

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA
For the year ended
DECEMBER 31, 2021

Management's Responsibility for the Financial Statements

The financial statements of the Committee of Management of McCormick Playground Arena (the "Arena") are the responsibility of management and have been approved by the Board of Management.

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.

Luis Silva

..... Chairperson

Paul Romain

..... Treasurer

INDEPENDENT AUDITOR'S REPORT

To the members of the

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

Opinion

We have audited the accompanying financial statements of the Committee of McCormick Playground Arena (the "Arena"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Arena as at December 31, 2021 and the results of its operations, changes in net debt 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.

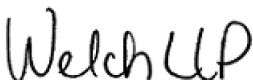
Auditor's Responsibilities for the Audit of the Financial Statements

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
September 28, 2022.

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash	\$ 153,666	\$ 291,690
Accounts receivable	-	6,155
Due from City of Toronto - operating deficit (note 6)	225,926	236,804
Government remittances receivable	<u>-</u>	<u>2,054</u>
	<u>379,592</u>	<u>536,703</u>
LIABILITIES		
Accounts payable and accrued liabilities	94,980	230,319
Deferred revenue	3,240	27,920
Due to City of Toronto - working capital advance	10,000	10,000
Due to City of Toronto - loan payable (note 7)	271,715	271,715
Due to City of Toronto - loan interest (note 7)	<u>1,490</u>	<u>-</u>
	<u>381,425</u>	<u>539,954</u>
NET SURPLUS (DEBT)	<u>(1,833)</u>	<u>(3,251)</u>
NON-FINANCIAL ASSETS		
Inventories	3,251	3,251
Tangible capital assets (note 4)	<u>165,986</u>	<u>181,864</u>
	<u>169,237</u>	<u>185,115</u>
ACCUMULATED SURPLUS	<u>\$ 167,404</u>	<u>\$ 181,864</u>

Approved by the Board:

Luis Silva

..... Chair

Paul Romain

..... Member

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u> (unaudited)	<u>2021</u>	<u>2020</u>
Revenue			
Ice rentals	\$ 648,000	\$ 277,213	\$ 225,687
Emergency funding from City of Toronto (note 9)	-	417,510	345,000
Pro shop operations (Schedule A)	5,011	24	2,285
Snack bar and vending machine operations (Schedule A)	3,448	210	(1,322)
Other	<u>6,500</u>	<u>1,041</u>	<u>5,732</u>
	<u>662,959</u>	<u>695,998</u>	<u>577,382</u>
Expenses			
Salaries and wages	406,911	373,548	369,313
Utilities	213,850	126,585	102,640
Employee benefits	111,410	109,146	106,182
Maintenance and repairs	45,600	43,338	24,762
General administration	21,506	12,234	13,302
Insurance	12,000	284	13,322
Professional fees	5,985	7,985	5,760
Amortization	-	14,460	3,715
	<u>817,262</u>	<u>687,580</u>	<u>638,996</u>
Excess of revenue over expenses (expenses over revenue)	(154,303)	8,418	(61,614)
Vehicle and equipment reserve contribution (note 8)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>
Operating surplus (deficit)	<u>\$ (166,303)</u>	(3,582)	(73,614)
Net expenditure receivable (surplus payable) to the City of Toronto (note 5)		<u>(10,878)</u>	<u>249,159</u>
Annual surplus (deficit)		(14,460)	175,545
Accumulated surplus, beginning of year		<u>181,864</u>	<u>6,319</u>
Accumulated surplus, end of year		<u>\$ 167,404</u>	<u>\$ 181,864</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Annual surplus	\$ (14,460)	\$ 175,545
Disposition (acquisition) of tangible capital assets	1,418	(179,260)
Utilization (purchase) of inventories, net	-	1,591
Amortization of tangible capital assets	<u>14,460</u>	<u>3,715</u>
Change in net debt	1,418	1,591
Net debt, beginning of year	<u>(3,251)</u>	<u>(4,842)</u>
Net debt, end of year	<u>\$ (1,833)</u>	<u>\$ (3,251)</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	\$ (14,460)	\$ 175,545
Adjustments for:		
Amortization	<u>14,460</u>	<u>3,715</u>
	-	179,260
Non-cash changes to operations:		
Accounts receivable	6,155	33,665
Due from City of Toronto - operating deficit	10,878	(236,804)
Government remittances receivable	2,054	(2,054)
Accounts payable and accrued liabilities	(135,339)	193,671
Due to City of Toronto - operating surplus	-	(10,483)
Deferred revenue	(24,680)	16,377
Due to the City of Toronto - loan interest	1,490	-
Inventories	<u>-</u>	<u>1,591</u>
	<u>(139,442)</u>	<u>175,223</u>
INVESTING TRANSACTIONS		
Disposition (purchase) of tangible capital assets	<u>1,418</u>	<u>(179,260)</u>
FINANCING ACTIVITIES		
Due to the city of Toronto- loan	<u>-</u>	<u>271,715</u>
INCREASE IN CASH BALANCE	(138,024)	267,678
CASH, BEGINNING OF YEAR	<u>291,690</u>	<u>24,012</u>
CASH, END OF YEAR	<u>\$ 153,666</u>	<u>\$ 291,690</u>

(See accompanying notes)

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

1. NATURE OF OPERATIONS

The Committee of Management of McCormick Playground 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.319-71, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto.

Under the By-Law, the Committee of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Committee 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.

The Committee 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 Committee of Management ceasing to function for any reason.

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 paid 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 accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deferred revenue and amounts due to City of Toronto.

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.

