FINANCIAL STATEMENTS

For

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

For the year ended

DECEMBER 31, 2022

Management's Responsibility for the Financial Statements

The financial statements of the Board of Management for Applegrove Community Complex (the "Complex") 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 Complex'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 Complex'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 Complex's financial statements.

.... Chairperson

.... Board Secretary

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INDEPENDENT AUDITOR'S REPORT

To the director of the

CITY OF TORONTO AND
THE BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

Qualified Opinion

We have audited the financial statements of Board of Management for Applegrove Community Complex (the Complex), which comprise the statement of financial position as at December 31, 2022, 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 Complex 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 Complex derives revenue from donations and fundraising revenue, 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 Complex and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, net revenue over expenses and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and 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 Complex 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 Complex'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 Complex or to cease operations, or has no realistic alternative but to do so.

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

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Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Complex’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
August 16, 2023.

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 433,090	$ 312,099
Investments (note 4)	146,009	145,791
Due from City of Toronto (note 9)	21,024	-
Due from City of Toronto - vacation	27,833	17,122
Accounts receivable	45,717	30,431
Prepaid expenses	6,194	5,781
	679,867	511,224
TANGIBLE CAPITAL ASSETS (note 5)	34,340	42,641
LONG-TERM RECEIVABLE FROM CITY OF TORONTO (note 8)	197,359	206,173
	$ 911,566	$ 760,038
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to City of Toronto (note 9)	$ -	$ 5,902
Accounts payable and accrued liabilities	134,767	109,404
Deferred contributions (note 6)	208,229	75,391
City of Toronto working capital advance payable	-	10,871
	342,996	201,568
POST-EMPLOYMENT BENEFITS PAYABLE (note 8)	197,359	206,173
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	31,824	42,641
	572,179	450,382
NET ASSETS		
Unrestricted	70,982	61,014
Internally restricted - program funds	123,405	103,642
Internally restricted - reserves	145,000	145,000
	339,387	309,656
	$ 911,566	$ 760,038

Approved by the Board:

.... Chair

.... Board Secretary

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	Internally Restricted - Program Funds	Internally Restricted - Reserves	Unrestricted	Total 2022	Total 2021
Net assets, beginning of year	$ 103,642	$ 145,000	$ 61,014	$ 309,656	$ 291,605
Net revenue over expenses - program	19,763	-	9,968	29,731	13,243
Net revenue over expenses - administration	-	-	-	-	4,808
Net assets, end of year	$ 123,405	$ 145,000	$ 70,982	$ 339,387	$ 309,656

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

	Program (Schedule A)	Administration (note 9)	2022	2021
Revenue				
Grants				
City of Toronto	$ 287,375	$ 604,146	$ 891,521	$ 922,846
Government of Canada	104,228	-	104,228	90,424
Province of Ontario	77,705	-	77,705	49,316
Other grants	22,106	-	22,106	35,243
	491,414	604,146	1,095,560	1,097,829
Program and membership fees	337,043	-	337,043	175,328
Donations and fundraising	33,255	-	33,255	33,586
Interest revenue	2,048	18	2,066	1,800
Amortization of deferred capital contributions	2,817	8,000	10,817	9,408
	866,577	612,164	1,478,741	1,317,951
Expenses				
Salaries and wages	434,222	360,709	794,931	701,757
Employee benefits	89,968	74,653	164,621	148,814
Materials and supplies	96,263	18,783	115,046	147,634
Purchase of services	213,489	150,019	363,508	292,287
Amortization of tangible capital assets	2,904	8,000	10,904	9,408
	836,846	612,164	1,449,010	1,299,900
Net revenue over expenses	$ 29,731	$ -	$ 29,731	$ 18,051

