

AU6.11 Attachment 6

ATTACHMENT 6

FINANCIAL STATEMENTS

For

BOARD OF MANAGEMENT FOR THE RALPH THORNTON 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 RALPH THORNTON COMMUNITY CENTRE***Qualified Opinion*

We have audited the accompanying financial statements of Board of Management for the Ralph Thornton Community 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 notes to the financial statements, including a summary of significant accounting policies.

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 donations and 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 revenue, fundraising revenue, net expenses over revenue 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 other 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 organization 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.

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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 17, 2020.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 121,878	\$ 34,955
Investments (note 3)	34,268	54,712
Due from City of Toronto (note 7)	959	5,827
Accounts receivable (note 8)	20,385	19,913
Prepaid expenses	<u>2,306</u>	<u>1,513</u>
	179,796	116,920
INVESTMENTS (note 3)	-	11,000
DUE FROM CITY OF TORONTO (note 6)	80,119	76,813
CAPITAL ASSETS (note 4)	<u>1,751</u>	<u>3,741</u>
	<u>\$ 261,666</u>	<u>\$ 208,474</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 68,718	\$ 50,526
Deferred contributions (note 5)	<u>43,764</u>	<u>38,909</u>
	112,482	89,435
POST-EMPLOYMENT BENEFITS (note 6)	<u>80,119</u>	<u>76,813</u>
	<u>192,601</u>	<u>166,248</u>
NET ASSETS (DEFICIT)		
Internally restricted - Invested in capital assets	1,751	3,741
Internally restricted - Capital reserves (note 10)	31,711	9,748
Internally restricted - Operating reserves (note 11)	43,161	37,377
Unrestricted	<u>(7,558)</u>	<u>(8,640)</u>
	<u>69,065</u>	<u>42,226</u>
	<u>\$ 261,666</u>	<u>\$ 208,474</u>

Approved by the Board:

J Alan Lennon

..... Chair

Cole

..... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Internally Restricted			<u>Unrestricted</u>	<u>Total 2019</u>	<u>Total 2018</u>
	<u>Invested in Capital Assets</u>	<u>Capital Reserves (note 10)</u>	<u>Operating Reserves (note 11)</u>			
Net assets (deficit), beginning of year	\$ 3,741	\$ 9,748	\$ 37,377	\$ (8,640)	\$ 42,226	\$ 72,446
Net revenue over expenses (expenses over revenue)	(1,990)	-	-	28,829	26,839	(30,220)
Interfund transfers (notes 10 and 11)	-	<u>21,963</u>	<u>5,784</u>	<u>(27,747)</u>	-	-
Net assets (deficit), end of year	<u>\$ 1,751</u>	<u>\$ 31,711</u>	<u>\$ 43,161</u>	<u>\$ (7,558)</u>	<u>\$ 69,065</u>	<u>\$ 42,226</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Administration</u>	<u>2019</u>	<u>2018</u>
Revenue				
Grants				
City of Toronto (note 7)	\$ 55,838	\$ 756,386	\$ 812,224	\$ 780,771
Government of Canada	33,857	-	33,857	26,578
Foundations	14,843	-	14,843	14,000
Other	<u>13,035</u>	<u>-</u>	<u>13,035</u>	<u>13,240</u>
	117,573	756,386	873,959	834,589
Donations (note 8)	22,530	-	22,530	21,898
Fundraising	19,831	-	19,831	22,243
Rental income	56,183	39,894	96,077	72,497
User fees	103,143	-	103,143	72,445
Other revenue	<u>17,974</u>	<u>-</u>	<u>17,974</u>	<u>7,007</u>
	<u>337,234</u>	<u>796,280</u>	<u>1,133,514</u>	<u>1,030,679</u>
Expenses				
Salaries and wages	197,143	520,039	717,182	682,201
Employee benefits	30,572	134,680	165,252	167,540
Materials and supplies	23,812	85,558	109,370	96,700
Purchase of services	56,878	56,003	112,881	111,952
Amortization of capital assets	<u>1,990</u>	<u>-</u>	<u>1,990</u>	<u>2,506</u>
	<u>310,395</u>	<u>796,280</u>	<u>1,106,675</u>	<u>1,060,899</u>
Net revenue over expenses				
(expenses over revenue)	<u>\$ 26,839</u>	<u>\$ -</u>	<u>\$ 26,839</u>	<u>\$ (30,220)</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net revenue over expenses (expenses over revenue)	\$ 26,839	\$ (30,220)
Adjustments for:		
Amortization of capital assets	<u>1,990</u>	<u>2,506</u>
	28,829	(27,714)
Changes in non-cash working capital components:		
Due from City of Toronto	4,868	21,329
Accounts receivable	(472)	(9,628)
Prepaid expenses	(793)	(364)
Long-term amount due from City of Toronto	(3,306)	(9,222)
Due to City of Toronto	-	(5,724)
Accounts payable and accrued liabilities	18,192	(8,356)
Deferred contributions	4,855	(63,113)
Post-employment benefits	<u>3,306</u>	<u>9,222</u>
	<u>55,479</u>	<u>(93,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(34,268)	(65,712)
Sale of investments	<u>65,712</u>	<u>65,712</u>
	<u>31,444</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	86,923	(93,570)
CASH, BEGINNING OF YEAR	<u>34,955</u>	<u>128,525</u>
CASH, END OF YEAR	\$ <u>121,878</u>	\$ <u>34,955</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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 part of the premises at No. 765 Queen Street East, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Ralph Thornton Community Centre (the "Centre"). The City purchased the property in March 2004. 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 of Management 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 Canada 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. 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 contributions on the statement of financial position.

