

**FINANCIAL STATEMENTS**  
**For**  
**BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**  
**For the year ended**  
**DECEMBER 31, 2020**

### Management's Responsibility for the Financial Statements

The financial statements of the Board of Management of William H. Bolton Arena (the "Arena") are the responsibility of management and have been approved by the Board.

The financial statements have been prepared in compliance with the Canadian public sector accounting standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Arena's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Management is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Arena's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the City of Toronto's City Council, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Arena's financial statements.

*Craig Cameron*

..... Chairperson

*Caralyn Quan*

..... Vice Chairperson

**INDEPENDENT AUDITOR'S REPORT**

To the Council of the Corporation of the

**CITY OF TORONTO AND  
BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**

*Opinion*

We have audited the accompanying financial statements of the Board of Management of William H. Bolton Arena (the Arena), which comprise the statement of financial position as at December 31, 2020, statements of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Arena as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

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 Arena 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 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, 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 Arena'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 Arena or to cease operations, or has no realistic alternative but to do so.

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

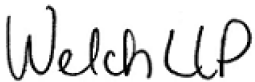
### *Auditor's Responsibilities for the Audit of the Financial Statements*

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 Arena'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 Arena'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 Arena 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  
November 8, 2021.

Welch LLP<sup>®</sup>

**BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 206,924	\$ 126,653
Investments	-	103,934
Accounts receivable	3,346	-
Government remittances receivable	13,535	9,538
Due from the City of Toronto - operating deficit (note 3)	<u>228,669</u>	<u>173,702</u>
	<u>452,474</u>	<u>413,827</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	85,466	55,546
Deferred revenue	371,739	366,816
Due to City of Toronto - working capital advance (note 4)	<u>10,000</u>	<u>10,000</u>
	<u>467,205</u>	<u>432,362</u>
<b>NET DEBT</b>	(14,731)	(18,535)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 5)	10,194	17,407
Inventories	12,005	15,809
Prepaid expenses	<u>2,726</u>	<u>2,726</u>
	<u>24,925</u>	<u>35,942</u>
<b>ACCUMULATED SURPLUS</b>	\$ <u>10,194</u>	\$ <u>17,407</u>

Approved on behalf of the Committee of Management:

*Craig Cameron*  
.....Chairperson

*Caralyn Quan*  
.....Vice Chairperson

(See accompanying notes)

**BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u> (unaudited)	<u>2020</u>	<u>2019</u>
<b>Revenue</b>			
Program registration	\$ 818,557	\$ 290,505	\$ 875,542
Ice rentals	280,882	102,338	236,613
Pro shop operations (Schedule A)	57,746	18,849	44,446
Snack bar and vending machine operations (Schedule A)	26,281	6,438	33,101
Other	14,247	1,364	7,629
Emergency fund - City of Toronto (note 9)	-	220,000	-
Interest	<u>1,455</u>	<u>387</u>	<u>2,233</u>
	<u>1,199,168</u>	<u>639,881</u>	<u>1,199,564</u>
<b>Expenses</b>			
Salaries and wages	438,917	391,620	423,793
Utilities	190,050	126,586	165,678
Employee benefits	107,477	100,797	108,662
Program material and supplies	205,004	71,441	249,306
General administration	166,360	66,809	90,626
Repairs and maintenance	73,500	63,111	140,595
Insurance	11,718	13,658	13,815
Professional fees	5,760	10,359	3,248
Amortization of tangible capital assets	<u>-</u>	<u>7,213</u>	<u>11,882</u>
	<u>1,198,786</u>	<u>851,594</u>	<u>1,207,605</u>
<b>Excess revenue over expenses (expenses over revenue) before items below</b>	382	(211,713)	(8,041)
Vehicle and equipment reserve contribution (note 6)	<u>(13,000)</u>	<u>(13,000)</u>	<u>(12,000)</u>
<b>Operating deficit</b>	<u>\$ (12,618)</u>	(224,713)	(20,041)
<b>Net receivable from the City of Toronto (note 3)</b>		<u>217,500</u>	<u>11,170</u>
<b>Annual deficit</b>		(7,213)	(8,871)
<b>Accumulated surplus, beginning of year</b>		<u>17,407</u>	<u>26,278</u>
<b>Accumulated surplus, end of year</b>		<u>\$ 10,194</u>	<u>\$ 17,407</u>

(See accompanying notes)

**BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**  
**STATEMENT OF CHANGES IN NET DEBT**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
Annual deficit	\$ (7,213)	\$ (8,871)
Acquisition of tangible capital assets	-	(3,011)
Amortization of tangible capital assets	7,213	11,882
Purchase of inventories, net	<u>3,804</u>	<u>-</u>
Changes in net debt	3,804	-
Net debt, beginning of year	<u>(18,535)</u>	<u>(18,535)</u>
Net debt, end of year	<u>\$ (14,731)</u>	<u>\$ (18,535)</u>

