ATTACHMENT 4

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

For

BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

For the year ended

DECEMBER 31, 2022

Management's Responsibility for the Financial Statements

The financial statements of the Board of Management for Community Centre 55 (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 for government not-for-profit organizations, 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.

. . . . Chairperson

. . . . Treasurer

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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 COMMUNITY CENTRE 55

Opinion

We have audited the financial statements of the Board of Management for Community Centre 55 (the Centre), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2022 and the 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 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 Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 24, 2023.

BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 1,323	$ 5,381
Accounts receivable	72,869	57,866
	74,192	63,247
DUE FROM CITY OF TORONTO (note 3)	298,273	269,338
	$ 372,465	$ 332,585
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 5)	$ 31,396	$ 42,958
Due to Community Centre 55 charity (note 6)	26,476	9,612
Due to City of Toronto (note 4)	16,320	10,677
	74,192	63,247
POST-EMPLOYMENT BENEFITS PAYABLE (note 3)	298,273	269,338
	372,465	332,585
NET ASSETS	-	-
	$ 372,465	$ 332,585

Approved by the Board:

. . . . Chair

. . . . Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	2022	2021
Revenue		
City of Toronto	$ 809,583	$ 760,683
Expenses		
Salaries and wages	502,289	433,944
Employee benefits	151,434	145,180
Materials and supplies	101,254	132,791
Purchase of services	54,606	48,768
	809,583	760,683
Net revenue over expenses and net assets, beginning and end of year	$ -	$ -

(See accompanying notes)

BOARD OF MANAGEMENT FOR COMMUNITY CENTRE 55

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net revenue over expenses	$ -	$ -
Increase (decrease) resulting from changes in:		
Accounts receivable	(15,003)	(18,411)
Long-term amount due from City of Toronto	(28,935)	(20,983)
Due to City of Toronto	5,643	(2,594)
Accounts payable and accrued liabilities	(11,562)	16,211
Due to Community Centre 55	16,864	923
Post-employment benefits payable	28,935	20,983
DECREASE IN CASH	(4,058)	(3,871)
CASH, BEGINNING OF YEAR	5,381	9,252
CASH, END OF YEAR	$ 1,323	$ 5,381

(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 97 Main Street, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Community Centre 55 (the "Centre"). 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 Canadian public sector accounting standards for government not-for-profit organizations ("PSAS-GFNPO"), including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position.

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, accounts receivable, due from City of Toronto, and long-term amounts due from City of Toronto. Financial liabilities measured at amortized cost include due to City of Toronto, accounts payable and accrued liabilities, deferred contributions, due to Community Centre 55 charity, and post-employment benefits payable.

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

Contributed material 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.

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 PSAS-GNFPO 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 significant accrued liabilities and the post-employment benefits liabilities and the related costs 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. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

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 can be taken in cash by an 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, individual sick banks were locked with no further accumulation. Grandfathered management staff remains 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 upon length of service and an individual's 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, 2022 with projections to December 31, 2024. Assumptions used to project the accrued benefit obligations 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 4.7%, post-employment 4.1%, sick leave 4.2%

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

	2022	2021
Post-retirement benefits	$ 187,137	$ 219,829
Less: unamortized actuarial gain	111,136	49,509
Post-employment benefit liability	$ 298,273	$ 269,338

The continuity of the accrued benefit obligation is as follows:

	2022	2021
Balance, beginning of year	$ 269,338	$ 248,355
Current service cost	21,932	17,621
Interest cost	6,528	5,547
Amortization of actuarial gain	475	4,593
Expected benefits paid	-	(6,778)
	$ 298,273	$ 269,338

3. **POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY** - Cont'd.

A long-term receivable of $298,273 (2021 - $269,338) 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 management staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its 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 $48,955 in 2022 (2021 - $41,544).

The most recent actuarial valuation of the Plan as at December 31, 2022 indicates that the Plan is in a deficit position and the Plan's December 31, 2022 financial statements indicate a net deficit of $6,100 million (a deficit of $6,678 million plus adjustment of $578 million 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.

4. **FUNDS PROVIDED BY THE CITY OF TORONTO**

Funding for administration expenditures 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.