Cash and investments

Cash and investments include cash on hand, cash on deposit with financial institutions and investments with maturities of less than twelve months at acquisition.

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, accounts receivable and due from City of Toronto. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Contributed material and services

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

Building and kitchen improvements	- 10 years straight line
Computer hardware	- 3 years straight line
Furniture, fixtures 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 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 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 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 and revenue 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.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

3. INVESTMENTS

The Centre's investments consist of a guaranteed investment certificates that matures January 2, 2020 and is earning interest at a rate of bank prime less 1.25% (2018 - bank prime less 2.70%).

4. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Building and kitchen improvements	\$ 82,100	\$ 82,100	\$ 82,100	\$ 82,100
Computer hardware	39,710	39,710	39,710	39,710
Furniture, fixtures and equipment	<u>27,016</u>	<u>25,265</u>	<u>27,016</u>	<u>23,275</u>
	148,826	<u>\$ 147,075</u>	148,826	<u>\$ 145,085</u>
Less: accumulated amortization	<u>(147,075)</u>		<u>(145,085)</u>	
	<u>\$ 1,751</u>		<u>\$ 3,741</u>	

5. DEFERRED CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 38,909	\$ 102,022
Add: contributions received	135,537	97,874
Less: recognized as revenue	<u>(130,682)</u>	<u>(160,987)</u>
Balance, end of year	<u>\$ 43,764</u>	<u>\$ 38,909</u>

The year-end balances are made up as follows:

City of Toronto, Access & Equity Grant	\$ 14,000	\$ 14,000
City of Toronto, River	11,692	-
City of Toronto, Section 37 Grant (capital use)	11,517	24,626
Foundations, Woodgreen	3,557	-
TCHC Rivertowne	2,715	-
Various contributors for kitchen upgrades	<u>283</u>	<u>283</u>
	<u>\$ 43,764</u>	<u>\$ 38,909</u>

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

6. POST-EMPLOYMENT BENEFITS AND LONG-TERM AMOUNT DUE FROM CITY OF TORONTO

The Centre participates in a number of defined benefits 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, the sick banks were locked with no further accumulation. Grandfathered management staff remain 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:

	<u>2019</u>	<u>2018</u>
Post-retirement benefits	\$ 69,172	\$ 55,484
Add: Unamortized actuarial gain	<u>10,947</u>	<u>21,329</u>
Post-employment benefit liability	\$ <u>80,119</u>	\$ <u>76,813</u>

The continuity of the accrued benefit obligation is as follows:

Balance, beginning of year	\$ 76,813	\$ 67,591
Current service cost	5,436	9,638
Interest cost	2,059	2,708
Amortization of actuarial (gain) loss	(3,462)	(3,006)
Plan amendment	-	604
Expected benefits paid	<u>(727)</u>	<u>(722)</u>
Balance, end of year	\$ <u>80,119</u>	\$ <u>76,813</u>

A long-term receivable of \$80,119 (2018 - \$76,813) from the City 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.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

6. POST-EMPLOYMENT BENEFITS AND LONG-TERM AMOUNT DUE FROM CITY OF TORONTO - Cont'd.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of management and union 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 \$51,013 (2018 - \$46,579).

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 contributions. Additional contributions, if any, required to address the Centre's proportionate share of a deficit will be expensed during the period incurred.

7. FUNDS PROVIDED BY THE 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 <u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Budgeted administration expenses:			
Salaries and wages	\$ 507,378	\$ 520,039	\$ 497,729
Employee benefits	139,039	134,680	140,064
Materials and supplies	72,172	85,558	78,865
Purchase of services	<u>76,158</u>	<u>56,003</u>	<u>56,727</u>
	794,747	796,280	773,385
Less: rental revenue	<u>(39,400)</u>	<u>(39,894)</u>	<u>(39,364)</u>
	<u>\$ 755,347</u>	<u>\$ 756,386</u>	<u>\$ 734,021</u>
Centre's actual administration revenue:			
Administration budget		\$ 755,347	\$ 722,600
Rental revenue		<u>39,894</u>	<u>39,364</u>
		<u>795,241</u>	<u>761,964</u>
Centre's actual administration expenses:			
Administration expenses		\$ 796,280	\$ 773,385
Adjustment for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term amount due from City of Toronto		(3,306)	(9,222)
Difference between funding received and budgeted		<u>1,153</u>	<u>(134)</u>
		<u>\$ 794,127</u>	<u>\$ 764,029</u>
Administration expenses under (over) approved budget		<u>\$ 1,114</u>	<u>\$ (2,065)</u>

The under-expenditure of \$1,114 (2018 - over-expenditure of \$2,065) is included in due from the City of Toronto.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

8. RELATED PARTY TRANSACTIONS

The Centre has an economic interest in the Ralph Thornton Community Organization (the "Organization") given that the Organization solicits funds in the name of the Centre. The Centre and the Organization signed a Memorandum of Understanding ("MOU") outlining this relationship. The most recent MOU will expire on December 31, 2019 and was signed in 2018.

Included in donations on the statement of operations is \$20,925 (2018 - \$19,926) from the Organization. Included in accounts receivable is \$10,925 (2018 - \$10,026) due from the Organization. The Centre provides on-going administrative support to the Organization at no cost.

9. LEASE COMMITMENTS

The Centre leases certain office equipment under an operating lease. The minimum operating lease payments required for the Centre are as follows:

2020	\$ 1,820
2021	<u>542</u>
	\$ <u>2,362</u>

10. INTERNALLY RESTRICTED - CAPITAL RESERVES

	Balance at beginning <u>of year</u>	<u>Transfers</u>	Balance at end <u>of year</u>
Strategic Plan Reserve (i)	\$ 7,011	\$ 5,000	\$ 12,011
General Capital Reserve (ii)	<u>2,737</u>	<u>16,963</u>	<u>19,700</u>
	\$ <u>9,748</u>	\$ <u>21,963</u>	\$ <u>31,711</u>

- (i) The Strategic Plan Reserve represents funds set aside by the Board of Management for the strategic planning process, with annual contributions included in the Centre's operating budget to replenish the reserve between strategic plans. In 2019, the Board of Management approved a transfer of \$5,000 (2018 - \$2,000) from Unrestricted Net Assets to the Strategic Plan Reserve.
- (ii) The General Capital Reserve represents funds set aside by the Board of Management for future capital upgrades and emergency repairs. In 2019, the Board of Management approved a transfer of \$16,963 (2018 - \$670) from Unrestricted Net Assets to the General Capital Reserve.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

11. INTERNALLY RESTRICTED - OPERATING RESERVES

	Balance at beginning of year	Transfers	Balance at end of year
736 Outreach Reserve (i)	\$ 16,225	\$ (4,229)	\$ 11,996
Payroll Stabilization Reserve (ii)	11,152	10,013	21,165
Program Stabilization Reserve (iii)	<u>10,000</u>	<u>-</u>	<u>10,000</u>
	<u>\$ 37,377</u>	<u>\$ 5,784</u>	<u>\$ 43,161</u>

- (i) The 736 Outreach Reserve represents funds set aside by the Board of Management for operating costs associated with community outreach. In 2019, the Board of Management approved a transfer of \$4,229 (2018 - \$23,775) from 736 Outreach Reserve to Unrestricted Net Assets to cover expenses incurred in the year.
- (ii) The Payroll Stabilization Reserve represents funds set aside by the Board of Management for separation packages and paid employee leaves. In 2019, the Board of Management approved a transfer of \$10,013 (2018 - \$99) from Unrestricted Net Assets to Payroll Stabilization Reserve.
- (iii) The Program Stabilization Reserve represents funds set aside by the Board of Management for unanticipated loss in grant funding and mid-year budget cuts from the City.

12. 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 13, 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 scheduled reopening date. The Centre's largest fundraising event, the Annual Cornerstone Fundraiser, planned for mid-May will be postponed as part of the impact of this subsequent event.

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.

13. **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 these items 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.

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 transactions 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 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.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

PROGRAM INCOME STATEMENT - SUMMER CAMPS

YEAR ENDED DECEMBER 31, 2019

(supplemental information - unaudited)

	<u>2019</u>	<u>2018</u>
Revenue		
Grants		
City of Toronto Children's Services	\$ 11,000	\$ 11,000
Toronto Star Foundation	10,000	14,000
Government of Canada	33,857	26,578
Fundraising and other revenue	<u>6,490</u>	<u>3,529</u>
	<u>61,347</u>	<u>55,107</u>
 Expenses		
Salaries and wages	45,741	36,474
Employee benefits	3,727	3,097
Purchase of services	<u>11,061</u>	<u>11,039</u>
	<u>60,529</u>	<u>50,610</u>
 Program surplus	 <u>\$ 818</u>	 <u>\$ 4,497</u>

June 18, 2020

Board of Management for the Ralph Thornton Community Centre
765 Queen Street East
Toronto, Ontario
M4M 1H3

PRIVATE AND CONFIDENTIAL

Attention: Mr. John Campey,
Executive Director

Dear Sir:

Re: Audit of the Tuesday, 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 Glenn Gustafson and received his comments thereon.

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. By allowing these vacation balances to build, the Centre is increasing its liability to employees.

Management's Comments

The Collective Agreement does not contain language that either requires an employee to use up entitled vacation time within a certain period or permits the employer to compel employees to use their vacation time. There is also no provision in the Collective Agreement for the employer to buy out vacation time. Although we encourage staff to use their time, if they wish to bank it for an extended vacation in the future, there is little we can do about it.

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

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, CPA, CA
Partner



Kathy Steffan, CPA, CA
Partner