

AU6.10 Attachment 4

ATTACHMENT 4

FINANCIAL STATEMENTS

For

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

For the year ended

DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**

Opinion

We have audited the accompanying financial statements of the Board of Management of William H. Bolton Arena (the Arena), which comprise the statement of financial position as at December 31, 2019, 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, 2019 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 8, 2020.



BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash	\$ 126,653	\$ 21,942
Investments (note 3)	103,934	155,543
Accounts receivable	-	3,831
Government remittances receivable	9,538	14,640
Due from the City of Toronto - operating deficit (note 4)	<u>173,702</u>	<u>161,417</u>
	<u>413,827</u>	<u>357,373</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	55,546	28,266
Deferred revenue	366,816	337,642
Due to City of Toronto - working capital advance (note 5)	<u>10,000</u>	<u>10,000</u>
	<u>432,362</u>	<u>375,908</u>
NET DEBT	(18,535)	(18,535)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	17,407	26,278
Inventories	15,809	15,809
Prepaid expenses	<u>2,726</u>	<u>2,726</u>
	<u>35,942</u>	<u>44,813</u>
ACCUMULATED SURPLUS	<u>\$ 17,407</u>	<u>\$ 26,278</u>

Approved on behalf of the Committee of Management:

 Chair
 Member

(See accompanying notes)

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Revenue			
Program registration	\$ 796,510	\$ 875,543	\$ 597,254
Ice rentals	275,374	236,613	120,811
Pro shop operations (Schedule A)	56,907	44,445	48,987
Snack bar and vending machine operations (Schedule A)	26,038	33,101	21,118
Other	13,699	7,629	10,403
Interest	<u>1,399</u>	<u>2,233</u>	<u>2,229</u>
	<u>1,169,927</u>	<u>1,199,564</u>	<u>800,802</u>
Expenses			
Salaries and wages	427,385	423,793	379,117
Program material and supplies	199,033	249,306	148,778
Utilities	181,000	165,678	110,034
Repairs and maintenance	68,000	140,595	110,302
Employee benefits	113,999	108,662	95,000
General administration	163,514	90,626	87,032
Insurance	11,377	13,815	13,008
Amortization of tangible capital assets	-	11,882	14,565
Professional fees	<u>5,535</u>	<u>3,248</u>	<u>8,063</u>
	<u>1,169,843</u>	<u>1,207,605</u>	<u>965,899</u>
Excess revenue over expenses (expenses over revenue) before items below	84	(8,041)	(165,097)
Vehicle and equipment reserve contribution (note 7)	<u>(11,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>
Operating deficit	\$ <u>(10,916)</u>	(20,041)	(177,097)
Net payable to the City of Toronto (note 4)		<u>11,170</u>	<u>162,532</u>
Annual deficit		(8,871)	(14,565)
Accumulated surplus, beginning of year		<u>26,278</u>	<u>40,843</u>
Accumulated surplus, end of year		\$ <u>17,407</u>	\$ <u>26,278</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Annual deficit	\$ (8,871)	\$ (14,565)
Acquisition of tangible capital assets	(3,011)	-
Amortization of tangible capital assets	11,882	14,565
Purchase of inventories, net	<u>-</u>	<u>634</u>
Changes in net debt	-	634
Net debt, beginning of year	<u>(18,535)</u>	<u>(19,169)</u>
Net debt, end of year	<u>\$ (18,535)</u>	<u>\$ (18,535)</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON 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	\$ (8,871)	\$ (14,565)
Adjustments:		
Amortization of tangible capital assets	11,882	14,565
Accrued investment interest	<u>(2,233)</u>	<u>(2,229)</u>
	778	(2,229)
Non-cash changes to operations:		
Accounts receivable	3,831	723
Government remittances receivable	5,102	(5,140)
Due from the City of Toronto - operating deficit	(12,285)	(161,417)
Due to City of Toronto - operating surplus	-	(33,523)
Accounts payable and accrued liabilities	27,280	(68,183)
Deferred revenue	29,174	50,336
Inventories	<u>-</u>	<u>634</u>
	<u>53,880</u>	<u>(218,799)</u>
CASH FLOWS USED IN CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(3,011)</u>	<u>-</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Sale of investments	155,753	53,333
Purchase of investments	<u>(101,911)</u>	<u>(153,333)</u>
	<u>53,842</u>	<u>(100,000)</u>
INCREASE (DECREASE) IN CASH	104,711	(318,799)
CASH, BEGINNING OF YEAR	<u>21,942</u>	<u>340,741</u>
CASH, END OF YEAR	\$ <u>126,653</u>	\$ <u>21,942</u>

