AU6.11 Attachment 5

ATTACHMENT 5

CONSOLIDATED FINANCIAL STATEMENTS

For

BOARD OF MANAGEMENT FOR THE EASTVIEW NEIGHBOURHOOD 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
BOARD OF MANAGEMENT FOR THE EASTVIEW NEIGHBOURHOOD COMMUNITY CENTRE

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in our Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Centre 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 for government not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues 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 net assets as at January 1 and December 31 for both the 2019 and 2018 years. 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, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Centre's ability 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 4, 2020.

BOARD OF MANAGEMENT FOR THE EASTVIEW NEIGHBOURHOOD COMMUNITY CENTRE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 248,695	$ 335,948
Investments (note 4)	407,282	251,296
Due from City of Toronto	26,844	15,119
Accounts receivable	41,690	16,651
Prepaid expenses	4,248	-
	728,759	619,014
CAPITAL ASSETS (note 5)	101,097	135,567
DUE FROM CITY OF TORONTO (note 9)	159,573	171,362
	$ 989,429	$ 925,943
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 14)	$ 122,426	$ 218,693
City trusteeship payable (note 6)	24,101	-
Deferred contributions (note 7)	193,384	143,001
	339,911	361,694
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	226,905	141,029
POST-EMPLOYMENT BENEFITS PAYABLE (note 9)	159,573	171,362
	726,389	674,085
NET ASSETS		
Invested in capital assets, internally restricted (note 10)	1,200	3,600
Board designated reserves, internally restricted (note 11)	165,951	160,360
Unrestricted	95,889	87,898
	263,040	251,858
	$ 989,429	$ 925,943

Approved by the Board:

. . . . Chair

. . . . Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE EASTVIEW NEIGHBOURHOOD COMMUNITY CENTRE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Internally restricted				
	Invested in capital assets (note 10)	Board designated reserves (note 11)	Unrestricted	Total 2019	Total 2018
Net assets, beginning of year	$ 3,600	$ 160,360	$ 87,898	$ 251,858	$ 215,485
Net revenue over expenses	-	-	11,182	11,182	36,373
Interfund transfer (note 11)	-	5,591	(5,591)	-	-
Amortization of capital assets (note 10)	(2,400)	-	2,400	-	-
Net assets, end of year	$ 1,200	$ 165,951	$ 95,889	$ 263,040	$ 251,858

(See accompanying notes)

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	Program	Administration	2019	2018
Revenue				
Grants				
City of Toronto (notes 11 and 15)	$ 214,616	$ 602,636	$ 817,252	$ 807,451
United Way	340,896	-	340,896	348,009
Foundations	113,290	-	113,290	100,053
Province of Ontario (note 15)	112,946	-	112,946	114,093
Government of Canada	186,570	-	186,570	120,166
Amortization of deferred capital contributions	49,324	-	49,324	45,923
	1,017,642	602,636	1,620,278	1,535,695
Program income	282,536	-	282,536	272,273
Donations	63,477	-	63,477	29,418
Fundraising	13,526	-	13,526	17,465
Memberships	7,690	-	7,690	7,780
Interest income	10,264	-	10,264	5,841
	1,395,135	602,636	1,997,771	1,868,472
Expenses				
Salaries and wages	859,058	409,950	1,269,008	1,235,041
Employee benefits	190,547	87,148	277,695	285,030
Materials and supplies	169,727	52,272	221,999	137,456
Purchase of services	112,897	53,266	166,163	126,249
Amortization of capital assets	51,724	-	51,724	48,323
	1,383,953	602,636	1,986,589	1,832,099
Net revenue over expenses	$ 11,182	$ -	$ 11,182	$ 36,373

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE EASTVIEW NEIGHBOURHOOD COMMUNITY CENTRE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net revenue over expenses	$ 11,182	$ 36,373
Adjustments for:		
Amortization of capital assets	51,724	48,323
Amortization of deferred capital contributions	(49,324)	(45,923)
	13,582	38,773
Increase (decrease) resulting from changes in:		
Due from City of Toronto	(11,725)	7,295
Accounts receivable	(25,039)	1,668
Prepaid expenses	(4,248)	-
Long-term amount due from City of Toronto	11,789	15,345
Accounts payable and accrued liabilities	(96,267)	145,976
City trusteeship payable	24,101	-
Deferred contributions	50,383	16,149
Post-employment benefits payable	(11,789)	(15,345)
	(49,213)	209,861
CASH FLOWS USED IN INVESTING ACTIVITIES		
Sale of investments	251,296	450,516
Purchase of investments	(407,282)	(470,000)
	(155,986)	(19,484)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital contributions received	135,200	11,545
CASH FLOWS USED IN CAPITAL ACTIVITIES		
Acquisition of capital assets - program	(17,254)	(29,890)
INCREASE (DECREASE) IN CASH	(87,253)	172,032
CASH, BEGINNING OF YEAR	335,948	163,916
CASH, END OF YEAR	$ 248,695	$ 335,948

