Toronto	41,862	-
Due to City of Toronto	(11,000)	350
Accounts payable and accrued liabilities	(28,399)	3,768
Government remittances payable	1,180	(2,006)
Due to City of Toronto - operating surplus	(931)	494
Deferred revenue	(13,502)	7,607
Inventories	<u>1,157</u>	<u>1,632</u>
	<u>(1,624)</u>	<u>16,384</u>
 <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	<u>(14,308)</u>	<u>(7,789)</u>
 <b>INCREASE (DECREASE) IN CASH</b>	 (15,932)	 8,595
 <b>CASH, BEGINNING OF YEAR</b>	 <u>24,186</u>	 <u>15,591</u>
 <b>CASH, END OF YEAR</b>	 <u>\$ 8,254</u>	 <u>\$ 24,186</u>

(See accompanying notes)

**NORTH TORONTO MEMORIAL ARENA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**1. NATURE OF OPERATIONS**

The North Toronto Memorial Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, By-Law No.22583, as amended. The Arena is located at 174 Orchardview Boulevard. The Board of Management operates and manages the Arena on behalf of the City of Toronto.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB).

*Revenue recognition*

Revenue and expenditures are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

Ice rentals paid in advance are recorded as deferred revenue.

*Financial instruments*

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

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

Financial assets measured at amortized cost include cash, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to the City of Toronto.

*Inventories*

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

*Tangible capital assets*

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

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

*Contributed materials and services*

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not recorded in these financial statements.

Services provided without charge by the City are not recorded in these financial statements.

**NORTH TORONTO MEMORIAL ARENA  
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.  
YEAR ENDED DECEMBER 31, 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Employee related costs*

The City of Toronto offers a multi-employer defined benefit pension plan to the Arena's eligible employees. Due to the nature of the Plan, the Arena does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

*Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its tangible capital assets, assessing the allowance of doubtful accounts, recoverability of inventory and significant accrued liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

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

**3. DUE TO CITY OF TORONTO - OPERATING SURPLUS**

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 2,417	\$ 1,923
Operating surplus	9,297	4,330
Purchase of capital assets	(14,308)	(7,789)
Amortization of tangible capital assets	<u>5,351</u>	<u>4,607</u>
Net payable to the City of Toronto	340	1,148
Received during the current year	<u>(1,271)</u>	<u>(654)</u>
Balance, end of year	<u>\$ 1,486</u>	<u>\$ 2,417</u>

**4. DUE TO CITY OF TORONTO - WORKING CAPITAL ADVANCE**

The Board of Management retains a working cash advance provided by the City, for the management and control of the premises, to be returned to the City upon the Board of Management ceasing to function for any reason.

**NORTH TORONTO MEMORIAL ARENA**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**5. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Machinery and equipment	\$ 81,859	\$ 24,182	\$ 67,551	\$ 19,033
Leasehold improvements	4,049	2,025	4,049	1,823
	85,908	\$ 26,207	71,600	\$ 20,856
Less: accumulated amortization	(26,207)		(20,856)	
	\$ 59,701		\$ 50,744	

**6. OUTDOOR RINK RECOVERIES**

Under an arrangement with the City, the Arena services an artificial outdoor rink located adjacent to the Arena. The Board is reimbursed \$60,277 (2017 - \$102,630) by the City for expenditures incurred in servicing this rink, based upon a budgetary provision, which may not be exceeded without prior approval from the City.

**7. VEHICLE AND EQUIPMENT RESERVE CONTRIBUTIONS**

These contributions are for the financing of replacement ice resurfer machines required by the Arena in future years. In the year, the contribution was \$11,000 (2017 - \$11,000).

**8. EMPLOYEE-RELATED EXPENSES**

The Arena makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of most of its employees. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$23,791 (2017 - \$43,913).

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 net 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 accounted 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.

**NORTH TORONTO MEMORIAL ARENA**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**9. 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 this item 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.

*Liquidity risk*

Liquidity risk refers to the adverse consequence that the Arena will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and amounts due to the City of Toronto. The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Arena believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

*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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Arena's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

*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.

## NORTH TORONTO MEMORIAL ARENA

YEAR ENDED DECEMBER 31, 2018

## SNACK BAR AND VENDING MACHINE OPERATIONS

	Budget (unaudited)	<u>2018</u>	<u>2017</u>
<b>Sales</b>			
Snack bar and vending machine	\$ 81,100	\$ 70,864	\$ 72,660
Cost of goods sold	<u>33,000</u>	<u>34,389</u>	<u>35,166</u>
	<u>48,100</u>	<u>36,475</u>	<u>37,494</u>
<b>Expenses</b>			
Wages	35,116	26,666	23,552
Maintenance	<u>1,200</u>	<u>262</u>	<u>1,663</u>
	<u>36,316</u>	<u>26,928</u>	<u>25,215</u>
<b>Excess revenue over expenses</b>	<u>\$ 11,784</u>	<u>\$ 9,547</u>	<u>\$ 12,279</u>

## PRO SHOP OPERATIONS

	Budget (unaudited)	<u>2018</u>	<u>2017</u>
<b>Sales</b>			
Pro shop sales	\$ 31,500	\$ 30,438	\$ 29,454
Cost of goods sold	<u>11,000</u>	<u>9,598</u>	<u>10,770</u>
	<u>20,500</u>	<u>20,840</u>	<u>18,684</u>
<b>Expenses</b>			
Wages	5,356	6,250	6,250
Equipment maintenance	<u>1,500</u>	<u>1,703</u>	<u>418</u>
	<u>6,856</u>	<u>7,953</u>	<u>6,668</u>
<b>Excess revenue over expenses</b>	<u>\$ 13,644</u>	<u>\$ 12,887</u>	<u>\$ 12,016</u>