

**FINANCIAL STATEMENTS**  
**For**  
**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**  
**For the year ended**  
**DECEMBER 31, 2022**

**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.

*Heather Simpson*

..... Chairperson

*Caleb Edwards*

..... Treasurer

**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, 2022, 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, 2022 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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and unrestricted net assets as at January 1 and December 31, 2021 and 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 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.

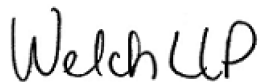
Those charged with governance are responsible for overseeing the Centre's financial reporting process.

### *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.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
May 24, 2023.

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 168,244	\$ 252,153
Due from City of Toronto (note 8)	28,343	33,898
Accounts receivable (note 10)	46,790	51,645
Prepaid expenses	<u>3,398</u>	<u>5,376</u>
	246,775	343,072
<b>DUE FROM CITY OF TORONTO</b> (note 8)	124,534	105,681
<b>TANGIBLE CAPITAL ASSETS</b> (note 3)	<u>11,417</u>	<u>12,760</u>
	<u>\$ 382,726</u>	<u>\$ 461,513</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Due to City of Toronto (note 8)	\$ 5,522	\$ 107,677
Accounts payable and accrued liabilities (note 9)	121,740	126,122
Deferred contributions (note 4)	19,006	32,574
Repayable to funders (note 6)	<u>-</u>	<u>24,787</u>
	146,268	291,160
<b>POST-EMPLOYMENT BENEFITS</b> (note 7)	124,534	105,681
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (note 5)	<u>6,450</u>	<u>5,700</u>
	<u>277,252</u>	<u>402,541</u>
<b>NET ASSETS</b>		
Internally restricted - Invested in tangible capital assets (note 14)	4,967	7,060
Internally restricted - Capital reserves (note 12)	15,000	15,000
Internally restricted - Operating reserves (note 13)	16,580	17,780
Unrestricted	<u>68,927</u>	<u>19,132</u>
	<u>105,474</u>	<u>58,972</u>
	<u>\$ 382,726</u>	<u>\$ 461,513</u>

Approved by the Board:

*Heather Simpson*

..... 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, 2022**

	Internally Restricted					
	Invested in Tangible Capital Assets (note 14)	Capital Reserves (note 12)	Operating Reserves (note 13)	<u>Unrestricted</u>	<u>Total 2022</u>	<u>Total 2021</u>
Net assets, beginning of year	\$ 7,060	\$ 15,000	\$ 17,780	\$ 19,132	\$ 58,972	\$ 46,342
Net revenue over expenses (expenses over revenue)	(593)	-	-	47,095	46,502	12,630
Interfund transfers (notes 12 and 13)	-	-	(1,200)	1,200	-	-
Net investment in tangible capital assets	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 4,967</u>	<u>\$ 15,000</u>	<u>\$ 16,580</u>	<u>\$ 68,927</u>	<u>\$ 105,474</u>	<u>\$ 58,972</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2022**

	<u>Program</u>	<u>Administration</u>	<u>2022</u>	<u>2021</u>
<b>Revenue</b>				
Grants				
City of Toronto (note 8)	\$ 97,913	\$ 842,541	\$ 940,454	\$ 910,514
Government of Canada	77,614	-	77,614	63,660
Foundations	10,705	-	10,705	15,771
Other	<u>26,562</u>	<u>-</u>	<u>26,562</u>	<u>14,670</u>
	212,794	842,541	1,055,335	1,004,615
Donations (note 10)	18,921	-	18,921	38,849
Fundraising	16,629	-	16,629	1,280
Rental income	20,148	39,364	59,512	44,130
User fees	137,404	-	137,404	49,374
Other revenue	<u>1,991</u>	<u>-</u>	<u>1,991</u>	<u>14,004</u>
	<u>407,887</u>	<u>881,905</u>	<u>1,289,792</u>	<u>1,152,252</u>
<b>Expenses</b>				
Salaries and wages	235,191	580,516	815,707	732,846
Employee benefits	41,964	168,134	210,098	193,591
Materials and supplies	11,141	65,590	76,731	82,449
Purchase of services	71,746	67,665	139,411	129,502
Amortization of tangible capital assets	<u>1,343</u>	<u>-</u>	<u>1,343</u>	<u>1,234</u>
	<u>361,385</u>	<u>881,905</u>	<u>1,243,290</u>	<u>1,139,622</u>
<b>Net revenue over expenses</b>	<u>\$ 46,502</u>	<u>\$ -</u>	<u>\$ 46,502</u>	<u>\$ 12,630</u>

