

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD 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 Waterfront Neighbourhood 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 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

Carole Therriault
..... Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
THE BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE***Qualified Opinion*

We have audited the accompanying financial statements of Board of Management for the Waterfront Neighbourhood Centre (the "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 a summary of significant accounting policies and other explanatory information.

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 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 and fundraising revenue, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2021 and 2022, current assets as at December 31, 2021 and 2022, 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 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 23, 2023.

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 354,701	\$ 343,408
Short-term investments (note 3)	1,265,233	1,246,269
Due from City of Toronto - vacation payable	19,521	18,426
Due from City of Toronto - Section 37 funding	30,528	-
Accounts receivable	37,345	34,578
Prepaid expenses	4,259	3,897
Due from Waterfront Neighbourhood Centre Charitable Fund (note 8)	<u>3,529</u>	<u>3,223</u>
	1,715,116	1,649,801
LONG-TERM RECEIVABLE - CITY OF TORONTO (note 5)	736,440	723,405
TANGIBLE CAPITAL ASSETS (note 6)	<u>14,734</u>	<u>33,071</u>
	<u>\$ 2,466,290</u>	<u>\$ 2,406,277</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Due to City of Toronto (note 4)	\$ 225,818	\$ 201,053
Accounts payable and accrued liabilities	172,354	137,152
Deferred revenue	351	3,638
Deferred contributions (note 7)	<u>100,963</u>	<u>94,319</u>
	499,486	436,162
DEFERRED CAPITAL CONTRIBUTIONS (note 9)	413,338	429,147
POST-EMPLOYMENT BENEFITS PAYABLE (note 5)	<u>736,440</u>	<u>723,405</u>
	<u>1,649,264</u>	<u>1,588,714</u>
NET ASSETS		
Invested in program tangible capital assets	1,398	3,924
Internally restricted - program fund reserves (note 10)	378,370	378,370
Unrestricted reserve funds - program administrative reserve (note 11)	<u>437,258</u>	<u>435,269</u>
	<u>817,026</u>	<u>817,563</u>
	<u>\$ 2,466,290</u>	<u>\$ 2,406,277</u>

Approved by the Board:

Amf
..... Chair

Carole Therriault
..... Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	Invested in program tangible capital <u>assets</u>	Internally restricted - program fund <u>reserves</u>	Unrestricted reserve <u>funds</u>	Total <u>2022</u>	Total <u>2021</u>
Net assets, beginning of year	\$ 3,924	\$ 378,370	\$ 435,269	\$ 817,563	\$ 826,654
Excess of expenses over revenue	<u>(2,526)</u>	<u>-</u>	<u>1,989</u>	<u>(537)</u>	<u>(9,091)</u>
Net assets, end of year	<u>\$ 1,398</u>	<u>\$ 378,370</u>	<u>\$ 437,258</u>	<u>\$ 817,026</u>	<u>\$ 817,563</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Administration</u>	<u>2022</u>	<u>2021</u>
Revenue				
City of Toronto				
Administration (note 4)	\$ -	\$ 1,512,012	\$ 1,512,012	\$ 1,283,298
Section 37 funding	-	30,528	30,528	-
Administration vacation (note 4)	-	(1,009)	(1,009)	1,864
Post-employment benefits (note 4)	-	13,035	13,035	66,085
Grants				
Government of Canada	136,429	-	136,429	148,163
Province of Ontario	62,560	-	62,560	51,269
City of Toronto	207,306	-	207,306	123,291
Foundations/agencies	26,378	-	26,378	57,567
City of Toronto - Children's Services	4,700	-	4,700	4,700
Donations and fundraising	56,026	-	56,026	20,646
Membership and program fees	163,286	-	163,286	56,158
Rental fees	64,605	-	64,605	40,596
Interest	<u>21,040</u>	<u>-</u>	<u>21,040</u>	<u>11,465</u>
	<u>742,330</u>	<u>1,554,566</u>	<u>2,296,896</u>	<u>1,865,102</u>
Expenses				
Salaries and wages	489,523	987,285	1,476,808	1,199,698
Employee benefits	54,468	268,338	322,806	275,606
Employee benefits - post-employment benefits	-	13,035	13,035	66,085
Materials and supplies	189,545	90,609	280,154	217,534
Purchase of services	6,803	195,299	202,102	113,476
Amortization of tangible capital assets	2,528	15,809	18,337	13,789
Amortization of deferred capital contributions	<u>-</u>	<u>(15,809)</u>	<u>(15,809)</u>	<u>(11,995)</u>
	<u>742,867</u>	<u>1,554,566</u>	<u>2,297,433</u>	<u>1,874,193</u>
Excess of expenses over revenue	<u>\$ (537)</u>	<u>\$ -</u>	<u>\$ (537)</u>	<u>\$ (9,091)</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of expenses over revenue	\$ (537)	\$ (9,091)
Adjustments for non-cash items:		
Amortization of tangible capital assets	18,337	13,789
Amortization of deferred capital contributions	<u>(15,809)</u>	<u>(11,995)</u>
	1,991	(7,297)
Increase (decrease) resulting from changes in:		
Due from City of Toronto - vacation payable	(1,095)	(1,830)
Due from City of Toronto - other	-	14,490
Due from City of Toronto - Section 37 funding	(30,528)	-
Accounts receivable	(2,767)	(2,318)
Prepaid expenses	(362)	(3,897)
Due from Waterfront Neighbourhood Centre Charitable Fund	(306)	(1,163)
Long-term receivable - City of Toronto	(13,035)	(66,081)
Due to City of Toronto	24,765	201,053
Accounts payable and accrued liabilities	35,202	(10,856)
Deferred revenue	(3,287)	2,878
Deferred contributions	6,644	9,988
Post-employment benefits payable	<u>13,035</u>	<u>66,081</u>
	<u>30,257</u>	<u>201,048</u>
INVESTING ACTIVITIES		
Purchase of investments	(666,687)	(1,048,883)
Proceeds from sale of investments	<u>647,723</u>	<u>1,038,917</u>
	<u>(18,964)</u>	<u>(9,966)</u>
INCREASE IN CASH	11,293	191,082
CASH, BEGINNING OF YEAR	<u>343,408</u>	<u>152,326</u>
CASH, END OF YEAR	\$ <u>354,701</u>	\$ <u>343,408</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD 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 627 Queens Quay West, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Waterfront Neighbourhood Centre (the "Centre"). The Centre changed its name from Harbourfront Community Centre as approved by City Council in May 2016. 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 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

The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("PSAS-GNFPO"), including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable tangible capital assets are deferred and amortized over the life of the related tangible capital assets. Externally restricted contributions for tangible capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

Membership and program fees are recognized on the date the services are performed. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Rental and similar revenues are recognized on the date of the performance or event.

Cash and short-term investments

Cash and short-term investments include cash on hand, cash on deposit with financial institutions, demand deposits and short-term 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, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD 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. For furniture and equipment, amortization is provided on a straight-line basis over their estimated useful lives of 5 years.

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-GFNPO 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 WATERFRONT NEIGHBOURHOOD CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

3. SHORT-TERM INVESTMENTS

The Centre's investment portfolio consists of the following:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 607,351	\$ 597,729
Guaranteed investment certificates	<u>657,882</u>	<u>648,540</u>
	<u>\$ 1,265,233</u>	<u>\$ 1,246,269</u>

Short-term investments consists of a guaranteed investment certificate with annual interest rates ranging from 5.00% to 5.11% (2021 - 1.40%) that matures on December 22, 2023 (2021 - September 12, 2022).

4. 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 repayable to the City. Deficits, other than long-term employee benefits, are to be funded by the Centre unless Council approval has been obtained for additional funding.