(See accompanying notes)

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. NATURE OF OPERATIONS

The Board of Management of William H. Bolton 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. 318-71, as amended. 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

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, hockey schools and camp fees received 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, investments, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to City of Toronto - working capital advance.

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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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.

Contributed materials and services

Major capital expenditures are financed by the City of Toronto, who 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 difficulty of determining their fair value.

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON 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 policy with respect to employee benefit plans:

(a) The City of Toronto offers a multi-employer defined benefit pension plan (the "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 offered to its eligible employees a sick leave benefit until December 31, 2012, which vested and was calculated at the salary levels in effect at the end of each year for all unused vested sick pay credit accruing to employees. The Arena accrued for the accumulated and unused vested sick leave benefits as at December 31, 2012 for those employees that were grandfathered.

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 useful life of its tangible capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

3. **INVESTMENTS**

Investments consists of a cashable guaranteed investment certificate which earns a fixed interest rate of 2.15% (2018 - 0.90% to 1.90%) and mature on January 28, 2020.

4. **DUE FROM (TO) THE CITY OF TORONTO - OPERATING DEFICIT (SURPLUS)**

The amount due from (to) the City of Toronto consists of the following:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 161,417	\$ (33,523)
Operating deficit	20,041	177,097
Tangible capital asset purchases	3,011	-
Amortization of tangible capital assets	<u>(11,882)</u>	<u>(14,565)</u>
Net receivable to the City of Toronto	<u>11,170</u>	<u>162,532</u>
Amounts paid during the current year	<u>1,115</u>	<u>32,408</u>
Balance, end of year	\$ <u>173,702</u>	\$ <u>161,417</u>

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

The Board of Management retains a working capital 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.

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 98,111	\$ 95,100
Less: accumulated amortization	<u>(80,704)</u>	<u>(68,822)</u>
	<u>\$ 17,407</u>	<u>\$ 26,278</u>

7. VEHICLE AND EQUIPMENT REPLACEMENT RESERVE

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

8. EMPLOYEE-RELATED COSTS

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employed plan, on behalf of its full time 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 \$30,785 (2018 - \$29,256).

The most recent actuarial valuation of the OMERS plan as at December 31, 2019 indicates the Plan is in a surplus position and the Plan's December 31, 2019 financial statements indicate a 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 contributions. The Arena's contributions accounted for 0.0015% 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.

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 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.

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 amount 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.

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

9. FINANCIAL INSTRUMENTS - Cont'd.

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.

10. 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.

BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA
YEAR ENDED DECEMBER 31, 2019

SCHEDULE A

SNACK BAR AND VENDING MACHINE OPERATIONS

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Sales			
Snack bar	\$ 44,727	\$ 62,930	\$ 36,666
Vending machine	<u>9,174</u>	<u>7,845</u>	<u>6,721</u>
	53,901	70,775	43,387
 Cost of goods sold	 <u>27,863</u>	 <u>37,674</u>	 <u>22,269</u>
 Gross profit	 <u>\$ 26,038</u>	 <u>\$ 33,101</u>	 <u>\$ 21,118</u>

PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Sales			
Pro shop sales	\$ 50,057	\$ 49,388	\$ 39,590
Skate sharpening	<u>36,725</u>	<u>40,734</u>	<u>32,303</u>
	86,782	90,122	71,893
 Cost of goods sold	 <u>29,875</u>	 <u>45,677</u>	 <u>22,906</u>
 Gross profit	 <u>\$ 56,907</u>	 <u>\$ 44,445</u>	 <u>\$ 48,987</u>