	2022 Budget (unaudited)	2022	2021
Administration expenses:			
Salaries and wages	$ 502,300	$ 502,289	$ 433,944
Employee benefits	151,440	151,434	145,180
Materials and supplies	85,601	101,254	132,791
Purchase of services	60,207	54,606	48,768
	$ 799,548	$ 809,583	$ 760,683
Centre's actual administration revenue:			
Administration budget		$ 799,548	$ 798,237
Difference in budget and amount funded		-	(61,117)
		799,548	737,120
Centre's actual administration expenses:			
Administration expenses		$ 809,583	$ 760,683
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto		(28,935)	(20,983)
		780,648	739,700
Administration expenses under (over) approved budget		$ 18,900	$ (2,580)

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

The Due to City of Toronto balances are comprised of:

	2022	2021
2020 surplus payable	$ -	$ (13,257)
2021 deficit receivable	2,580	2,580
2022 surplus payable	(18,900)	-
	$ (16,320)	$ (10,677)

5. **GOVERNMENT REMITTANCES PAYABLE**

Included in accounts payable and accrued liabilities are government remittances payable of $nil (2021 - $4,306) related to payroll deductions.

6. **CONTROLLED NOT-FOR-PROFIT AND RELATED PARTY BALANCES**

The Centre controls Community Centre 55 (the "Charity"), a charitable organization. The Charity runs the Centre's programs. The Charity is incorporated without share capital under the name Community Centre 55 and is a registered charity under the Income Tax Act. The Centre provides all administrative resources to the Charity and the Charity operates to assist the Centre in achieving its mandates.

The Charity has not been consolidated in the Centre's financial statements. Financial summaries of the Charity as at December 31, 2022 and 2021 and for the years then ended are as follows:

Financial Position

	2022	2021
Total assets	$ 2,273,621	$ 2,379,569
Total liabilities	$ 329,067	$ 151,505
Total net assets	1,944,554	2,228,064
Total liabilities and net assets	$ 2,273,621	$ 2,379,569

Operations

	2022	2021
Total revenue	$ 2,401,619	$ 2,743,940
Total expenses	2,685,129	1,959,383
Excess of revenue over expenses (expenses over revenue)	$ (283,510)	$ 784,557

Cash Flows

	2022	2021
Cash from (used in) operating activities	$ (171,219)	$ 898,578
Cash from (used in) investing activities	41,389	(888,860)
Cash from (used in) capital activities	-	(43,818)
Increase (decrease) in cash	$ (129,830)	$ (34,100)

6. **CONTROLLED NOT-FOR-PROFIT AND RELATED PARTY BALANCES** - Cont'd.

Balances owing to the Charity are as follows:

	2022	2021
Cash advance from the Charity for cash flow purposes	$ (26,476)	$ (9,612)
Due to Community Centre 55 charity	$ (26,476)	$ (9,612)

All transactions occur in the normal course of business and are recorded at their exchange amount which is the amount agreed upon by the related parties. All advances from the Charity are unsecured, non-interest bearing and have no specified terms of repayment.

7. **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 Centre’s financial instruments.

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 is deposited with Canadian chartered banks and as a result management believes the risk of loss on this item to be remote. Management believes that the Centre’s credit risk with respect to 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 Centre will encounter difficulty in meeting obligations associated with financial liabilities, which 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 transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

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

Market risk - Cont'd.

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 refers to the risk that the fair value of financial instruments or future cash flows associated with financial instruments will fluctuate because of changes in market prices (other than those arising form 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.

April 24, 2023

Board of Management for Community Centre 55
97 Main Street
Toronto, Ontario
M4E 2V6

PRIVATE AND CONFIDENTIAL

Attention: Mr. Reza Khoshdel
Executive Director

Dear Reza:

Re: Audit of the December 31, 2022 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2022, 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 you.

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Issue #1 – Review and approval of bank reconciliations

During the course of our audit, we noted that bank reconciliations are being prepared on a monthly basis however there is no evidence that the bank reconciliations are being reviewed and approved. In discussion with the Business Manager, we were told the bank reconciliations were being prepared but approval has not yet been obtained due to certain circumstances. We recommend bank reconciliations be reviewed and initialed in a timely manner.

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