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net revenue over expenses	$ 29,731	$ 18,051
Adjustments for:		
Amortization of tangible capital assets	10,904	9,408
Amortization of deferred capital contributions	(10,817)	(9,408)
	29,818	18,051
Increase (decrease) resulting from changes in:		
Due from City of Toronto	(21,024)	-
Due from City of Toronto - vacation	(10,711)	986
Accounts receivable	(15,286)	16,442
Prepaid expenses	(413)	(563)
Long-term receivable from City of Toronto	8,814	12,960
Due to City of Toronto	(5,902)	(8,188)
Accounts payable and accrued liabilities	25,363	(18,784)
Deferred contributions	132,838	(30,885)
City of Toronto working capital advance payable	(10,871)	-
Post-employment benefits payable	(8,814)	(12,960)
	123,812	(22,941)
INVESTING ACTIVITIES		
Purchase of investments	(146,009)	(145,791)
Proceeds from sale of investments	145,791	145,102
	(218)	(689)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,603)	(12,047)
FINANCING ACTIVITIES		
Capital contributions received	-	12,047
INCREASE (DECREASE) IN CASH	120,991	(23,630)
CASH, BEGINNING OF YEAR	312,099	335,729
CASH, END OF YEAR	$ 433,090	$ 312,099

(See accompanying notes)

1. NATURE OF OPERATIONS

Applegrove Community Complex (the "Complex") was incorporated in 1979 as a corporation without share capital and registered as corporation #417388 under the Ontario Corporations Act. Applegrove Community Complex is also registered as a charity authorized with the Canada Revenue Agency, charitable number: 10671 8943 RR0001, and as such is exempt from income tax.

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 the addition to S.H. Armstrong Recreation Centre together with certain classrooms of the Duke of Connaught Public School and the office of the Woodfield Road Public School as a Community Recreation Centre under the Municipal Act, known as Applegrove Community Complex (the "Complex").

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.

Board of Management

At the Annual Meeting on March 31, 2005, the Complex amended its constitution to specify that the Board of Management would function as a Standing Committee of the Board of Directors for the non-profit corporation.

At the Annual Meeting on March 28, 2007 and in accordance with the City of Toronto's Relationship Framework with the City-funded Community Centres, the Complex amended its constitution so that it had separate constitutions for the incorporated body and the City Agency continuing the structure of the Board of Management as a Standing Committee of the non-profit corporation.

2. FINANCIAL STATEMENTS

The Municipal Code requires that audited annual financial statements be submitted by the Board of Management for the Complex to the City covering the management and control of the premises by the Committee. Because the Board of Management is a Standing Committee of the Board of Directors for the Corporation as a whole, separate financial statements have not been prepared. Accordingly, the financial statements reflect the operations of the Applegrove Community Complex as a whole, including the operations of the Board of Management.

3. 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 (“GNFPO”), including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB).

Fund accounting

The accounts of the Complex are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds according to the activity or object specified. The active funds are as follows:

(a) Applegrove Drop-in
The fund includes revenues and expenses for the Applegrove Parent/Child Drop-in including trips, special needs, fundraising and charitable donations designated to this program.

(b) Applegrove Connection
The fund includes revenues and expenses for the Applegrove Connection family resource program including special needs, fundraising and charitable donations designated to this program.

(c) After-School Program
The fund includes revenues and expenses for the school year program for children ages 6 to 12 including March Break and Professional Activity (P.A.) day programming, trips, fundraising and charitable donations designated to this program.

(d) Teen Program
The fund includes revenues and expenses for the school year program for youth ages 13 to 18 including charitable donations designated to this program.

(e) Perinatal Program
The fund includes revenues and expenses for the Helping Our Babies Grow program including charitable donations designated to this program.

(f) Foodhub
The fund includes revenues and expenses for the food access and delivery program including charitable donations designated to this program.

(g) Summer Camp and Leadership
The fund consolidates revenues and expenses for the Applegrove Summer Adventure Day Camp and the Applegrove Leadership Adventure including fundraising and charitable donations designated to this program.

(h) Seniors Program
The fund includes revenues and expenses for the Older Adults program including trips, OACAO funding, SALC funding, and charitable donations designated to this program.

(i) Other
The fund accounts for the all of the Complex’s activities other than those listed above. It includes individual charitable donations not designated for specific programs, agency fundraising, gaming, etc.

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

Revenue recognition

The Complex 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 in the statement of financial position.

Program and membership fees and other similar revenues 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.

Monetary donations are recorded as received.

Financial instruments

The Complex initially measures its financial assets and financial liabilities at fair value.

The Complex 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 and City of Toronto working capital advance payable.

Employee related costs

The Complex has adopted the following policies with respect to employee benefit plans:

(a) The City of Toronto offers a multi-employer defined benefit pension plan ("the "Plan") to the Complex's eligible employees. Due to the nature of the Plan, the Complex 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 Complex also offers its eligible 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 Complex 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.

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

Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Tents	3 years

The carrying amount of an item in tangible capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

Use of estimates

The preparation of financial statements in conformity with PSA-GNPO 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, 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.

4. **INVESTMENTS**

Investment consists of term deposits with interest rate of between 0.6% and 5.45% maturing between June 2023 to May 2024.

5. **TANGIBLE CAPITAL ASSETS**

Tangible capital assets consists of the following:

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Leasehold improvements	$ 40,002	$ 16,000	$ 40,002	$ 8,000
Equipment	11,598	2,786	8,995	900
Tents	3,052	1,526	3,052	508
	54,652	$ 20,312	52,049	$ 9,408
Less: accumulated amortization	(20,312)		(9,408)	
	$ 34,340		$ 42,641	

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6. DEFERRED CONTRIBUTIONS

	2022	2021
Balance, beginning of year	$ 75,391	$ 106,276
Add: contributions received	1,260,268	1,120,298
Less: amounts recognized as grant revenue	(1,127,430)	(1,151,183)
Balance, end of year	$ 208,229	$ 75,391

7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2022	2021
Balance, beginning of year	$ 42,641	$ 40,002
Add: capital contributions received	-	12,047
Less: amortization recognized as revenue	(10,817)	(9,408)
Balance, end of year	$ 31,824	$ 42,641

8. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM RECEIVABLE FROM CITY OF TORONTO

The Complex 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 accumulated until March 1, 2008, and eligible employees may be entitled to a cash payment when leaving the Complex'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 (STP) 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 remain entitled to payout of frozen, banked time, as described above. Under the new STP 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 Complex 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%

8. **POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM RECEIVABLE FROM CITY OF TORONTO** - Cont'd.

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

	2022	2021
Post-retirement benefits	$ 134,464	$ 165,103
Add: Unamortized actuarial gain	62,895	41,070
Post-employment benefit liability	$ 197,359	$ 206,173

The continuity of the accrued benefit obligation is as follows:

	2022	2021
Balance, beginning of year	$ 206,173	$ 219,133
Current service cost	1,822	1,716
Interest cost	4,392	2,844
Amortization of actuarial gain	(6,479)	(8,184)
Expected benefits paid	(8,549)	(9,336)
Balance, end of year	$ 197,359	$ 206,173

A long-term receivable from the City of $197,359 in 2022 (2021 - $206,173) has resulted from 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 Complex.

The Complex also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of certain 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 $45,450 in 2022 (2021 - $49,479).

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 the next five-year period). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Complex's contributions accounted for an insignificant portion of the Plan's total employer contribution. Additional contributions, if any, required to address the Complex's proportionate share of the deficit will be expensed during the period incurred.

9. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration 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 Complex unless Council approval has been obtained for additional funding.

	2022 Budget (unaudited)	2022	2021
Administration expenses:			
Salaries and wages	$ 324,866	$ 360,709	$ 329,799
Employee benefits	94,790	74,653	66,867
Materials and supplies	9,084	18,783	7,169
Purchase of services	155,567	150,019	156,508
Amortization	-	8,000	8,000
	$ 584,307	$ 612,164	$ 568,343

	2022	2021
Complex's actual administration revenue:		
Administration budget	$ 584,307	$ 568,694
Difference in budget and amount funded	-	1,810
Interest revenue	18	405
	$ 584,325	$ 570,909
Complex's actual administration expenses:		
Administration expenses per statement of operations	$ 612,164	$ 568,343
Adjustments for:		
Post-employment benefits, not funded by the City until paid, that are included in long-term receivable from City of Toronto	8,814	12,960
Amortization of tangible capital assets funded by deferred capital contribution	(8,000)	(8,000)
Vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto - vacation	(10,711)	986
Actual administration expenses	**$ 602,267**	**$ 574,289**
Administration expenses under (over) initial approved budget	$ (17,942)	$ (3,380)

The over expenditure of $17,942 (2021 - $3,380) is recorded in due from City of Toronto.

