EX18.15

REPORT FOR ACTION

Association of Community Centres Settlement of Operating Results for Year Ended 2018

Date: September 24, 2020
To: Budget Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2018 based on audited financial results.

While normally the prior year end settlement reports for both Association of Community Centres and Arena Boards are submitted together to Council in the following year, the 2018 Settlement reports were delayed due to delays in completing the 2018 audits, and further delayed by the impact of COVID-19 on the City's priorities.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council direct that the 2018 operating surpluses totalling $87,469 from four Community Centres (Cecil Street Community Centre, Central Eglinton Community Centre, Eastview Neighbourhood Community Centre, and Swansea Town Hall Community Centre) be paid to the City of Toronto and be used to fund the cumulative operating deficit of $35,946 for five Community Centres (Applegrove Community Complex, Community Centre 55, Ralph Thornton Community Centre, Scadding Court Community Centre, and Waterfront Community Centre), resulting in a net operating surplus of $51,523 to be received by the City, as illustrated in Table II of the report.

FINANCIAL IMPACT

The Association of Community Centres (AOCCs) is comprised of ten community centres. The AOCCs final net settlement arising primarily from the Core Administration

Operations' year end results for the year 2018 requires that surplus funds of $87,469 be paid to the City from four community centres and be used to fund the operating deficit of $35,946 for five community centres, resulting in a net receivable of $51,523 from the AOCCs to the City. The remaining community centre, 519 Church Street Community Centre, reported a neutral result, for the 2018 year-end.

DECISION HISTORY

At its meeting of July 24, 25 and 26, 2001, City Council adopted Policy and Finance Committee Report 11, Clause 6, entitled "Association of Community Centres (AOCCs), Community Centres Deficits". Among others, Council directed that the Chief Financial Officer and Treasurer report on the AOCC surplus/deficit upon receipt of the annual audited financial statements, as the practice in the former City of Toronto.

At its meeting of April 14, 15, and 16, 2003, City Council adopted Policy and Finance Committee Report 3, Clause 11, entitled "Governance Review of the Association of Community Centres (AOCCs)". Among others, Council determined that the City continue to provide core administration funding to the AOCCs; the Centres' Boards are expected to operate within the approved budgets; that administrative surpluses be returned to the City and administrative deficits be funded by the City, upon Council approval.

The AOCCs' financial statements are prepared under the Canadian Generally Accepted Accounting Principles (GAAP) that are applicable to the Public Sector Accounting Board (PSAB) requirements for government and not-for-profit entities. Accounting and reporting under PSAB requires that all known liabilities, including liabilities related to post-employment benefits as well as those related to retirees, be reflected in the public sector financial statements.

At its meeting of September 25, 26 and 27, 2006, City Council adopted Policy and Finance Report 7, Clause 17, entitled "Association of Community Centres (AOCCs), City of Toronto Relationship Framework". Among others, Council directed that the AOCC Boards shall not make or incur a liability for any capital work without first obtaining Council approval. Additionally, the Boards shall not make, permit or allow any capital work including alterations, renovations, additions or improvements to the premises without first obtaining the consent of the Chief Financial Officer and Treasurer. Council also directed that the City must approve any policy or practice that affects employee compensation including changes to salary ranges, job evaluation, performance pay, salary and benefits.

BACKGROUND

Table I on the following page summarizes the operating surplus/deficit and the net payment for operating over-expenditures from 2013 to 2017. Over the 5 years prior to 2018, the AOCCs had an accumulated surplus of $72,194 paid to the City of Toronto which was used to partially fund the payment of accumulative operating deficits of $176,488 resulting in a net payment of $104,294 to the Community Centres for operating over-expenditures.

Table I: Association of Community Centres 5 Year Summary of Net Payable to City/Community Centres from 2013 to 2017			
Budget Year	**Net Surplus (payable to City)**	**Net (Deficit) (payable to Centre)**	**Total Net Adjusted Settlement to City/(Centre)**
2013	8,089	(22,830)	(14,741)
2014	1,594	(79,423)	(77,829)
2015	7,391	(38,544)	(31,153)
2016	48,630	(26,726)	21,904
2017	6,490	(8,965)	(2,475)
TOTAL	**$ 72,194**	**$ (176,488)**	**$ (104,294)**

At its meeting of November 9th, 2015, while considering the report EX.10.9 Association of Community Centres Settlement of Operating Results for Year 2014, City Council requested the City Manager to write to the Association of Community Centres' Boards and reinforce with the Boards the requirement to seek Council's approval for over-expenditures before incurring them and remind them of their obligation to comply with the City's financial policies.