(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 Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous By-laws and established the premises at 86 Blake Street, Toronto, as a community centre under the authority of the Municipal Act, known as Eastview Neighbourhood 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. CONSOLIDATED FINANCIAL STATEMENTS

The Municipal Code requires that audited annual financial statements be submitted by the Board of Management for the Centre to the City covering the management and control of the premises by the Board. However, since the revenue and expenditure from programs include the operations of the East Toronto Family Community Centre, a registered charitable organization, separate financial statements have not been prepared. Accordingly, these consolidated financial statements include the accounts of the operations of the East Toronto Family Community Centre as a whole, including the Eastview Neighbourhood Community Centre.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations ("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. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

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

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

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, investments, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the consolidated financial statements. Monetary donations are recorded as received.

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:

Furniture and equipment	5 years
Automotive equipment	5 years
Kitchen renovations	5 years

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 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 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 consolidated financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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 capital assets, significant accrued liabilities, the post-employment benefits liabilities and the related costs charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

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

4. INVESTMENTS

Investments consist of guaranteed investment certificates with maturity dates ranging from February 20, 2020 to July 29, 2020 and earning fixed interest rates ranging from 1.55% to 3.05% (2018 - 1.32% to 2.25%).

5. CAPITAL ASSETS

Capital assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Program				
Furniture and equipment	$ 68,815	$ 32,314	$ 51,561	$ 18,601
Automotive equipment	12,000	10,800	12,000	8,400
Kitchen renovations	178,052	114,656	178,052	79,045
	258,867	$ 157,770	241,613	$ 106,046
Less: accumulated amortization	(157,770)		(106,046)	
	$ 101,097		$ 135,567	

6. CITY TRUSTEESHIP PAYABLE

In 2019, the Centre received a one-time allocation of funding for the delivery of additional supports and services for youth who reside along the Danforth in partnership with Eastminster (a campus of the East End United Regional Ministry). Although the funding was received in fiscal 2019, scheduled payments are not to commence until 2020 and so the full balance of $24,101 (2018 - $nil) has been included in City Trusteeship Payable.

7. DEFERRED CONTRIBUTIONS

	2019	2018
Balance, beginning of year	$ 143,001	$ 126,852
Add: contributions received	1,633,127	1,505,921
Less: revenue recognized	(1,582,744)	(1,489,772)
Balance, end of year	$ 193,384	$ 143,001

8. DEFERRED CAPITAL CONTRIBUTIONS

	2019	2018
Balance, beginning of year	$ 141,029	$ 175,407
Add: contributions received	135,200	11,545
Less: amortization of deferred capital contributions	(49,324)	(45,923)
Balance, end of year	$ 226,905	$ 141,029

9. 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 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 upon leaving the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the 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%

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	$ 200,283	$ 190,345
Sick leave benefits	7,087	10,969
	207,370	201,314
Add: Unamortized actuarial gain (loss)	(47,797)	(29,952)
Employee benefit liability	$ 159,573	$ 171,362

The continuity of the accrued benefit obligation is as follows:

	2019	2018
Balance, beginning of year	$ 171,362	$ 186,707
Current service cost	2,880	2,051
Interest cost	6,610	3,778
Amortization of actuarial loss	(2,744)	(10,110)
Plan amendment	-	835
Expected benefits paid	(18,535)	(11,899)
Balance, end of year	$ 159,573	$ 171,362

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

A long-term receivable of $159,573 (2018 - $171,362) 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 administrative 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 $71,050 in 2019 (2018 - $82,458).

The most recent actuarial valuation of the Plan as at December 31, 2019 indicates that 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 of 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.