The Due to City of Toronto balance is comprised of:

	2022	2021
2017 insurance adjustment	$ 248	$ 248
2019 surplus payable	50	50
2020 surplus payable	-	8,984
2021 deficit recoverable	(3,380)	(3,380)
2022 deficit recoverable	(17,942)	-
	$ (21,024)	$ 5,902

The Complex is committed to the following future payments in respect to base rent and anticipated additional rent:

2023	$ 113,000
2024	113,000
2025	113,000
Total	$ 339,000

10. FINANCIAL INSTRUMENTS

The Complex is exposed to and manages various financial risk 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 Complex's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The Complex is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Complex’s maximum exposure to credit risk represents the sum of the carrying value of its cash, investments, due from City of Toronto, and accounts receivable. The Complex’s cash and investments are 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 Complex’s credit risk with respect to accounts receivable and amounts due from City of Toronto is minimal. The Complex manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Liquidity risk

Liquidity risk is the risk that the Complex cannot meet a demand for cash or fund its obligations as they become due. The Complex's financial liabilities are comprised of accounts payable and accrued liabilities. The Complex manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Complex believes its overall liquidity risk to be minimal as the Complex'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 Complex's financial instruments are all denominated in Canadian dollars and the Complex transacts 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 because of changes in market interest rates. The Complex's cash and short-term investments earn interest at prevailing market rate. 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 flow 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 Complex is exposed to significant other price risk.

Changes in risk

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

11. COMPARATIVE FIGURES

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

BOARD OF MANAGEMENT FOR APPLEGROVE COMMUNITY COMPLEX

MAJOR PROGRAM ACTIVITIES AND FUNDRAISING

YEAR ENDED DECEMBER 31, 2022

	Internally restricted funds									Unrestricted	
	Applegrove Drop-in	Applegrove Connection	After School Program	Teen Program	Foodhub Program	Summer Camp and Leadership Program	Seniors Program	Perinatal Program	Program General	Other	Total
Program revenue											
Grants											
City of Toronto	$ 137,034	$ 30,214	$ -	$ -	$ 100,164	$ 14,687	$ -	$ -	$ -	$ 5,276	$ 287,375
Government of Canada	-	-	-	-	14,885	47,068	18,755	23,520	-	-	104,228
Province of Ontario	-	-	-	-	-	5,690	72,015	-	-	-	77,705
Other grants	-	-	-	-	14,265	-	3,463	-	-	4,378	22,106
	137,034	30,214	-	-	129,314	67,445	94,233	23,520	-	9,654	491,414
Program and membership fees	3,225	-	245,107	7,674	7,728	66,101	5,534	-	-	1,674	337,043
Donations and fundraising	234	-	772	-	15,789	4,821	2,833	-	-	8,806	33,255
Interest revenue	-	-	-	-	-	-	-	-	-	2,048	2,048
Amortization of deferred capital contributions	1,607	-	-	-	-	-	1,210	-	-	-	2,817
	142,100	30,214	245,879	7,674	152,831	138,367	103,810	23,520	-	22,182	866,577
Program expenditures											
Salaries and wages	105,967	12,707	156,364	3,040	-	78,493	52,332	7,429	17,490	400	434,222
Employee benefits	31,187	5,548	25,960	1,700	-	6,750	10,006	2,448	6,342	27	89,968
Materials and supplies	10,934	1,667	17,535	674	2,733	14,727	30,097	10,976	105	6,815	96,263
Purchase of services	1,934	1,169	26,336	112	151,690	16,557	9,059	1,595	65	4,972	213,489
Amortization of tangible capital assets	1,607	-	-	-	-	87	1,210	-	-	-	2,904
	151,629	21,091	226,195	5,526	154,423	116,614	102,704	22,448	24,002	12,214	836,846
Net revenue over expenses (expenses over revenue)	(9,529)	9,123	19,684	2,148	(1,592)	21,753	1,106	1,072	(24,002)	9,968	29,731
Net assets, beginning of year	(11,199)	10,424	126,553	(4,278)	188	22,059	4,487	9,353	(53,945)	56,206	159,848
Net assets, end of year	$ (20,728)	$ 19,547	$ 146,237	$ (2,130)	$ (1,404)	$ 43,812	$ 5,593	$ 10,425	$ (77,947)	$ 66,174	$ 189,579

July 21, 2023

Board of Management for Applegrove Community Complex
60 Woodfield Road
Toronto, Ontario
M4L 2W6

PRIVATE AND CONFIDENTIAL

Attention: Board of Management for Applegrove Community Complex

Re: Audit of the December 31, 2022 Financial Statements

During the course of our audit of the financial statements of the Board of Management for Applegrove Community Complex (the "Complex") 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 - Bank Reconciliations

During the course of our audit, we noted that the reconciliation for the Complex's program bank account did not properly reconcile between the bank statements and the general ledger. If the bank reconciliations and statements are not reviewed for accuracy, this could lead to bank errors or fraudulent transactions remaining undetected and uncorrected over many months. This issue was also raised in our 2021 management letter.