In keeping with this direction, an "Over-Expenditure Pre-Approval" process was established in 2016 by the Financial Planning Division and was communicated by the City Manager to the Association of Community Centres' Boards.

COMMENTS

Settlement of 2018 Operating Results

The 2018 financial statements for AOCCs were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to the Public Sector Accounting Board (PSAB) requirements for government not-for-profit entities. Funding for sick leave, post-retirement benefits and accrued vacation pay continue to be provided by the City as these benefit costs are paid out to employees. Accounting and reporting under PSAB requires entities to accrue all known liabilities on the financial statements. The unpaid employee benefits and the post-employment benefits are reported as liabilities on the Statement of Financial Position. As mentioned earlier, the City of Toronto is responsible for these benefits and, accordingly, a corresponding receivable from the City is recorded on the Statement of Financial Position for each Community Centre.

The City also funds AOCCs' capital expenditures. In accordance with Canadian GAAP-PSAB requirements, government not-for-profit entities are required to report capital assets on the Statement of Financial Position. For funding purposes, the City funds capital expenditures that the AOCCs have incurred, thus creating a difference between accounting and funding requirements. As such, adjustments were made to each

Community Centre's year-end statements to ensure consistency and comparability with its Approved Operating Budget, which is based on cash requirements.

A review of the audited financial statements for the year ended December 31, 2018 indicates that four (4) Community Centres reported a surplus amounting to $87,469 while five (5) Community Centres realized a year-end deficit of $35,946, resulting in a net overall surplus of $51,523. The year-end variance for the 519 Church Street Community Centre was $0 net. Details are summarized in Table II below.

Table II: Association of Community Centres
Summary of Net Payable to City / Community Centres for 2018

Community Centre	Net Surplus	Net (Deficit)	Total Net Adjusted Settlement to City/(Centre)
Applegrove Community Complex		(14,414)	(14,414)
Cecil Street Community Centre	28,212		28,212
Central Eglinton Community Centre	56,986		56,986
Community Centre 55		(63)	(63)
Eastview Neighbourhood Community Centre	609		609
Ralph Thornton Community Centre		(2,065)	(2,065)
Scadding Court Community Centre		(19,378)	(19,378)
Swansea Town Hall Community Centre	1,662		1,662
Waterfront Community Centre		(26)	(26)
519 Church Street Community Centre	-	-	-
TOTAL	**$ 87,469**	**$ (35,946)**	**$ 51,523**

The key year-end financial results are driven by:

Applegrove Community Complex
The over-expenditure of $14,414 is primarily related to one-time costs associated with the retirement of the Executive Director (salaries and benefits for the Acting Executive Director, advertising costs to fill the position and Sick Pay Gratuity payout of the retiring Executive Director).

Cecil Street Community Centre
The under-expenditure of $28,212 is mainly due to underspending in salaries and benefits from a program director position being vacant for over three months.

Central Community Centre
The under-expenditure of $56,986 is due to underspending in salaries and benefits as a result of a management staff vacancy which lasted for the majority of the latter half of the year.

Scadding Court Community Centre
The over-expenditure of $19,378 is primarily due to unanticipated salaries and benefits costs related to short-term disability and severance pay. Additionally, the community

centre incurred unexpected costs for repairs in the building to mitigate health and safety concerns.

As per the Over-Expenditure Pre-Approval process established in 2016, Financial Planning Division is taking all necessary steps to ensure AOCCs continue to comply with the pre-approval process for all over-expenditures.

CONTACT

Stephen Conforti, Executive Director
Financial Planning Division
Tel: (416) 397-4229
Fax: (416) 397-4465
E-mail: Stephen.Conforti@toronto.ca

Sandra Califaretti, Director
Accounting Services
Tel: (416) 397-4438
Fax: (416) 392-8003
E-mail: Sandra.Califaretti@toronto.ca

SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer