

AU6.10 Attachment 2

ATTACHMENT 2

FINANCIAL STATEMENTS

For

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

For the year ended

DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

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

Opinion

We have audited the accompanying financial statements of the Committee of Management of George Bell Arena (the Arena), which comprise the statement of financial position as at December 31, 2019, 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, 2019 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 14, 2020.

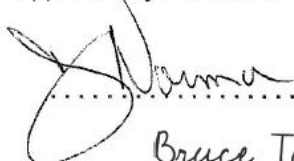
COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash	\$ 39,182	\$ 109,624
Accounts receivable	25,259	13,241
Due from the City of Toronto - operating deficit (note 4)	50,347	31,985
Due from City of Toronto - post employment benefits (note 5)	<u>101,486</u>	<u>140,648</u>
	<u>216,274</u>	<u>295,498</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	38,643	31,332
HST payable	18,858	20,173
Deferred revenue	86,277	88,880
Due to City of Toronto - working capital advance (note 6)	15,000	15,000
Post-employment benefits payable (note 5)	<u>101,486</u>	<u>140,648</u>
	<u>260,264</u>	<u>296,033</u>
NET DEBT	<u>(43,990)</u>	<u>(535)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	37,779	3,388
Prepaid expenses	<u>3,895</u>	<u>535</u>
	<u>41,674</u>	<u>3,923</u>
ACCUMULATED SURPLUS (DEFICIT)	<u>\$ (2,316)</u>	<u>\$ 3,388</u>

Approved by the Board:

.....Chair

Bruce Tokiwa
.....Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Revenue			
Ice rentals	\$ 725,259	\$ 680,439	\$ 682,421
Facility rentals	31,542	25,637	24,513
Snack bar and vending machine operations	-	6,796	5,922
Other	8,250	57,488	57,757
Funding from the City of Toronto for employee related costs (note 5)	<u>-</u>	<u>(39,162)</u>	<u>(41,660)</u>
	<u>765,051</u>	<u>731,198</u>	<u>728,953</u>
Expenses			
Salaries and wages	387,960	358,024	335,774
Utilities	164,552	202,899	171,401
Employee benefits	114,986	77,420	69,840
Maintenance and repairs	58,384	111,319	114,366
Insurance	10,234	11,956	11,690
Professional fees	-	7,965	7,379
General administration	14,688	7,278	7,997
Amortization	<u>-</u>	<u>5,704</u>	<u>1,694</u>
	<u>750,804</u>	<u>782,565</u>	<u>720,141</u>
Excess revenue over expenses (expenses over revenue) before item below	14,247	(51,367)	8,812
Vehicle and equipment reserve contribution (note 7)	<u>(13,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>
Operating deficit	\$ <u>1,247</u>	(63,367)	(3,188)
Net expenditure receivable from the City of Toronto (note 4)		<u>57,663</u>	<u>1,494</u>
Annual deficit		(5,704)	(1,694)
Accumulated surplus, beginning of year		<u>3,388</u>	<u>5,082</u>
Accumulated surplus (deficit), end of year		\$ <u>(2,316)</u>	\$ <u>3,388</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Annual deficit	\$ (5,704)	\$ (1,694)
Acquisition of tangible capital assets	(40,095)	-
Change in prepaid expenses	(3,360)	-
Amortization of tangible capital assets	<u>5,704</u>	<u>1,694</u>
Changes in net debt	(43,455)	-
Net debt, beginning of year	<u>(535)</u>	<u>(535)</u>
Net debt, end of year	<u>\$ (43,990)</u>	<u>\$ (535)</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Annual deficit	\$ (5,704)	\$ (1,694)
Adjustments for:		
Amortization of tangible capital assets	<u>5,704</u>	<u>1,694</u>
	-	-
Non-cash changes to operations:		
Accounts receivable	(12,018)	(866)
Due from City of Toronto - operating deficit	(18,362)	(1,494)
HST payable	(1,315)	2,066
Prepaid expenses	(3,360)	-
Due from City of Toronto - post employment benefits	39,162	41,660
Accounts payable and accrued liabilities	7,311	8,546
Deferred revenue	(2,603)	3,807
Post-employment benefits payable	<u>(39,162)</u>	<u>(41,660)</u>
	<u>(30,347)</u>	<u>12,059</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(40,095)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(70,442)	12,059
CASH, BEGINNING OF YEAR	<u>109,624</u>	<u>97,565</u>
CASH, END OF YEAR	\$ <u>39,182</u>	\$ <u>109,624</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. **NATURE OF OPERATIONS**

The Committee of Management of George Bell Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, by By-law No. 319-71, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto ("the City").

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

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

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

Revenue recognition

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

Ice rentals paid in advance are recorded as deferred revenue.

Financial instruments

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

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

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, HST payable, amounts due to the City of Toronto and post-employment benefits payable.

