F I N A N C I A L S T A T E M E N T S

For

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

For the year ended

DECEMBER 31, 2021

Management's Responsibility for the Financial Statements

The financial statements of the Board of Management for the Ralph Thornton Community Centre (the "Centre") 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, including the 4200 series of 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 Centre'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 Centre'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 Centre's financial statements.

Lisa Pottoi
.... Chairperson

Caleb Edwards
.... Treasurer

Welch LLP - Chartered Professional Accountants
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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, 2021, 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, 2021 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, 2021 and 2020, current assets as at December 31, 2021 and 2020, and unrestricted net assets as at January 1 and December 31, 2020 and 2021. Our audit opinion on the financial statements for the year ended December 31, 2020 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.

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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 25, 2022.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 252,153	$ 186,494
Due from City of Toronto (note 8)	33,898	30,035
Accounts receivable (note 9)	51,645	27,497
Prepaid expenses	5,376	4,372
	343,072	248,398
DUE FROM CITY OF TORONTO (note 7)	105,681	91,801
TANGIBLE CAPITAL ASSETS (note 3)	12,760	562
	$ 461,513	$ 340,761
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to City of Toronto (note 8)	$ 107,677	$ 75,711
Accounts payable and accrued liabilities	126,122	80,483
Deferred contributions (note 4)	32,574	21,637
Deferred capital contributions (note 5)	5,700	-
Repayable to funders (note 6)	24,787	24,787
	296,860	202,618
POST-EMPLOYMENT BENEFITS (note 7)	105,681	91,801
	402,541	294,419
NET ASSETS		
Internally restricted - Invested in tangible capital assets	7,060	562
Internally restricted - Capital reserves (note 11)	15,000	-
Internally restricted - Operating reserves (note 12)	17,780	5,430
Unrestricted	19,132	40,350
	58,972	46,342
	$ 461,513	$ 340,761

Approved by the Board:

Lisa Pottai
. . . . Chair

Caleb Edwards
. . . . Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

	Internally Restricted					
	Invested in Tangible Capital Assets	Capital Reserves (note 11)	Operating Reserves (note 12)	Unrestricted	Total 2021	Total 2020
Net assets, beginning of year	$ 562	$ -	$ 5,430	$ 40,350	$ 46,342	$ 69,065
Net revenue over expenses (expenses over revenue)	(1,234)	-	-	13,864	12,630	(22,723)
Interfund transfers (notes 11 and 12)	-	15,000	12,350	(27,350)	-	-
Purchase of tangible capital assets	7,732	-	-	(7,732)	-	-
Net assets, end of year	$ 7,060	$ 15,000	$ 17,780	$ 19,132	$ 58,972	$ 46,342

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2021

	Program	Administration	2021	2020
Revenue				
Grants				
City of Toronto (note 8)	$ 83,873	$ 826,641	$ 910,514	$ 818,009
Government of Canada	63,660	-	63,660	29,843
Foundations	15,771	-	15,771	13,557
Other	14,670	-	14,670	9,597
	177,974	826,641	1,004,615	871,006
Donations (note 9)	38,849	-	38,849	8,470
Fundraising	1,280	-	1,280	2,215
Rental income	4,766	39,364	44,130	44,912
User fees	49,374	-	49,374	39,711
Other revenue	14,004	-	14,004	13,206
	286,247	866,005	1,152,252	979,520
Expenses				
Salaries and wages	175,662	557,184	732,846	655,548
Employee benefits	36,516	157,075	193,591	172,717
Materials and supplies	3,365	79,084	82,449	75,005
Purchase of services	56,840	72,662	129,502	97,784
Amortization of tangible capital assets	1,234	-	1,234	1,189
	273,617	866,005	1,139,622	1,002,243
Net revenue over expenses (expenses over revenue)	$ 12,630	$ -	$ 12,630	$ (22,723)

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	2021	2020
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net revenue over expenses (expenses over revenue)	$ 12,630	$ (22,723)
Adjustments for:		
Amortization of tangible capital assets	1,234	1,189
	13,864	(21,534)
Changes in non-cash working capital components:		
Due from City of Toronto	(3,863)	(29,076)
Accounts receivable	(24,148)	(9,635)
Prepaid expenses	(1,004)	(2,066)
Long-term amount due from City of Toronto	(13,880)	(11,682)
Due to City of Toronto	31,966	75,711
Accounts payable and accrued liabilities	45,639	11,765
Deferred contributions	10,937	(22,127)
Post-employment benefits	13,880	11,682
Repayable to funders	-	24,787
	73,391	27,825
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(13,432)	-
Sale of investments	-	34,268
	(13,432)	34,268
FINANCING ACTIVITIES		
Capital contribution received	5,700	-
INCREASE IN CASH	65,659	62,093
CASH, BEGINNING OF YEAR	186,494	124,401
CASH, END OF YEAR	$ 252,153	$ 186,494

(See accompanying notes)

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By·law No. 1995 - 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established 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 ("PSAS-GFNPO"), including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

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 tangible capital assets are deferred and amortized over the life of the related tangible capital assets. Externally restricted contributions for tangible 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.

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.

Tangible capital assets

Tangible capital assets are recorded at cost and contributed tangible 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 tangible 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. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Building and kitchen improvements	$ 95,532	$ 82,772	$ 82,100	$ 82,100
Computer hardware	39,710	39,710	39,710	39,710
Furniture, fixtures and equipment	27,016	27,016	27,016	26,454
	162,258	$ 149,498	148,826	$ 148,264
Less: accumulated amortization	(149,498)		(148,264)	
	$ 12,760		$ 562	

4. DEFERRED CONTRIBUTIONS

Deferred contributions consists of the unexpended portion of restricted grants and contributions. Deferred contributions are comprised of the following:

	2021	2020
Balance, beginning of year	$ 21,637	$ 43,764
Add: contributions received	1,015,552	873,666
Less: contributions recognized as revenue	(1,004,615)	(871,006)
Less: contributions repayable	-	(24,787)
Balance, end of year	$ 32,574	$ 21,637

The year-end balances are made up as follows:

	2021	2020
TCHC Rivertowne	$ 2,207	$ 2,207
New Horizons	18,657	2,960
Toronto Urban	4,994	16,470
Wells Fargo Literacy Program	6,716	-
	$ 32,574	$ 21,637

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are contributions that were received relating to capital assets and consist of the following:

	2021	2020
Balance, beginning of year	$ -	$ -
Add: capital contributions received	5,700	-
Balance, end of year	$ 5,700	$ -

6. REPAYABLE TO FUNDERS

The year-end balances are made up as follows:

	2021	2020
City of Toronto, Access & Equity Grant	$ 14,000	$ 14,000
City of Toronto, River	10,787	10,787
	$ 24,787	$ 24,787

The City of Toronto directed the Centre to suspend programming related the above contributions. The Centre intends to meet with the City in 2022 to determine whether the funds need to be returned or if they can be redirected to another program or project.

7. POST-EMPLOYMENT BENEFITS AND LONG-TERM AMOUNT DUE FROM 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 July 1, 2008, unused sick leave accumulates and eligible retirees are entitled to a cash payment when they leave 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, 2021 with projections to December 31, 2024. 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 6.0%
- rate of compensation increase 3.0% to 3.5%
- discount rates - post-retirement 2.7%, post-employment 2.0%, sick leave 2.1%

Information about the Centre's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

	2021	2020
Post-retirement benefits	$ 119,282	$ 88,797
Add: Unamortized actuarial gain	(13,601)	3,004
Post-employment benefit liability	$ 105,681	$ 91,801

The continuity of the accrued benefit obligation is as follows:

	2021	2020
Balance, beginning of year	$ 91,801	$ 80,119
Current service cost	7,818	6,190
Interest cost	1,923	2,024
Amortization of actuarial (gain) loss	5,053	4,260
Expected benefits paid	(914)	(792)
Balance, end of year	$ 105,681	$ 91,801

A long-term receivable of $105,681 (2020 - $91,801) 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.

7. 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 $52,111 (2020 - $53,245).

The most recent actuarial valuation of the Plan as at December 31, 2021 indicates that the Plan is in a deficit position and the Plan's December 31, 2021 financial statements indicate a net deficit of $69 million (a deficit of $3.131 billion plus adjustment of $3.062 billion of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a 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. 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 the deficit will be expensed during the period incurred.

8. 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.

	2021 Budget (unaudited)	2021	2020
Budgeted administration expenses:			
Salaries and wages	$ 561,236	$ 557,184	$ 515,063
Employee benefits	158,226	157,075	145,830
Materials and supplies	79,124	79,084	61,246
Purchase of services	77,416	72,662	58,782
	876,002	866,005	780,921
Less: rental revenue	(39,400)	(39,364)	(39,364)
	$ 836,602	$ 826,641	$ 741,557
Centre's actual administration revenue:			
Administration budget		$ 836,602	$ 774,445
Rental revenue		39,364	39,364
		875,966	813,809
Difference in budget and amount funded		5,376	-
		$ 881,342	$ 813,809
Centre's actual administration expenses:			
Administration expenses		$ 866,005	$ 780,921
Adjustment for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term amount due from City of Toronto		(13,880)	(11,682)
Vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto		(3,863)	(30,035)
		$ 848,262	$ 739,204
Administration expenses under approved budget		$ 33,080	$ 74,605

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

The Due (to) from City of Toronto balance is comprised of:

	2021	2020
2016 deficit receivable	$ 8	$ 8
2019 surplus payable	-	(1,114)
2020 surplus payable	(74,605)	(74,605)
2021 surplus payable	(33,080)	-
	(107,677)	(75,711)
Vacation pay	33,898	30,035
	$ (73,779)	$ (45,676)

9. **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, 2023 and was approved in 2021.