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net revenue over expenses	\$ 46,502	\$ 12,630
Adjustments for:		
Amortization of tangible capital assets	1,343	1,234
Amortization of deferred capital contributions	<u>(750)</u>	<u>-</u>
	47,095	13,864
Changes in non-cash working capital components:		
Due from City of Toronto	5,555	(3,863)
Accounts receivable	4,855	(24,148)
Prepaid expenses	1,978	(1,004)
Long-term amount due from City of Toronto	(18,853)	(13,880)
Due to City of Toronto	(102,155)	31,966
Accounts payable and accrued liabilities	(4,382)	45,639
Deferred contributions	(13,568)	10,937
Post-employment benefits	18,853	13,880
Repayable to funders	<u>(24,787)</u>	<u>-</u>
	<u>(85,409)</u>	<u>73,391</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	<u>-</u>	<u>(13,432)</u>
<b>FINANCING ACTIVITIES</b>		
Capital contribution received	<u>1,500</u>	<u>5,700</u>
<b>INCREASE (DECREASE) IN CASH</b>	(83,909)	65,659
<b>CASH, BEGINNING OF YEAR</b>	<u>252,153</u>	<u>186,494</u>
<b>CASH, END OF YEAR</b>	\$ <u>168,244</u>	\$ <u>252,153</u>

(See accompanying notes)



**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2022**

**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").

*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.

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**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.

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**3. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Building and kitchen improvements	\$ 95,532	\$ 84,115	\$ 95,532	\$ 82,772
Computer hardware	39,710	39,710	39,710	39,710
Furniture, fixtures and equipment	<u>27,016</u>	<u>27,016</u>	<u>27,016</u>	<u>27,016</u>
	162,258	<u>\$ 150,841</u>	162,258	<u>\$ 149,498</u>
Less: accumulated amortization	<u>(150,841)</u>		<u>(149,498)</u>	
	<u>\$ 11,417</u>		<u>\$ 12,760</u>	

**4. DEFERRED CONTRIBUTIONS**

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 32,574	\$ 21,637
Add: contributions received	1,016,980	1,015,552
Less: contributions recognized as revenue	(1,055,335)	(1,004,615)
Add: contributions no longer payable	<u>24,787</u>	<u>-</u>
Balance, end of year	<u>\$ 19,006</u>	<u>\$ 32,574</u>

The year-end balances are made up as follows:

TCHC Rivertowne	\$ 2,207	\$ 2,207
City of Toronto River	-	18,657
Toronto Urban	-	4,994
Toronto River	10,787	-
Wells Fargo Literacy Program	<u>6,012</u>	<u>6,716</u>
	<u>\$ 19,006</u>	<u>\$ 32,574</u>

**5. DEFERRED CAPITAL CONTRIBUTIONS**

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 5,700	\$ -
Add: capital contributions received	1,500	5,700
Less: amounts recognized as revenue	<u>(750)</u>	<u>-</u>
Balance, end of year	<u>\$ 6,450</u>	<u>\$ 5,700</u>

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**6. REPAYABLE TO FUNDERS**

The year-end balances are made up as follows:

	<u>2022</u>	<u>2021</u>
City of Toronto, Access & Equity Grant	\$ -	\$ 14,000
City of Toronto, River	<u>-</u>	<u>10,787</u>
	<u>\$ -</u>	<u>\$ 24,787</u>

In 2021, the City of Toronto directed the Centre to suspend programming related the above contributions. After meeting with the City of Toronto in 2022, they agreed to redirect the funds to Summer programs.

**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, 2022 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 4.7%, post-employment 4.1%, sick leave 4.2%

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**7. POST-EMPLOYMENT BENEFITS AND LONG-TERM AMOUNT  
DUE FROM CITY OF TORONTO - Cont'd.**

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

	<u>2022</u>	<u>2021</u>
Post-retirement benefits	\$ 106,765	\$ 119,282
Add: Unamortized actuarial gain	<u>17,769</u>	<u>(13,601)</u>
Post-employment benefit liability	<u>\$ 124,534</u>	<u>\$ 105,681</u>

The continuity of the accrued benefit obligation is as follows:

Balance, beginning of year	\$ 105,681	\$ 91,801
Current service cost	9,764	7,818
Interest cost	3,345	1,923
Amortization of actuarial (gain) loss	6,546	5,053
Expected benefits paid	<u>(802)</u>	<u>(914)</u>
Balance, end of year	<u>\$ 124,534</u>	<u>\$ 105,681</u>

A long-term receivable of \$124,534 (2021 - \$105,681) 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.

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 \$50,306 (2021 - \$53,245).

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.

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**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.

	2022 <u>Budget</u> (unaudited)	<u>2022</u>	<u>2021</u>
<b>Budgeted administration expenses:</b>			
Salaries and wages	\$ 534,211	\$ 580,516	\$ 557,184
Employee benefits	146,501	168,134	157,075
Materials and supplies	83,892	65,590	79,084
Purchase of services	<u>76,488</u>	<u>67,665</u>	<u>72,662</u>
	841,092	881,905	866,005
Less: rental revenue	<u>(39,400)</u>	<u>(39,364)</u>	<u>(39,364)</u>
	<u>\$ 801,692</u>	<u>\$ 842,541</u>	<u>\$ 826,641</u>
<b>Centre's actual administration revenue:</b>			
Administration budget		\$ 801,692	\$ 836,602
Rental revenue and other		<u>39,364</u>	<u>39,364</u>
		841,056	875,966
Difference in budget and amount funded		<u>-</u>	<u>5,376</u>
		<u>\$ 841,056</u>	<u>\$ 881,342</u>
<b>Centre's actual administration expenses:</b>			
Administration expenses		\$ 881,905	\$ 866,005
Adjustment for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term amount due from City of Toronto		(18,854)	(13,880)
Vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto		<u>5,555</u>	<u>(3,863)</u>
		<u>\$ 868,606</u>	<u>\$ 848,262</u>
Administration expenses over (under) approved budget		<u>\$ (27,550)</u>	<u>\$ 33,080</u>

