

# AU6.11 Attachment 9

ATTACHMENT 9

## FINANCIAL STATEMENTS

For

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD 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 WATERFRONT NEIGHBOURHOOD CENTRE***Qualified Opinion*

We have audited the accompanying financial statements of Board of Management for the Waterfront Neighbourhood 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, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2018 and 2019, current assets as at December 31, 2018 and 2019, 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.

### *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  
May 26, 2020.

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 456,401	\$ 447,719
Short-term investments (note 3)	1,020,020	603,267
Due from City of Toronto - vacation payable	41,353	25,160
Due from City of Toronto (note 4)	2,939	-
Accounts receivable	34,564	80,039
Prepaid expenses	<u>4,725</u>	<u>4,167</u>
	1,560,002	1,160,352
<b>LONG-TERM RECEIVABLE - CITY OF TORONTO</b> (note 5)	577,739	501,815
<b>CAPITAL ASSETS</b> (note 6)	<u>19,015</u>	<u>26,809</u>
	<u>\$ 2,156,756</u>	<u>\$ 1,688,976</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Due to City of Toronto (note 4)	\$ -	\$ 3,222
Accounts payable and accrued liabilities	172,549	165,623
Deferred revenue	20,732	18,726
Deferred contributions (note 7)	83,857	118,420
Due to Waterfront Neighbourhood Centre Charitable Fund (note 8)	<u>2,175</u>	<u>-</u>
	279,313	305,991
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (note 9)	404,274	5,718
<b>POST-EMPLOYMENT BENEFITS PAYABLE</b> (note 5)	<u>577,739</u>	<u>501,815</u>
	<u>1,261,326</u>	<u>813,524</u>
<b>NET ASSETS</b>		
Invested in program capital assets	14,741	21,091
Internally restricted - program fund reserves (note 10)	378,370	378,370
Unrestricted reserve funds - program administrative reserve (note 11)	<u>502,319</u>	<u>475,991</u>
	<u>895,430</u>	<u>875,452</u>
	<u>\$ 2,156,756</u>	<u>\$ 1,688,976</u>

Approved by the Board:

*Saida*  
 ..... Co-Chair

*Amb*  
 ..... Co-Chair

*Carole Therriault*  
 ..... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Invested in program capital <u>assets</u>	Internally restricted - program fund <u>reserves</u>	Unrestricted reserve <u>funds</u>	Total <u>2019</u>	Total <u>2018</u>
Net assets, beginning of year	\$ 21,091	\$ 378,370	\$ 475,991	\$ 875,452	\$ 766,284
Excess of revenue over expenses (expenses over revenue)	<u>(6,350)</u>	<u>-</u>	<u>26,328</u>	<u>19,978</u>	<u>109,168</u>
Net assets, end of year	<u>\$ 14,741</u>	<u>\$ 378,370</u>	<u>\$ 502,319</u>	<u>\$ 895,430</u>	<u>\$ 875,452</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Administration</u>	<u>2019</u>	<u>2018</u>
<b>Revenue</b>				
City of Toronto				
Administration (note 4)	\$ -	\$ 1,430,280	\$ 1,430,280	\$ 1,350,778
Vacation payable (note 4)	-	16,194	16,194	(20,161)
Post-employment benefits (note 4)	-	75,924	75,924	81,975
Grants				
Government of Canada	126,435	-	126,435	138,859
Province of Ontario	52,487	-	52,487	77,349
City of Toronto	75,957	-	75,957	78,518
Foundations/agencies	107,623	-	107,623	122,951
City of Toronto - Children's Services	4,700	-	4,700	4,700
Donations and fundraising	74,391	-	74,391	77,466
Membership and program fees	286,900	-	286,900	257,312
Rental fees	112,828	-	112,828	165,147
Interest	<u>22,024</u>	<u>-</u>	<u>22,024</u>	<u>14,980</u>
	<u>863,345</u>	<u>1,522,398</u>	<u>2,385,743</u>	<u>2,349,874</u>
<b>Expenses</b>				
Salaries and wages	565,211	974,220	1,539,431	1,398,128
Employee benefits	60,440	264,711	325,151	322,890
Employee benefits - post-employment benefits	-	75,924	75,924	81,975
Materials and supplies	164,418	100,478	264,896	248,396
Purchase of services	46,948	107,065	154,013	183,026
Amortization of capital assets	6,350	1,444	7,794	7,735
Amortization of deferred capital contributions	<u>-</u>	<u>(1,444)</u>	<u>(1,444)</u>	<u>(1,444)</u>
	<u>843,367</u>	<u>1,522,398</u>	<u>2,365,765</u>	<u>2,240,706</u>
<b>Excess of revenue over expenses</b>	<u>\$ 19,978</u>	<u>\$ -</u>	<u>\$ 19,978</u>	<u>\$ 109,168</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 19,978	\$ 109,168
Adjustments for non-cash items:		
Amortization of capital assets	7,794	7,735
Amortization of deferred capital contributions	<u>(1,444)</u>	<u>(1,444)</u>
	26,328	115,459
Increase (decrease) resulting from changes in:		
Due from City of Toronto - vacation payable	(16,193)	20,161
Due from City of Toronto - other	(2,939)	-
Accounts receivable	45,475	(49,822)
Prepaid expenses	(558)	(841)
Long-term receivable - City of Toronto	(75,924)	(81,975)
Due to City of Toronto	(3,222)	(5,670)
Accounts payable and accrued liabilities	6,926	(13,976)
Deferred revenue	2,006	960
Deferred contributions	(34,563)	(87,074)
Due to Waterfront Neighbourhood Centre Charitable Fund	2,175	-
Post-employment benefits payable	<u>75,924</u>	<u>81,975</u>
	<u>25,435</u>	<u>(20,803)</u>
<b>CASH FLOWS USED IN CAPITAL ACTIVITIES</b>		
Acquisition of capital assets - program	<u>-</u>	<u>(7,292)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of investments	(1,020,020)	(600,000)
Proceeds from sale of investments	<u>603,267</u>	<u>379,007</u>
	<u>(416,753)</u>	<u>(220,993)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contribution received for capital asset purchases	<u>400,000</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH</b>	8,682	(249,088)
<b>CASH AT BEGINNING OF YEAR</b>	<u>447,719</u>	<u>696,807</u>
<b>CASH AT END OF YEAR</b>	\$ <u>456,401</u>	\$ <u>447,719</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD 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 627 Queens Quay West, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Waterfront Neighbourhood Centre (the "Centre"). The Centre changed its name from Harbourfront Community Centre as approved by City Council in May 2016. 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*

The 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.

Membership and program fees are recognized on the date the services are performed. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

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

*Cash and short-term investments*

Cash and short-term investments include cash on hand, cash on deposit with financial institutions, demand deposits and short-term 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, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD 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. For furniture and equipment, amortization is provided on a straight-line basis over their estimated useful lives of 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 financial statements in conformity with PSA-GNPO 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.

**3. SHORT-TERM INVESTMENTS**

Short-term investments consists of a guaranteed investment certificates with annual interest rates ranging from of 2.20% to 2.26% (2018 - 2.65%) that mature between in October 21, 2020 and November 1, 2020 (2018 - October 2019).

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2019**

**4. 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 repayable to the City. Deficits, other than long-term employee benefits, are to be funded by the Centre unless Council approval has been obtained for additional funding.

	2019 <u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
<b>Administration expenses:</b>			
Salaries and wages	\$ 952,717	\$ 974,220	\$ 883,846
Employee benefits	279,424	264,711	264,497
Employee benefits - post-employment benefits	-	75,924	81,975
Materials and supplies	80,917	100,478	69,935
Purchase of services	<u>117,267</u>	<u>107,065</u>	<u>112,339</u>
	<u>\$ 1,430,325</u>	<u>\$ 1,522,398</u>	<u>\$ 1,412,592</u>
<b>Centre's actual administration revenue:</b>			
Administration budget		<u>\$ 1,430,325</u>	<u>\$ 1,350,752</u>
<b>Centre's actual administration expenses:</b>			
Administration expenses		\$ 1,522,398	\$ 1,412,592
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term receivable - City of Toronto		(75,924)	(81,975)
Vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto		<u>(16,194)</u>	<u>20,161</u>
		<u>1,430,280</u>	<u>1,350,778</u>
Administration expenses (revenues) over approved budget		<u>\$ 45</u>	<u>\$ (26)</u>

The under-expenditure of \$45 is included in due from City of Toronto (2018 - over-expenditure of \$26 is included in due to City of Toronto).