Included in donations on the statement of operations is $38,639 (2020 - $5,000) from the Organization. Included in accounts receivable is $21,354 (2020 - $7,140) due from the Organization. The Centre provides on-going administrative support to the Organization at no cost.

10. **LEASE COMMITMENTS**

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

2022	$ 2,172
2023	2,172
2024	2,172
2025	2,172
2026	543
	$ 9,231

11. **INTERNALLY RESTRICTED - CAPITAL RESERVES**

	Balance at beginning of year	Transfers	Balance at end of year
Strategic Plan Reserve	$ -	$ 15,000	$ 15,000

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 2021, the Board of Management approved a transfer of $15,000 from Unrestricted Net Assets to the Strategic Plan Reserve. (2020 - $12,011 from the Strategic Plan Reserve to Unrestricted Net Assets).

12. INTERNALLY RESTRICTED - OPERATING RESERVES

	Balance at beginning of year	Transfers	Balance at end of year
Breakfast Program Reserve	$ 5,430	$ 12,350	$ 17,780

The Breakfast Program Reserve represents funds set aside by the Board of Management for the breakfast program. In 2021, the Board of Management approved a transfer of $12,350 (2020 - $5,430) from Unrestricted Net Assets to Breakfast Program Reserve.

13. 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 COVID-19.

On March 13, 2020, the Centre closed in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. While the building was closed, the Centre continues to provide services for the community. The Centre reopened to the public in September 2020 for limited in-person services, like the computer drop-in program but, following public health guidelines, capacity was reduced and room rentals discontinued. During 2021, the Centre experienced frequent and unscheduled closures, following the public health guidelines. Going into 2022, the Centre expects to return to pre-COVID operating hours by the second quarter of the fiscal year. The Centre's largest fundraising event, the Annual Cornerstone Fundraiser, planned for mid-May was cancelled for both 2020 and 2021 as part of the impact of COVID-19. The 2022 fundraiser has been planned to take place in May 2022, it includes a remote element in the event that there is another unscheduled closure.

A 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 may be impacted or the severity of the impact. Consequently, the effects of any subsequent outbreaks or a decline in economic activity may have on the Centre's operations, assets, liabilities, revenues and expenses are unknown at this time.

14. 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 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.

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

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 earns 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.

15. **COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE

PROGRAM INCOME STATEMENT - SUMMER CAMPS

YEAR ENDED DECEMBER 31, 2021

(supplemental information - unaudited)

	2021	2020
Revenue		
Grants		
City of Toronto Children's Services	$ 11,000	$ 11,000
Toronto Star Foundation	10,000	10,000
Government of Canada	55,357	22,580
Fundraising and other revenue	2,200	-
	78,557	43,580
Expenses		
Salaries and wages	63,195	29,952
Employee benefits	6,452	3,523
Purchase of services	6,294	986
	75,941	34,461
Program surplus	$ 2,616	$ 9,119

April 22, 2022

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 December 31, 2021 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2021, 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.

Welch LLP - Chartered Professional Accountants
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An Independent Member of BKR International

Issue #1 - Petty Cash

During the course of the audit, we noted that many of the petty cash balances had not been reconciled at year-end. Per discussions with management, petty cash is to be reconciled when a new cheque is required to replenish the funds, when a program ends, and at year-end. Management should ensure that any policies and procedures in place with respect to petty cash are followed by the staff. If petty cash is not counted on a regular basis, it could result in petty cash purchases not being recorded properly and/or misappropriation of cash. We recommend that the Centre ensure that petty cash balances are reconciled on a monthly basis, where possible. Additionally, we recommend that each petty cash be counted at least annually by a person in the finance department and that the count be reconciled to the balance expected to be on hand as well as the balance per the general ledger.

Management's Comments

*Management concurs with the recommendation. The existing **Finance Policy and Procedures** requires that petty cash funds be reconciled when the float needs to be replenished, as well as at the end of the year. Due to a breakdwon in communications, it was not understood that several of the petty cash funds were no longer needed and should have been reconciled and closed. This oversight was not detected at the end of the year. Although much of this lapse is the result of COVID-related shutdowns and staff working remotely, management will make appropriate amendments to the petty cash procedures.*

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

Christa Casey, CPA, CA
Partner