We recommend that bank reconciliations be prepared on a monthly basis by the Finance Manager, reviewed for accuracy on a monthly basis by the Executive Director or someone else independent from the preparation of the reconciliations, and the reconciliations be initialed when reviewed to provide evidence of the review. Errors, if any identified at the time of review, should be investigated immediately and corrected a monthly basis to avoid carryforward issues.

Management's Comments

Applegrove begin fully utilizing the Sage bank reconciliation module in 2022. There were some hiccups in the transition process along the way, including some errors created by Alterna Savings. We are now ensuring that each month the reconciliations for both accounts are completed within the first three weeks of the following month. The Finance Manager prepares the reconciliation, and the Executive Director reviews and initials the reconciliation each month.

Issue #2 - Deferred Contributions Continuity Schedule

During the course of our audit, we noted that the number of contributions from different funding sources has grown for the Complex year-over-year. Proper tracking of the deferred contributions carrying forward from the prior year, contributions received in the year, contributions repaid to funders in the year, and contributions recognized as revenue in the year should be tracked by using a deferred contributions continuity schedule. This schedule should be prepared and reconciled to the general ledger on a monthly basis to support the deferred contributions balances at each month-end and revenue recognized in the month in accordance with each funding agreement. We requested this schedule as part of the 2022 audit, but it was not available to be provided by the Finance Manager.

We recommend that a deferred contributions continuity schedule be prepared by the Finance Manager and updated on a monthly basis. This schedule should also be reviewed on a monthly basis by the Executive Director or someone else independent from the preparation of the schedule to ensure accuracy. Additionally, we recommend that copies of the Complex's funding agreements be kept by the Finance Manager and reviewed annually, at a minimum, to ensure that the revenue recognition criteria is being properly met to earn the contribution revenue.

Management's Comments

Applegrove has not kept a monthly deferred contributions schedule to date because the number of contributions from different sources was low and did not warrant the allocation of finance staff time, which is very limited, required to maintain an additional schedule. We will begin to keep a monthly schedule and have the Executive Director review it monthly.

Issue #3 - Audit Preparedness

During the course of our audit, we noted that a number of the schedules provided by the Complex did not agree to their trial balance. Examples include bank reconciliations, the general ledger, and schedules supporting accounts receivable, and accounts payable and accrued liabilities. This led to inefficiencies in the audit process due to redundancies of audit requests, having the audit work delayed repeatedly due to our inability to get accurate reports, and additional out of scope professional fees for the Centre.

We recommend that the Finance Manager prepare audit working paper schedules consistent with the trial balance and general ledger they run from the accounting system. We also recommend that the Executive Director review the package of schedules for accuracy before it is provided to the auditors.

Management's Comments

Applegrove has not had a dedicated bookkeeper since April 2022 as the agency was piloting a new position that incorporated bookkeeping and information systems management including IT and cybersecurity, in an effort to meet growing needs in these areas. The position significantly increased our capacity to meet IT and cybersecurity needs, some of which relate to this audit, but it did not meet bookkeeping needs. As a result, we found ourselves behind at the beginning of 2023. We are returning to a staffing model with a dedicated bookkeeper and exploring options to meet our rising information system needs. We appreciate the impact of redundancies with respect to audit requests, which we also experienced in providing requested information and clarification for this audit.

After Applegrove began using the Sage Accounts Receivable module in September 2022, transactions went directly into the sub-ledger and could not be recorded directly to the natural account. This created some of the challenges with reconciliation in 2022. We have disabled the functionality that records transactions directly into the General Ledger and are recording all receivable and payable transactions via the sub-ledger. This new process will avoid discrepancies between the natural and sub-ledger accounts. We are keeping monthly reconciliations and the Executive Director is kept current.

The Finance Manager will prepare audit working schedules for review by the Executive Director as requested, however the ability of the Executive Director to confirm accuracy of all schedules will be subject to limitations in their accounting expertise and time, which is a reality of the role.

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

Christa Casey, CPA, CA
Partner