F I N A N C I A L S T A T E M E N T S

For

CECIL COMMUNITY CENTRE

For the year ended

DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND
THE BOARD OF MANAGEMENT FOR THE CECIL COMMUNITY CENTRE

Qualified Opinion

We have audited the accompanying financial statements of Board of Management for the Cecil Community Centre (the Centre), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2019 and results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, net revenue over expenses and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and unrestricted net assets as at January 1 and December 31, 2018 and 2019. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

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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 Centre'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 Centre'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 Centre 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
April 24, 2020.

CECIL COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 47,863	$ 63,884
Investments (note 3)	81,696	79,679
Due from City of Toronto	3,764	3,516
Accounts receivable	15,146	8,506
Prepaid expenses	-	607
	148,469	156,192
CAPITAL ASSETS (note 4)	7,280	8,694
DUE FROM CITY OF TORONTO (note 5)	174,556	173,712
	$ 330,305	$ 338,598
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Due to City of Toronto (note 6)	$ 50,485	$ 28,685
Accounts payable and accrued liabilities	85,665	84,106
Deferred contributions (note 7)	7,411	-
	143,561	112,791
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	7,280	8,694
POST-EMPLOYMENT BENEFITS PAYABLE (note 5)	174,556	173,712
	325,397	295,197
NET ASSETS (DEFICIT)		
Board designated reserve (note 9)	40,329	40,329
Unrestricted	(35,421)	3,072
	4,908	43,401
	$ 330,305	$ 338,598

Approved by the Board:

Stanley Ho .... Chair

.... Treasurer

(See accompanying notes)

CECIL COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Board Designated Reserve	Unrestricted	Total 2019	Total 2018
Net assets, beginning of year	$ 40,329	$ 3,072	$ 43,401	$ 66,265
Net expenses over revenue	-	(38,493)	(38,493)	(22,864)
Net assets (deficit), end of year	$ 40,329	$ (35,421)	$ 4,908	$ 43,401

(See accompanying notes)

CECIL COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	Program	Administration	2019	2018
Revenue				
Grants				
City of Toronto	$ 5,415	$ 701,933	$ 707,348	$ 697,530
Province of Ontario	24,397	-	24,397	22,547
Government of Canada	21,266	-	21,266	26,681
	51,078	701,933	753,011	746,758
Rentals	24,947	-	24,947	28,318
Program fees	6,966	-	6,966	13,702
Donations	7,323	-	7,323	3,421
Fundraising	5,342	-	5,342	2,256
Interest	2,120	-	2,120	1,717
Other income	1,414	-	1,414	638
Amortization of deferred capital contributions (note 8)	3,269	-	3,269	-
	102,459	701,933	804,392	796,810
Expenses				
Salaries and wages	95,028	481,447	576,475	570,236
Employee benefits	16,250	118,806	135,056	119,934
Materials and supplies	15,057	29,525	44,582	41,579
Purchase of services	11,348	72,155	83,503	87,925
Amortization of capital assets	3,269	-	3,269	-
	140,952	701,933	842,885	819,674
Net expenses over revenue	$ (38,493)	$ -	$ (38,493)	$ (22,864)

(See accompanying notes)

CECIL COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net expenses over revenue	$ (38,493)	$ (22,864)
Adjustments for:		
Amortization of capital assets	3,269	-
Amortization of deferred capital contributions	(3,269)	-
	(38,493)	(22,864)
Increase (decrease) resulting from changes in:		
Due from City of Toronto	(248)	3,498
Accounts receivable	(6,640)	(1,127)
Prepaid expenses	607	2,371
Long-term amount due from City of Toronto	(844)	6,397
Due to City of Toronto	21,800	12,540
Accounts payable and accrued liabilities	1,559	8,305
Deferred contributions	7,411	(60,089)
Post-employment benefits payable	844	(6,397)
	(14,004)	(57,366)
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES		
Purchase of capital assets	(1,855)	(8,694)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Receipt of deferred capital contributions	1,855	8,694
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Maturity of investments	79,679	63,780
Purchase of investments	(81,696)	(79,679)
	(2,017)	(15,899)
DECREASE IN CASH	(16,021)	(73,265)
CASH, BEGINNING OF YEAR	63,884	137,149
CASH, END OF YEAR	$ 47,863	$ 63,884

(See accompanying notes)

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By·law No. 1995-0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centre of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established the premises at No. 58 Cecil Street, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Cecil Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board which, among other matters, shall:

(a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and

(b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profits ("PSA-GNPO") as issued by the public sector accounting board (PSAB).

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position.

Rental and similar revenues are recognized on the date of the performance or event.

Financial instruments

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

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

Financial assets measured at amortized cost include cash, short-term investments, due to city of Toronto and accounts receivable. Financial liabilities measured at amortized cost include accounts payable, due from city of Toronto and accrued liabilities.

Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Capital assets

Capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Computers	3 years straight line
Furniture and equipment	5 years straight line

Employee related costs

The Centre 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 Centre's eligible employees. Due to the nature of the plan, the Centre 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 Centre 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 Centre 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 for government not-for-profits 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 its 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. INVESTMENTS

Investments consist of guaranteed investment certificates with maturity dates ranging from February 4, 2020 to November 4, 2020 and interest rates ranging from 0.83% to 2.65%.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	$ 19,952	$ 18,468	$ 18,097	$ 18,097
Computers	8,694	2,898	8,694	-
	28,646	$ 21,366	26,791	$ 18,097
Less: accumulated amortization	(21,366)		(18,097)	
	$ 7,280		$ 8,694	

5. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM ACCOUNT RECEIVABLE

The Centre 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 management staff with ten years of service as of April 1, 2003, unused sick leave accumulated until March 1, 2008, and eligible employees may be entitled to a cash payment when they leave the Centre'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. This sick bank plan was replaced by a Short-Term Disability Plan (STD) effective March 1, 2008, for all non-union employees of the City of Toronto. Upon the effective date, individual sick banks were locked with no further accumulation. Grandfathered management staff remains entitled to payout of frozen, banked time, as described above. Under the new STD plan, management employees are entitled to 130 days annual coverage with salary protection at 100 or 75 percent, depending upon years of service. Non-management employees continue to receive sick bank time as stipulated in the applicable Collective Agreement, which specifies no financial conversion of unused sick leave.

The Centre 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, 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%

5. **POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM ACCOUNT RECEIVABLE** - Cont'd.

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

	2019	2018
Post retirement benefits	$ 124,888	$ 118,453
Sick leave benefits	62,450	53,372
	187,338	171,825
Unamortized actuarial gain (loss)	(12,782)	1,887
Post-employment benefit liability	$ 174,556	$ 173,712

The continuity of the accrued benefit obligation is as follows:

	2019	2018
Balance, beginning of year	$ 173,712	$ 180,109
Current service cost	2,475	2,616
Interest cost	5,657	6,729
Amortization of actuarial gain	2,263	5,966
Plan amendment	-	825
Expected benefits paid	(9,551)	(22,533)
Balance, end of year	$ 174,556	$ 173,712

A long-term receivable from the City of $174,556 (2018 - $173,712) 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 Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its eligible employees. The OMERS plan (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 $43,422 in 2019 (2018 - $41,764).

The most recent actuarial valuation of the 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 net surplus of $1.531 billion (a deficit of $3.397 billion net 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's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Centre's contributions accounted for an insignificant portion the Plan's total employer contribution. Additional contributions, if any, required to address the Centre's proportionate share of a deficit will be expensed during the period incurred.

6. FUNDS PROVIDED BY CITY OF TORONTO - ADMINISTRATION

Funding for administration expenses is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, excluding those accruals for long-term employee benefits, are funded by the Centre unless Council approval has been obtained for additional funding.

	2019 Budget (unaudited)	2019	2018
Administration expenses:			
Salaries and wages	$ 505,536	$ 481,447	$ 470,511
Employee benefits	133,360	118,806	109,128
Materials and supplies	36,397	29,525	32,608
Purchase of services	54,466	72,155	78,663
	$ 729,759	$ 701,933	$ 690,910
Centre's actual administration revenue:			
Administration budget		$ 729,759	$ 719,040
Insurance adjustment		-	82
		729,759	719,122
Centre's actual administration expenses:			
Administration expenses		701,933	690,910
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		(844)	6,397
		701,089	697,307
Administration expenses under approved budget		$ 28,670	$ 21,815

The net under expenditure of $28,670 in 2019 (2018 - $21,815) is included in Due to City of Toronto.

7. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2019	2018
Balance, beginning of year	$ -	$ 60,089
Add: funds received	24,256	8,110
Less: amounts recognized as revenue	(16,845)	(68,199)
Balance, end of year	$ 7,411	$ -

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2019	2018
Balance, beginning of year	$ 8,694	$ -
Add: capital contributions received	1,855	8,694
Less: amounts recognized as revenue	(3,269)	-
Balance, end of year	$ 7,280	$ 8,694

9. BOARD DESIGNATED RESERVE

In 1992, the Board created a reserve for the establishment of new and expanded programs in future years. The Board did not approve a transfer from the reserve account in 2019 or 2018.

10. SUBSEQUENT EVENT

In mid-March 2020, subsequent to the Centre'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 16, 2020, the Centre was closed in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. The Centre does not currently have a planned 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 Centre'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 Centre's operations, assets, liabilities, revenues and expenses is not yet known.

11. FINANCIAL INSTRUMENTS

The Centre is exposed to and manages various financial risks resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The Centre's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre’s maximum exposure to credit risk represents the sum of the carrying value of its cash, investments and accounts receivable. The Centre’s cash and investments are deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. The Centre manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. As a result, management believes that the Centre’s credit risk with respect to accounts receivable is limited.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its obligations as they become due. The Centre's financial liabilities are comprised of accounts payable and accrued liabilities. The Centre manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal as the Centre's financial assets are considered to be highly liquid.

11. **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 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 Centre's financial instruments are all denominated in Canadian dollars and the Centre 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 due to changes in market interest rates. The Centre's cash and investments earn interest at prevailing market rates. As a result, management believes that the interest rate exposure related to these financial instruments is negligible.

iii) *Other price risk*

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with financial instruments 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. Management does not believe the Centre is exposed to significant other price risk.

Changes in risk

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

12. **COMPARATIVE FIGURES**

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