**5. POST-EMPLOYMENT BENEFITS AND LONG-TERM AMOUNT DUE FROM THE CITY OF TORONTO**

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 accumulates 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.

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.

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2019**

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

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 multi-employer, defined benefit pension plan noted below, is as follows:

	<u>2019</u>	<u>2018</u>
Post retirement benefits	\$ 503,839	\$ 410,840
Sick leave benefits	280,199	266,764
Income benefits	385,510	396,898
Disabled employee benefits	<u>202,499</u>	<u>200,359</u>
	1,372,047	1,274,861
 Add: Unamortized actuarial loss	 <u>(794,308)</u>	 <u>(773,046)</u>
 Employee benefit liability	 <u>\$ 577,739</u>	 <u>\$ 501,815</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 501,815	\$ 419,840
Current service cost	17,831	17,746
Interest cost	40,672	35,649
Amortization of actuarial gain	78,656	74,985
Plan amendment	-	10,837
Expected benefits paid	<u>(61,235)</u>	<u>(57,242)</u>
 Balance, end of year	 <u>\$ 577,739</u>	 <u>\$ 501,815</u>

A long-term receivable from the City of \$577,739 (2018 - \$501,815) 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 \$91,572 in 2019 (2018 - \$97,973).

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2019**

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

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 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.

**6. CAPITAL ASSETS**

Capital assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Administration				
Furniture, fixtures and equipment	\$ 162,448	\$ 158,175	\$ 162,448	\$ 156,731
Program				
Furniture, fixtures and equipment	108,124	93,382	108,124	87,032
	270,572	\$ 251,557	270,572	\$ 243,763
Less: accumulated amortization	(251,557)		(243,763)	
Net book value	\$ 19,015		\$ 26,809	

**7. DEFERRED CONTRIBUTIONS**

	2019	2018
Balance, beginning of year	\$ 118,420	\$ 205,494
Add: Funds received	407,032	335,303
Less: Amounts recognized as revenue	(441,595)	(422,377)
Balance, end of year	\$ 83,857	\$ 118,420

**8. RELATED PARTY BALANCES**

The Centre has significant influence over the Waterfront Neighbourhood Centre Charitable Fund (WNCCF), a charitable organization incorporated without share capital and registered as a charity under the Income Tax Act. WNCCF's purpose is to receive and maintain funds, and apply all or part of the principal and/or revenue therefrom to the Centre from time to time. WNCCF operates to assist the Centre in achieving its mandates in providing services to the Waterfront West community.

WNCCF solicits funds in the name of the Centre, as outlined in the Memorandum of Understanding between the Centre and WNCCF dated May 26, 2020. The Centre provides on-going administrative support to WNCCF at no cost.

At December 31, 2019, \$2,175 was owed by the Centre to WNCCF for donations collected on behalf of WNCCF. Included in purchase of services is \$2,928 (2018 - \$nil) of legal costs incurred on behalf of WNCCF.

**BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2019**

**9. DEFERRED CAPITAL CONTRIBUTIONS**

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 5,718	\$ 7,162
Add: Contribution deferred in year for capital asset purchases	400,000	-
Less: Amortization of deferred capital contributions	<u>(1,444)</u>	<u>(1,444)</u>
Balance, end of year	<u>\$ 404,274</u>	<u>\$ 5,718</u>

**10. INTERNALLY RESTRICTED - PROGRAM FUND RESERVES**

	<u>2019</u>	<u>2018</u>
Mission and Strategic Priority Reserve		
Children and Youth Reserve	\$ 117,248	\$ 117,248
Replacement of Equipment	19,193	19,193
Special Project - Community Development	118,358	118,358
Special Project - Summer Program	35,000	35,000
Special Project - Capital Equipment	51,635	51,635
Special Project - Program Financial Subsidy	<u>36,936</u>	<u>36,936</u>
	<u>\$ 378,370</u>	<u>\$ 378,370</u>

The Mission and Strategic Priority Reserve represents funds set aside by the Board of Management for future special projects relating to children and youth or special project initiatives, identified through strategic planning processes and for expenditures required to maintain the Centre's facility and/or for purchases of capital items not funded through other sources. Internally restricted net assets are not available for other purchases without approval of the Board of Management.

**11. UNRESTRICTED RESERVE FUNDS - PROGRAM ADMINISTRATIVE RESERVE**

The Program Administration Reserve represents funds set up to meet legal and financial obligations in the event of future funding shortfalls and uncertainties and/or in the event of an emergency shutdown of the Centre's operations or for other administrative liabilities. These funds will equal no less than one month of operating expenses and no greater than three months based on the current year's budgeted expenses.

**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.

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 are not yet known.

## BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

### NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2019

#### 13. FINANCIAL INSTRUMENTS

The Centre is exposed to and manages various financial risk resulting from operations. The Centre's main 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, short-term investment and amounts receivable. The Centre's cash and short-term investments are deposited 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 amounts receivable is limited. The Centre manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

##### *Liquidity risk*

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its financial 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 risk and other price risk.

##### *i) Currency risk*

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

##### *ii) Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market interest rates. The Centre's cash and short-term 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 the instruments will fluctuate due to changes in market prices (other than those arising from currency risk or interest rate risk), whether these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management does not believe the Centre is exposed to 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 WATERFRONT NEIGHBOURHOOD CENTRE**  
**SCHEDULE OF PROGRAM AND ADMINISTRATION REVENUE AND EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>			
		Budget (unaudited)	<u>2019</u>	<u>2018</u>
<b>Revenue</b>				
Grants				
Government of Canada		\$ 131,187	\$ 126,435	\$ 138,859
Province of Ontario		55,316	52,487	77,349
City of Toronto		80,759	75,957	78,518
Foundations/agencies		115,664	107,623	122,951
City of Toronto - Children's Services		4,700	4,700	4,700
Donations and fundraising		77,882	74,391	77,466
Membership and program fees		302,015	286,900	257,312
Rental fees		100,000	112,828	165,147
Interest		15,000	22,024	14,980
		<u>882,523</u>	<u>863,345</u>	<u>937,282</u>
<b>Expenses</b>				
Salaries and wages		530,904	565,211	514,282
Employee benefits		58,976	60,440	58,393
Materials and supplies		176,938	164,418	178,461
Purchase of services		47,597	46,948	70,687
Amortization of capital assets		5,917	6,350	6,291
		<u>820,332</u>	<u>843,367</u>	<u>828,114</u>
<b>Excess of revenue over expenses</b>		<u>\$ 62,191</u>	<u>\$ 19,978</u>	<u>\$ 109,168</u>

	<u>Administration</u>			
		Budget (unaudited)	<u>2019</u>	<u>2018</u>
<b>Revenue</b>				
City of Toronto		<u>\$ 1,430,325</u>	<u>\$ 1,522,398</u>	<u>\$ 1,412,592</u>
<b>Expenses</b>				
Salaries and wages		952,717	974,220	883,846
Employee benefits		279,424	264,711	264,497
Employee benefits - post-employment benefits		-	75,924	81,975
Materials and supplies		80,917	100,478	69,935
Purchase of services		117,267	107,065	112,339
Amortization of capital assets		-	1,444	1,444
Amortization of deferred capital contributions		-	(1,444)	(1,444)
		<u>1,430,325</u>	<u>1,522,398</u>	<u>1,412,592</u>
<b>Excess of revenue over expenses</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>