(See accompanying notes)

**BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Annual deficit	\$ (7,213)	\$ (8,871)
Adjustments:		
Amortization of tangible capital assets	7,213	11,882
Accrued investment interest	<u>(387)</u>	<u>(2,233)</u>
	(387)	778
Non-cash changes to operations:		
Accounts receivable	(3,346)	3,831
Government remittances receivable	(3,997)	5,102
Due from the City of Toronto - operating deficit	(54,967)	(12,285)
Accounts payable and accrued liabilities	29,920	27,280
Deferred revenue	4,923	29,174
Inventories	<u>3,804</u>	<u>-</u>
	<u>(24,050)</u>	<u>53,880</u>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	<u>-</u>	<u>(3,011)</u>
<b>INVESTING ACTIVITIES</b>		
Sale of investments	208,423	155,753
Purchase of investments	<u>(104,102)</u>	<u>(101,911)</u>
	<u>104,321</u>	<u>53,842</u>
<b>INCREASE IN CASH</b>	80,271	104,711
<b>CASH, BEGINNING OF YEAR</b>	<u>126,653</u>	<u>21,942</u>
<b>CASH, END OF YEAR</b>	\$ <u>206,924</u>	\$ <u>126,653</u>

(See accompanying notes)



# BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### 1. NATURE OF OPERATIONS

The Board of Management of William H. Bolton Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, By-Law No. 318-71, as amended. The Board of Management operates and manages the Arena on behalf of the City of Toronto.

Under the By-Law, the Board of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Board over and above that necessary to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of accounting*

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

#### *Revenue recognition*

Revenues and expenditures are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

Ice rentals, hockey schools and camp fees received in advance are recorded as deferred revenue.

#### *Financial instruments*

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

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

Financial assets measured at amortized cost include cash, investments, accounts receivable and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to City of Toronto - working capital advance.

#### *Tangible capital assets*

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years straight line
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#### *Inventories*

Inventories held for resale are initially recorded at cost and subsequently measured at the lower of cost and net realizable value. The cost is determined on a first-in, first-out basis.

#### *Contributed materials and services*

Major capital expenditures are financed by the City of Toronto, who owns the facility, and are not recorded in these financial statements. Services provided without charge by the City are not recorded in these financial statements. Other contributed materials and services are not recognized in the financial statements due to difficulty of determining their fair value.

**BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2020**

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

*Employee related costs*

The Arena has adopted the following policy with respect to employee benefit plans:

(a) The City of Toronto offers a multi-employer defined benefit pension plan (the "Plan") to the Arena's eligible employees. Due to the nature of the Plan, the Arena 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 Arena offered to its eligible employees a sick leave benefit until December 31, 2012, which vested and was calculated at the salary levels in effect at the end of each year for all unused vested sick pay credit accruing to employees. The Arena accrued for the accumulated and unused vested sick leave benefits as at December 31, 2012 for those employees that were grandfathered.

*Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 useful life of its tangible capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

**3. DUE FROM THE CITY OF TORONTO - OPERATING DEFICIT**

The amount due from the City of Toronto consists of the following:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 173,702	\$ 161,417
Operating deficit	224,713	20,041
Tangible capital asset purchases	-	3,011
Amortization of tangible capital assets	<u>(7,213)</u>	<u>(11,882)</u>
Net receivable to the City of Toronto	<u>217,500</u>	<u>11,170</u>
Amounts paid (received) during the current year	<u>(162,533)</u>	<u>1,115</u>
Balance, end of year	\$ 228,669	\$ 173,702

**4. DUE TO CITY OF TORONTO - WORKING CAPITAL ADVANCE**

The Board of Management retains a working capital advance provided by the City, for the management and control of the premises, to be returned to the City upon the Board of Management ceasing to function for any reason.

**5. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 98,111	\$ 98,111
Less: accumulated amortization	<u>(87,917)</u>	<u>(80,704)</u>
	\$ 10,194	\$ 17,407

**BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA**

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

**YEAR ENDED DECEMBER 31, 2020**

**6. VEHICLE AND EQUIPMENT REPLACEMENT RESERVE**

These contributions are for the financing of replacement ice resurfacer machines required by the Arenas in the future years. In the year, the contribution was \$13,000 (2019 - \$12,000).

**7. EMPLOYEE-RELATED COSTS**

The Arena makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employed plan, on behalf of its full time employees. 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 \$28,065 (2019 - \$30,785).