	Budget <u>2022</u> (unaudited)	<u>2022</u>	<u>2021</u>
Administration expenses:			
Salaries and wages	\$ 1,000,933	\$ 987,285	\$ 824,367
Employee benefits	300,831	268,338	232,406
Employee benefits - post-employment benefits	-	13,035	66,085
Materials and supplies	86,803	90,609	139,662
Purchase of services	<u>123,544</u>	<u>195,299</u>	<u>88,727</u>
	<u>\$ 1,512,111</u>	<u>\$ 1,554,566</u>	<u>\$ 1,351,247</u>
Centre's actual administration revenue:			
Administration budget		\$ 1,512,111	\$ 1,500,221
Difference in budget and amount funded		<u>-</u>	<u>(5)</u>
		<u>\$ 1,512,111</u>	<u>\$ 1,500,216</u>
Centre's actual administration expenses:			
Administration expenses		\$ 1,554,566	\$ 1,351,247
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term receivable - City of Toronto		(13,035)	(66,085)
Administration vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto		1,009	(1,864)
Section 37 Funding due form City of Toronto		<u>(30,528)</u>	<u>-</u>
		<u>1,512,012</u>	<u>1,283,298</u>
Administration expenses under approved budget		<u>\$ 99</u>	<u>\$ 216,918</u>
Due (to) from City of Toronto balance is comprised of:			
		<u>2022</u>	<u>2021</u>
2019 surplus		\$ -	\$ (45)
2020 deficit		-	15,910
2021 surplus		(216,918)	(216,918)
2022 surplus		(99)	-
Miscellaneous payables		<u>(8,801)</u>	<u>-</u>
		<u>\$ (225,818)</u>	<u>\$ (201,053)</u>

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2022

5. POST-EMPLOYMENT BENEFITS AND LONG-TERM AMOUNT DUE FROM THE 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 April 1, 2003, unused sick leave accumulates until March 1, 2008 and eligible employees may be entitled to a cash payment upon leaving 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.

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%

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

	<u>2022</u>	<u>2021</u>
Post retirement benefits	\$ 249,795	\$ 307,691
Income benefits	295,306	356,691
Disabled employee benefits	<u>133,412</u>	<u>157,859</u>
	678,513	822,241
 Add: Unamortized actuarial loss	 <u>57,927</u>	 <u>(98,836)</u>
 Employee benefit liability	 <u>\$ 736,440</u>	 <u>\$ 723,405</u>

The continuity of the accrued benefit obligation is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 723,405	\$ 657,324
Current service cost	9,347	23,310
Interest cost	18,178	23,339
Amortization of actuarial gain	48,751	92,148
Expected benefits paid	<u>(63,241)</u>	<u>(72,716)</u>
 Balance, end of year	 <u>\$ 736,440</u>	 <u>\$ 723,405</u>

A long-term receivable from the City of \$736,440 (2021 - \$723,405) 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 administrative staff that may be incurred by the Centre.

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

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

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 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 \$87,845 in 2022 (2021 - \$78,434).

The most recent actuarial valuation of the Plan as at December 31, 2022 indicates 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.

6. 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>
Administration				
Furniture, fixtures and equipment	\$ 203,399	\$ 190,062	\$ 203,399	\$ 174,253
Program				
Furniture, fixtures and equipment	<u>108,123</u>	<u>106,726</u>	<u>108,123</u>	<u>104,198</u>
	311,522	<u>\$ 296,788</u>	311,522	<u>\$ 278,451</u>
Less: accumulated amortization	<u>(296,788)</u>		<u>(278,451)</u>	
Net book value	<u>\$ 14,734</u>		<u>\$ 33,071</u>	

7. DEFERRED CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 94,319	\$ 84,331
Add: contributions received	500,043	415,624
Less: amounts recognized as revenue	<u>(493,399)</u>	<u>(405,636)</u>
Balance, end of year	<u>\$ 100,963</u>	<u>\$ 94,319</u>

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2022

8. RELATED PARTY BALANCES

The Centre has significant influence over the Waterfront Neighbourhood Centre Charitable Fund (WNCCF), a charitable organization incorporated without share capital and registered as a charity under the Income Tax Act. WNCCF's purpose is to receive and maintain funds, and apply all or part of the principal and/or revenue therefrom to the Centre from time to time. WNCCF operates to assist the Centre in achieving its mandates in providing services to the Waterfront West community.

WNCCF solicits funds in the name of the Centre, as outlined in the Memorandum of Understanding between the Centre and WNCCF dated May 26, 2020. The Centre provides on-going administrative support to WNCCF at no cost.

At December 31, 2022, \$3,529 (2021 - \$3,223) was owed by WNCCF to the Centre for purchases made by the Centre and donations collected on behalf of WNCCF.

9. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 429,147	\$ 441,142
Less: amortization of deferred capital contributions	<u>(15,809)</u>	<u>(11,995)</u>
Balance, end of year	<u>\$ 413,338</u>	<u>\$ 429,147</u>

10. INTERNALLY RESTRICTED - PROGRAM FUND RESERVES

	<u>2022</u>	<u>2021</u>
Mission and Strategic Priority Reserve		
Children and Youth Reserve	\$ 117,248	\$ 117,248
Replacement of Equipment	19,193	19,193
Special Project - Community Development	118,358	118,358
Special Project - Summer Program	35,000	35,000
Special Project - Capital Equipment	51,635	51,635
Special Project - Program Financial Subsidy	<u>36,936</u>	<u>36,936</u>
	<u>\$ 378,370</u>	<u>\$ 378,370</u>

The Mission and Strategic Priority Reserve represents funds set aside by the Board of Management for future special projects relating to children and youth or special project initiatives, identified through strategic planning processes and for expenditures required to maintain the Centre's facility and/or for purchases of capital items not funded through other sources. Internally restricted net assets are not available for other purchases without approval of the Board of Management.

11. UNRESTRICTED RESERVE FUNDS - PROGRAM ADMINISTRATIVE RESERVE

The Program Administration Reserve represents funds set up to meet legal and financial obligations in the event of future funding shortfalls and uncertainties and/or in the event of an emergency shutdown of the Centre's operations or for other administrative liabilities. These funds will equal no less than one month of operating expenses and no greater than three months based on the current year's budgeted expenses.

12. **FINANCIAL INSTRUMENTS**

The Centre is exposed to and manages various financial risk resulting from operations. The Centre's main 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, short-term investment and amounts receivable. The Centre's cash and short-term investments are deposited 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 Centre's credit risk with respect to amounts receivable is limited. The Centre manages its credit risk by reviewing amounts receivable aging and following up on outstanding amounts.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its financial 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 risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Centre's financial instruments are denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe the Centre is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market interest rates. The Centre's cash and short-term investments earn interest at prevailing market rates and 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 financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market prices (other than those arising from currency risk or interest rate risk), whether these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management does not believe the Centre is exposed to other price risk.

Changes in risk

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

BOARD OF MANAGEMENT FOR THE WATERFRONT NEIGHBOURHOOD CENTRE
SCHEDULE OF PROGRAM AND ADMINISTRATION REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Budget</u> (unaudited)	<u>2022</u>	<u>2021</u>
Revenue				
Grants				
Government of Canada		\$ 129,257	\$ 136,429	\$ 148,163
Province of Ontario		62,560	62,560	51,269
City of Toronto		204,540	207,306	123,291
Foundations/agencies		35,508	26,378	57,567
City of Toronto - Children's Services		-	4,700	4,700
Donations and fundraising		21,925	56,026	20,646
Membership and program fees		132,100	163,286	56,158
Rental fees		41,000	64,605	40,596
Interest		12,000	21,040	11,465
		<u>638,890</u>	<u>742,330</u>	<u>513,855</u>
Expenses				
Salaries and wages		377,071	489,523	375,331
Employee benefits		43,416	54,468	43,200
Materials and supplies		178,007	189,545	77,872
Purchase of services		24,726	6,803	24,749
Amortization of tangible capital assets		2,528	2,528	1,794
		<u>625,748</u>	<u>742,867</u>	<u>522,946</u>
Excess of revenue over expenses (expenses over revenue)		<u>\$ 13,142</u>	<u>\$ (537)</u>	<u>\$ (9,091)</u>

	<u>Administration</u>	<u>Budget</u> (unaudited)	<u>2022</u>	<u>2021</u>
Revenue				
City of Toronto		<u>\$ 1,512,111</u>	<u>\$ 1,554,566</u>	<u>\$ 1,351,247</u>
Expenses				
Salaries and wages		1,000,933	987,285	824,367
Employee benefits		300,831	268,338	232,406
Employee benefits - post-employment benefits		-	13,035	66,085
Materials and supplies		86,803	90,609	139,662
Purchase of services		123,544	195,299	88,727
Amortization of tangible capital assets		-	15,809	11,995
Amortization of deferred capital contributions		-	(15,809)	(11,995)
		<u>1,512,111</u>	<u>1,554,566</u>	<u>1,351,247</u>
Excess of revenue over expenses		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>