10. INVESTED IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2019	2018
Capital assets	$ 101,097	$ 135,567
Amounts financed by deferred capital contributions	(226,905)	(141,029)
Deferred capital contributions for assets not yet acquired	127,008	9,062
	$ 1,200	$ 3,600

Change in net assets invested in capital assets is calculated as follows:

	2019	2018
Net revenue over expenses (expenses over revenue)		
Amortization of deferred capital contributions	$ 49,324	$ 45,923
Amortization of capital assets	(51,724)	(48,323)
	$ (2,400)	$ (2,400)
Net investment in capital assets		
Capital assets acquired	$ 17,254	$ 29,890
Amounts financed by deferred capital contributions from prior year	(9,062)	(27,407)
Deferred capital contributions received	(135,200)	(11,545)
Deferred capital contributions for assets not yet acquired	127,008	9,062
	$ -	$ -

11. BOARD DESIGNATED RESERVES

	2019	2018
Capital / Project Reserve	$ 63,192	$ 63,192
Administrative Contingency Reserve	102,759	97,168
	$ 165,951	$ 160,360

The Capital/Project Reserve is restricted to expenditures of a capital/project nature as approved by the Board of Management.

The Administrative Contingency Reserve consists of Board of Management approved transfers of monies from the Centre's program surplus to provide a contingency fund for essential administrative costs. In 2019, the Board of Management approved a reserve fund policy that directs 50% of any fiscal year's surplus to be transferred from Unrestricted to the Board Designated Administrative Contingency Reserve, which resulted in an interfund transfer of $5,591. In 2018, the Board of Management approved an interfund transfer of $27,000. Interest earned on the reserve balance is recorded as program revenue.

12. 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 repayable 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	$ 437,737	$ 409,950	$ 416,283
Employee benefits	124,243	87,148	98,019
Materials and supplies	18,988	52,272	28,239
Purchase of services	34,965	53,266	52,495
	$ 615,933	$ 602,636	$ 595,036
Centre's actual administration revenue:			
Administration budget		$ 615,933	$ 600,452
Centre's actual administration expense:			
Administration expenses		602,636	595,036
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term amount due from City of Toronto		11,789	15,344
Sick pay gratuity for retired staff member - City of Toronto, funded by the City and paid in 2018		-	(10,469)
Difference between funding received and budgeted		282	(68)
		614,707	599,843
Administration expenses under approved budget		$ 1,226	$ 609

12. **FUNDS PROVIDED BY CITY OF TORONTO - ADMINISTRATION -** Cont'd.

The under expenditure of $1,226 (2018 - $609) is included in due from the City of Toronto.

The Centre operates from a City of Toronto owned property at 86 Blake Avenue, Toronto. The costs associated with operating and maintaining the property (rent, heating, hydro, insurance, repairs, maintenance and cleaning) are provided at no cost by the City of Toronto and have not been recorded in these financial statements.

13. **LINE OF CREDIT**

The Centre has a $50,000 operating line of credit with Alterna Savings at prime plus 1%. As security, the Centre has granted a security interest in all personal property of the Centre as well as pledging a Term Deposit with a value of $50,000. At year-end, the operating line of credit has a $nil balance (2018 - $nil).

14. **PRENATAL AND NUTRITION SUPPORT PROGRAM**

The Centre acts as trustee for the distribution of funds received from the Government of Canada to the five partners of the Toronto South East Coalition of Prenatal Nutrition and Support Programs (the "Coalition"). During year, the Centre received $182,975 (2018 - $195,027) of funds to be distributed. The allocation of funds to be distributed to each partner is approved by the Coalition. The Centre, as a partner and agent, records only its share of revenue and staff costs in these consolidated financial statements.

During the year, the funds received were distributed to the five partners, as follows:

	2019	2018
Eastview Neighbourhood Community Centre	$ 84,689	$ 68,242
Hincks-Dellcrest Centre	50,228	-
June Callwood Centre for Women & Families	54,651	-
Regent Park Community Health Centre	55,986	-
Applegrove Community Complex	46,288	-
	$ 291,842	$ 68,242

At December 31, 2019, there was $17,918 (2018 - $126,785) of undistributed funds included in accounts payable and accrued liabilities.