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:

Leasehold improvements	- 15 years
Furniture and equipment	- 5 years

Construction-in-progress represents lighting improvements on which construction work has not been completed. Construction-in-progress is stated at cost. On completion, construction-in-progress are transferred to other tangible capital assets and begin amortization.

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

Contributed materials and services

Major capital expenditures are financed by the City of Toronto, which 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.

Employee related costs

The Arena has adopted the following policies with respect to the employee benefit plan:

The City of Toronto offers a multi-employer defined benefit pension 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.

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 collectibility of accounts receivable balances, useful life of its tangible assets, and significant accrued liabilities. 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 estimates are revised and in any future years affected.

3. **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 and accounts receivable. The Arena's cash is 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 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Arena's cash earns interest at prevailing market rates and the interest rate exposure related to this financial instrument is negligible.

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2021

3. FINANCIAL INSTRUMENTS - Cont'd.

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, accrued liabilities and amounts due to the City of Toronto.

The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Arena believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

Changes in risk

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

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Construction-in-progress	\$ -	\$ -	\$ 179,260	\$ -
Leasehold improvements	177,842	11,856	-	-
Furniture and equipment	<u>51,358</u>	<u>51,358</u>	<u>51,358</u>	<u>48,754</u>
	229,200	\$ 63,214	230,618	\$ 48,754
Less: accumulated amortization	<u>(63,214)</u>		<u>(48,754)</u>	
	<u>\$ 165,986</u>		<u>\$ 181,864</u>	

5. OPERATING SURPLUS (DEFICIT) DUE TO (FROM) THE CITY OF TORONTO

The amount due to (from) the City of Toronto consists of the following:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ (236,804)	\$ 10,483
Current year's operating surplus (deficit)	(3,582)	(73,614)
Current year's capital assets purchases	-	(179,260)
Current year's amortization	<u>14,460</u>	<u>3,715</u>
Net expenditure payable (receivable) from the City of Toronto	10,878	(249,159)
Received during the current year	<u>-</u>	<u>1,872</u>
Balance, end of year	<u>\$ (225,926)</u>	<u>\$ (236,804)</u>

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

2019 surplus	\$ (12,355)	\$ (12,355)
2020 deficit	249,159	249,159
2021 surplus	<u>(10,878)</u>	<u>-</u>
	<u>\$ 225,926</u>	<u>\$ 236,804</u>

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2021

6. **LOANS PAYABLE**

In October 2020, the Arena obtained a loan from the City of Toronto for the implementation of energy efficient projects. The maximum loan amount was \$600,601 and as at December 31, 2021, \$271,715 was disbursed. The loan bears interest at 2.20% and interest begins to accrue on October 1, 2021. The loan is repayable commencing on January 1, 2022, over quarterly installments for a period of 15 years.

Principal repayments over the next five years are estimated to be as follows:

2022	\$	15,466
2023		15,809
2024		16,160
2025		16,518
2026		16,885
Thereafter		190,878

7. **EMPLOYEE-RELATED LIABILITIES**

The Arena 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 \$37,043 in 2021 (2020 - \$36,507).

The most recent actuarial valuation of the Plan as at December 31, 2021 indicates the Plan is 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 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. At this time, 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. **VEHICLE AND EQUIPMENT REPLACEMENT RESERVE**

This reserve represents contributions made to the City of Toronto for the financing of replacement ice resurfacer machines in future years. The contribution for the year was \$12,000 (2020 - \$12,000).

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 \$417,510 (2020 - \$345,000) 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.

COMMITTEE OF MANAGEMENT OF MCCORMICK PLAYGROUND ARENA
YEAR ENDED DECEMBER 31, 2021

SNACK BAR AND VENDING MACHINE OPERATIONS

	<u>Budget</u> (unaudited)	<u>2021</u>	<u>2020</u>
Sales			
Snack bar	\$ 6,000	\$ -	\$ 586
Vending machine	<u>15,000</u>	<u>416</u>	<u>4,272</u>
	21,000	416	4,858
Cost of goods sold	<u>12,972</u>	<u>205</u>	<u>4,277</u>
Gross profit	8,028	211	581
Wages - snack bar	<u>4,580</u>	<u>-</u>	<u>1,903</u>
Net revenue (expense)	<u>\$ 3,448</u>	<u>\$ 211</u>	<u>\$ (1,322)</u>

PRO SHOP OPERATIONS

	<u>Budget</u> (unaudited)	<u>2021</u>	<u>2020</u>
Sales	\$ 7,000	\$ 24	\$ 2,285
Cost of goods sold	<u>1,989</u>	<u>-</u>	<u>-</u>
Gross profit	<u>\$ 5,011</u>	<u>\$ 24</u>	<u>\$ 2,285</u>

September 28, 2022

Committee of Management of McCormick Playground Arena
179 Brock Avenue
Toronto, Ontario
M6K 2L7

PRIVATE AND CONFIDENTIAL

Attention: Committee of Management,
Arena Manager

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.

Issue #1 - Balance due to City of Toronto

During the course of our 2022 fiscal audit, we noted that \$11,308 the Arena had setup a hydro accrual in 2018 for a March 2018 hydro bill yet to be received that has not been reversed since. In previous years, we were advised that the Arena would be in touch with the City to address the missed bill, however the bill has still not been received at the time of our audit work in 2022. It should be noted that this balance owing does not reconcile to the City's books. We recommend that the Arena Manager work with City staff in order to address the discrepancy appropriately.

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

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

A handwritten signature in black ink that reads "Christa Casey". The signature is written in a cursive style with a large initial "C".

Christa Casey, CPA, CA
Partner