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

	<u>2022</u>	<u>2021</u>
2016 surplus payable	\$ 8	\$ 8
2020 surplus payable	-	(74,605)
2021 surplus payable	(33,080)	(33,080)
2022 deficit receivable	<u>27,550</u>	<u>-</u>
	(5,522)	(107,677)
Vacation pay	<u>28,343</u>	<u>33,898</u>
	<u>\$ 22,821</u>	<u>\$ (73,779)</u>

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2022</u>	<u>2021</u>
Vacation pay accrued liability	\$ 36,713	\$ 40,793
Other payables and accrued liabilities	<u>85,027</u>	<u>85,329</u>
	<u>\$ 121,740</u>	<u>\$ 126,122</u>

**10. 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.

During the year, \$17,751 (2021 - \$38,639) of donations and \$11,235 (2021 - \$nil) of fundraising from the Organization was recognized as revenue on the statement of operations. Included in accounts receivable is \$28,986 (2021 - \$21,354) due from the Organization. The Centre provides on-going administrative support to the Organization at no cost.

**11. LEASE COMMITMENTS**

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

2023	\$ 2,172
2024	2,172
2025	2,172
2026	<u>543</u>
	<u>\$ 7,059</u>

**12. INTERNALLY RESTRICTED - CAPITAL RESERVES**

	Balance at beginning <u>of year</u>	<u>Transfers</u>	Balance at end <u>of year</u>
Strategic Plan Reserve	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>

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 2022, the Board of Management approved a transfer of \$nil from Unrestricted Net Assets to the Strategic Plan Reserve. (2021 - \$15,000).

**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**13. INTERNALLY RESTRICTED - OPERATING RESERVES**

	Balance at beginning of year	Transfers	Balance at end of year
Breakfast Program Reserve	\$ 17,780	\$ (1,200)	\$ 16,580

The Breakfast Program Reserve represents funds set aside by the Board of Management for the breakfast program. In 2022, the Board of Management approved a transfer of \$1,200 from Breakfast Program Reserve to Unrestricted Net Assets (2021 - \$12,350 from Unrestricted Net Assets to Breakfast Program Reserve).

**14. INVESTED IN CAPITAL ASSETS**

Investment in tangible capital assets is calculated as follows:

	2022	2021
Tangible capital assets	\$ 11,417	\$ 12,760
Amounts financed by deferred capital contributions	(6,450)	(5,700)
	<u>\$ 4,967</u>	<u>\$ 7,060</u>

Change in net assets invested in tangible capital assets is calculated as follows:

	2022	2021
Net revenue over expenses (expenses over revenue)		
Amortization of deferred capital contributions	\$ 750	\$ -
Amortization of tangible capital asset	(1,343)	(672)
	<u>\$ (593)</u>	<u>\$ (672)</u>
Net investment in capital assets		
Tangible capital assets acquired	\$ -	\$ 13,432
Capital contribution received	(1,500)	(5,700)
	<u>\$ (1,500)</u>	<u>\$ 7,732</u>

**15. 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.



**BOARD OF MANAGEMENT FOR THE RALPH THORNTON COMMUNITY CENTRE**

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

**YEAR ENDED DECEMBER 31, 2022**

**15. FINANCIAL INSTRUMENTS - Contd.**

*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.

**16. 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, 2022

(supplemental information - unaudited)

	<u>2022</u>	<u>2021</u>
<b>Revenue</b>		
Grants		
City of Toronto Children's Services	\$ 25,000	\$ 11,000
Toronto Star Foundation	10,000	10,000
Government of Canada	49,277	55,357
Fundraising and other revenue	<u>17,186</u>	<u>2,200</u>
	<u>101,463</u>	<u>78,557</u>
<b>Expenses</b>		
Salaries and wages	79,047	63,195
Employee benefits	10,991	6,452
Purchase of services	<u>5,954</u>	<u>6,294</u>
	<u>95,992</u>	<u>75,941</u>
<b>Program surplus</b>	<u>\$ 5,471</u>	<u>\$ 2,616</u>

May 24, 2023

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, 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 your staff. We have discussed the matters in this report with Glenn Gustafson and received his comments thereon.

## **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 breakdown 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.

## **Issue #2 - Recording Approval of Meeting Minutes Petty Cash**

During the course of the audit, we noted that the approval of the May and August 2022 meeting minutes were not documented. We recommend that the management ensure that the meeting minutes are recorded, approved and documented as approved as the minutes are the official record of the discussions during the meeting. This promotes accountability.

### *Management's Comments*

Management concurs. The approval of minutes is part of the Board's responsibilities, but management will work with the Board to ensure that these are not overlooked in the future.

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, CPA, CA  
Partner