15. **GRANTS**

The grants revenue recognized from the City of Toronto and Province of Ontario are comprised of the following:

	2019	2018
City of Toronto:		
Children's Services - Family Resource Centre	$ 128,109	$ 125,598
Children's Services - Summer Day Program	14,000	14,000
Community Funding Programs - Community Service Partnerships Program	67,410	67,030
Other	5,097	5,788
	$ 214,616	$ 212,416
Province of Ontario:		
Ministry of Citizenship and Immigration - Newcomer Settlement Program	57,430	55,234
Ministry of Health and Long Term Care - Senior Resources	49,466	49,659
Ministry of Seniors Affairs	6,050	9,200
	$ 112,946	$ 114,093

15. **GRANTS** - Cont'd.

In addition, the Centre operates various programs supervised by the City of Toronto's Children's Services Division, as follows:

	Family Resources	Summer Camp - Eastview	2019	2018
Revenue				
Grants				
City of Toronto	$ 128,109	$ 14,000	$ 142,109	$ 141,406
United Way	5,033	-	5,033	5,033
Foundations	-	5,000	5,000	7,000
Government of Canada	-	66,442	66,442	45,561
Program income	-	47,830	47,830	54,252
Fundraising	400	-	400	2,120
Memberships	2,410	-	2,410	2,190
Donations	810	-	810	-
	136,762	133,272	270,034	257,562
Expenses				
Salaries and wages	108,779	76,586	185,365	190,160
Employee benefits	22,339	6,592	28,931	30,828
Materials and supplies	4,721	6,079	10,800	11,356
Purchase of services	2,488	13,771	16,259	15,772
	138,327	103,028	241,355	248,116
Net revenue over expenses (expenses over revenue)	$ (1,565)	$ 30,244	$ 28,679	$ 9,446

16. **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 14, 2020 the Centre was closed to the public 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. Despite this closure, the Centre continues to provide emergency Food Bank service to the community including expanded service due to increased demand. They also provide food delivery to community members who are in isolation. Staff are working from home to maintain contact with community members specifically focusing on vulnerable and at risk members, and increased contact is being made with seniors. Children and youth are being contacted through social media including making virtual programming and video conferencing available to community members.

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.

17. 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 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 Centre'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 Centre will encounter difficulty in meeting obligations associated with financial liabilities, which 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.

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 because of changes in market interest rates. The Centre's cash and investments earn interest at prevailing market rates and 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 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 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.

April 22, 2020

Board of Management for the Eastview Neighbourhood Community Centre
86 Blake Street
Toronto, Ontario
M4J 3C9

PRIVATE AND CONFIDENTIAL

Attention: Mr. Kerry Bowser, Executive Director

Dear Sir:

Re: Audit of the December 31, 2019 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2019, we identified some matters which may be of interest to management.

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. In addition, an audit cannot be expected to disclose defalcations and other irregularities and it is not designed to express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively.

As a result of our observations, we have outlined matters below along with some suggestions for your consideration.

Please note that under Canadian generally accepted auditing standards we must report significant deficiencies to those charged with governance.

This letter is not exhaustive, and deals with the more important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff. We have discussed the matters in this report with Mark Kovats and received his comments thereon.

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Issue - Vacation accrual

During the 2019 audit, Welch recommended that vacation accrual totals should be brought down and the total number of vacation days carried forward be reduced in future years. Various employees carried forward greater than 5 vacation days into 2020 with one employee carrying over 52 days. It is also recommended that enforcing the use of carry forward vacation days be a priority as it was noted that one employee carried forward vacation days into 2019 and did not use any in the year. By allowing these vacation balances to build, the Centre is increasing a liability and straying from their vacation policy as determined by the Board of Management.

Management's Comments

Vacation accruals have been building due extenuating circumstances and various employees taking extended sick leave. The Centre is looking to bring down this balance by the end of fiscal 2020.

Issue - Manually created schedules

During the 2019 audit, Welch noted that staff had not previously b een utilizing the bank reconciliation, accounts receivable and accounts payable features that are built into their accounting software. By manually creating these schedules at the year end, the bookkeeper was not able to provide listings of aged accounts receivable or accounts payable.

Management's Comments

The bookkeeper noted that the Centre will be implementing these functions on a going forward basis as these should be standard practice in an organization of this size.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from Kerry Bowser and his staff.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

Welch LLP

Christa Casey

Christa Casey, CPA, CA
Partner

K Steffan

Kathy Steffan, CPA, CA
Partner