Tangible capital assets

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

Furniture and equipment	5 years straight-line
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Contributed materials and services

Major capital expenditures are financed by the City, which owns the facility, and are not recorded in these financial statements. Services provided without charge by the City are not recorded in these financial statements. Other contributed materials and services are not recognized in the financial statements due to the difficulty of determining their fair value.

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Employee related costs

The Arena has adopted the following policies with respect to employee benefit plans:

- (a) The City offers a multi-employer defined benefit pension plan to the Arena's employees. Due to the nature of the Plan, the Arena does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.
- (b) The Arena also offers its eligible employees a defined benefit health and dental plan, a long-term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Arena recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

Use of estimates

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

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	\$ 137,981	\$ <u>100,202</u>	\$ 97,886	\$ <u>94,498</u>
Accumulated amortization		<u>100,202</u>		<u>94,498</u>
	<u>\$ 37,779</u>		<u>\$ 3,388</u>	

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

4. DUE FROM CITY OF TORONTO - OPERATING DEFICIT

The balance from the City consists of the following:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 31,985	\$ 30,491
Operating deficits	63,367	3,188
Amortization of tangible capital assets	<u>(5,704)</u>	<u>(1,694)</u>
Net expenditure receivable from the City	57,663	1,494
Payment to the City	1,783	-
Received from the City	<u>(41,084)</u>	<u>-</u>
Balance, end of year	<u>\$ 50,347</u>	<u>\$ 31,985</u>

5. POST-EMPLOYMENT BENEFITS PAYABLE AND AMOUNT RECEIVABLE

The Arena participates in a benefit plan provided by the City. The Arena provides administrative employees with long-term disability benefits and the continuation of health, dental and life insurance benefits to disabled employees.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2019 with projections to December 31, 2020, 2021 and 2022. 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 2.7%, post-employment 2.4%, sick leave 2.5%

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

	<u>2019</u>	<u>2018</u>
Continuation of benefits to disabled employees	\$ 63,081	\$ 74,986
Post-employment income benefits	<u>81,053</u>	<u>99,788</u>
	144,134	174,774
Deduct: Unamortized actuarial loss	<u>42,648</u>	<u>34,126</u>
Post-employment benefit liability	<u>\$ 101,486</u>	<u>\$ 140,648</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 140,648	\$ 182,308
Interest cost	4,838	6,169
Plan amendment	-	3,565
Amortization of actuarial loss	(6,590)	(7,646)
Expected benefits paid	<u>(37,410)</u>	<u>(43,748)</u>
	<u>(39,162)</u>	<u>(41,660)</u>
Balance, end of year	<u>\$ 101,486</u>	<u>\$ 140,648</u>

A long-term receivable of \$101,486 (2018 - \$140,648) from the City has resulted from the recording of sick leave and post-retirement benefits. Funding for these costs continue to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities of administration staff that may be incurred by the Arena.

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

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

In addition, the Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. This plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rate of pay. Employer contributions to this pension plan amounted to \$30,515 (2018 - \$29,953).

The most recent actuarial valuation of the OMERS plan as at December 31, 2019 indicates the Plan is a surplus position and the Plan's December 31, 2019 financial statements indicate a net surplus of \$1.531 billion (a deficit of \$3.397 billion netted against unrecognized investment returns of \$4.928 billion that will be recognized over the next four years). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Arena's contributions accounted for 0.0015% of the Plan's total employer contribution. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

6. DUE TO CITY OF TORONTO - WORKING CAPITAL ADVANCE

The Committee of Management retains a working capital advance of \$15,000 (2018 - \$15,000) provided by the City, for the management and control of the premises, to be returned to the City upon the Committee of Management ceasing to function for any reason.

7. VEHICLE AND EQUIPMENT RESERVE CONTRIBUTIONS

These contributions are for the financing of replacement ice resurfacer machines required by the Arenas in future years. In the year, the contribution was \$12,000 (2018 - \$12,000).

8. FINANCIAL INSTRUMENTS

Transactions involving financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Arena's financial instruments.

Credit risk

The Arena is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Arena's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and amounts due from the City of Toronto. The Arena's cash is with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote.

Management believes that the Arena's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

COMMITTEE OF MANAGEMENT OF GEORGE BELL ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

8. **FINANCIAL INSTRUMENTS** - Cont'd.

Liquidity risk

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Arena's financial instruments are denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

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

iii) *Other price risk*

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

Changes in risk

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

9. **SUBSEQUENT EVENT**

In Mid-March 2020, subsequent to the Arena's year-end, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of the coronavirus disease.

On March 14, 2020, the Arena was closed in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. The Arena does not currently have a scheduled reopening date.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Arena's operations will be impacted. Consequently, at the time of issuance of these financial statements, the effect that the abrupt decline in economic activity will have on the Arena's operations, assets, liabilities, revenues and expenses are not yet known.