The most recent actuarial valuation of the OMERS plan as at December 31, 2020 indicates the Plan is in a deficit position and the Plan's December 31, 2020 financial statements indicate a deficit of \$7.655 billion (a deficit of \$3.211 billion plus adjustment of \$4.444 billion of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over the next five-year period). 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. The Arena's contributions accounted for an insignificant portion of the Plan's total employer contribution. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

**8. FINANCIAL INSTRUMENTS**

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 following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Arena's financial instruments.

*Credit risk*

The Arena is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Arena's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and amounts due from the City of Toronto. The Arena's cash is with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote. Management believes that the Arena'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 Arena will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and amount due to the City of Toronto. The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. Management believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

8. **FINANCIAL INSTRUMENTS - Cont'd.**

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest 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 Arena's financial instruments are denominated in Canadian dollars and it 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 of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. As a result, management does not believe the Arena is exposed to interest rate risk as the Centre does not currently have any interest bearing debt.

iii) *Other price risk*

Other price risk refers to 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 Arena is exposed to significant other price risks.

*Changes in risk*

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

9. **UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF COVID-19**

In Mid-March 2020, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of the coronavirus disease. The Arena was closed to the public for the majority of the year in response to the quarantine measures implemented by the provincial government to stop the spread of the virus.

The Arena received \$220,000 from the City of Toronto as emergency funding to support cash shortfall due to the closure.

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 Arena'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 Arena's operations, assets, liabilities, revenues and expenses are not yet known.

## BOARD OF MANAGEMENT OF WILLIAM H. BOLTON ARENA

YEAR ENDED DECEMBER 31, 2020

## SNACK BAR AND VENDING MACHINE OPERATIONS

	<u>Budget</u> (unaudited)	<u>2020</u>	<u>2019</u>
<b>Sales</b>			
Snack bar	\$ 45,622	\$ 20,783	\$ 62,930
Vending machine	<u>9,358</u>	<u>2,307</u>	<u>7,845</u>
	54,980	23,090	70,775
 <b>Cost of goods sold</b>	 <u>28,699</u>	 <u>16,652</u>	 <u>37,674</u>
 <b>Gross profit</b>	 <u>\$ 26,281</u>	 <u>\$ 6,438</u>	 <u>\$ 33,101</u>

## PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2020</u>	<u>2019</u>
<b>Sales</b>			
Pro shop sales	\$ 51,058	\$ 12,669	\$ 49,389
Skate sharpening	<u>37,459</u>	<u>14,801</u>	<u>40,734</u>
	88,517	27,470	90,123
 <b>Cost of goods sold</b>	 <u>30,771</u>	 <u>8,621</u>	 <u>45,677</u>
 <b>Gross profit</b>	 <u>\$ 57,746</u>	 <u>\$ 18,849</u>	 <u>\$ 44,446</u>

November 18, 2021

Board of Management of William H. Bolton Arena  
40 Rossmore Road  
Toronto, Ontario  
M6G 2M7

**PRIVATE AND CONFIDENTIAL**

Attention: Mr. Mario Carpino, Manager

Dear Sir:

**Re: Audit of the December 31, 2020 Financial Statements**

During the course of our audit of the financial statements for the year ended December 31, 2020, we identified 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 management and received his comments thereon.

## **SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROLS**

### **Issue #1 - Lack of Inventory Counts**

Currently, management does not perform an inventory count of inventory at year-end. This can lead to loss of or misappropriated inventory and result in inaccurate accounting records. We recommend an inventory count to be performed at year end annually to reduce aforementioned risks and ensure accurate accounting records.

## **OTHER REPORTABLE MATTERS**

### **Issue #2 - No Adjustment to Inventory as Goods Are Purchased/Sold**

Currently, when pro shop or snack bar inventory is purchased, the cost expensed in the income statement rather than added to the inventory balance. Once the sale of the inventory occurs, the sale is recorded as a credit to the revenue account but no entry to reduce inventory. This leads to inaccurate accounting records surrounding inventory balances and related expenses. We recommend adjusting inventory balances as inventory is purchased or sold. Once the sale occurs, the cost of goods sold expense account should be used to reflect the cost of the inventory sold in the income statement.

## **MANAGEMENT COMMENTS**

*The Board acknowledges the extraordinary circumstances around this year's audit and greatly appreciates the efforts of arena staff and the auditor to overcome the challenges presented by COVID in completing the audit process. This year's audit was further complicated by a switch in our payment system processing, which required new procedures for auditing purposes. The concern expressed over inventory counting will be addressed to avoid duplication of the issue highlighted in the audit report.*

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from management and their 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, CPA, CA  
Partner



Kathy Steffan, CPA, CA  
Partner