Grant Thornton

Financial Statements

Board of Management for the Waterfront Neighbourhood Centre

December 31, 2023

Contents

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Management's responsibility for the financial statements

The financial statements of the Board of Management for the Waterfront Neighborhood 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 Grant Thornton 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.

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Chairperson

DocuSigned by:

Carole Therriault

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Treasurer

Independent Auditor's Report

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To the Council of the Corporation of 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, 2023, 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, 2023 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. Therefore, 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 year ended December 31, 2023, current assets as at December 31, 2023, and net assets as at January 1, 2023 and December 31, 2023. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2022 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.

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Other Matter

The financial statements of the Centre for the year ended December 31, 2022, were audited by another auditor who expressed a qualified opinion on those financial statements on May 23, 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Centre’s ability to continue as a going concern, disclosing, as applicable, matters related to a 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.

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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.

Grant Thornton LLP

Toronto, Canada
May 28, 2024

Chartered Professional Accountants
Licensed Public Accountants

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Board of Management for the Waterfront Neighbourhood Centre
Statement of Financial Position

December 31	2023	2022
Assets		
Current		
Cash	**$ 819,154**	$ 354,701
Investments (Note 4)	**631,514**	1,265,233
Accounts receivable	**40,308**	37,345
Prepaid expenses	**1,421**	4,259
Due from City of Toronto (Note 5)	**17,353**	-
Due from Waterfront Neighbourhood Centre Charitable Fund (Note 9)	**-**	3,529
	1,509,750	1,665,067
Due from City of Toronto (Note 6)	**748,173**	736,440
Tangible capital assets (Note 7)	**3,565**	14,734
	$ 2,261,488	$ 2,416,241
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 142,178**	$ 172,354
Due to City of Toronto (Note 5)	**-**	175,769
Deferred revenue	**24,778**	351
Deferred contributions (Note 8)	**91,423**	100,963
	258,379	449,437
Deferred capital contributions (Note 10)	**403,565**	413,338
Post-employment benefits liability (Note 6)	**748,173**	736,440
	1,410,117	1,599,215
Net assets		
Invested in program tangible capital assets	**-**	1,398
Internally restricted – program fund reserves (Note 11)	**378,370**	378,370
Unrestricted reserve funds – program administrative reserve (Note 12)	**473,001**	437,258
	851,371	817,026
	$ 2,261,488	$ 2,416,241

Approved by the Board:

DocuSigned by:
9667C66F9F4F433... Chair

DocuSigned by:
Carole Theriault
142FD42E4EE44C9... Treasurer

See accompanying notes to the financial statements.

Board of Management for the Waterfront Neighbourhood Centre
Statement of Change in Net Assets
Year ended December 31

	Invested in program tangible capital assets	Internally restricted - program fund reserve	Unrestricted reserve funds	**Total 2023**	Total 2022
Net assets, beginning of year	$ 1,398	$ 378,370	$ 437,258	**$ 817,026**	$ 817,563
Excess (deficiency) of revenues over expenses	(1,398)	-	35,743	**34,345**	(537)
Net assets, end of year	$ -	$ 378,370	$ 473,001	**$ 851,371**	$ 817,026

See accompanying notes to the financial statements.

Board of Management for the Waterfront Neighbourhood Centre
Statement of Operations

Year ended December 31

	Program	Administration	2023	2022
Revenue				
City of Toronto				
Administration (Note 5)	$ -	$ 1,550,914	**$ 1,550,914**	$ 1,512,012
Section 37 funding	-	69,472	**69,472**	30,528
Administration vacation (Note 5)	-	-	**-**	(1,009)
Post-employment benefits funding (Note 5)	-	11,733	**11,733**	13,035
Grants				
Government of Canada	165,912	-	**165,912**	136,429
Province of Ontario	51,527	-	**51,527**	62,560
City of Toronto	176,113	-	**176,113**	207,306
Foundations/agencies	8,125	-	**8,125**	26,378
City of Toronto – Children's Services	34,515	-	**34,515**	4,700
Donations and fundraising	53,026	-	**53,026**	56,026
Membership and program fees	178,386	-	**178,386**	163,286
Rental fees	66,482	-	**66,482**	64,605
Interest	58,554	-	**58,554**	21,040
Amortization of deferred capital contributions	-	9,773	**9,773**	15,809
	792,640	1,641,892	**2,434,532**	2,312,705
Expenses				
Salaries and wages	503,513	976,504	**1,480,017**	1,476,808
Employee benefits	63,256	284,298	**347,554**	322,806
Employee benefits – post-employment benefits	-	11,733	**11,733**	13,035
Materials and supplies	182,727	116,817	**299,544**	280,154
Purchase of services	7,401	242,767	**250,168**	202,102
Amortization of tangible capital assets	1,398	9,773	**11,171**	18,337
	758,295	1,641,892	**2,400,187**	2,313,242
Excess (deficiency) of revenues over expenses	$ 34,345	$ -	**$ 34,345**	$ (537)

See accompanying notes to the financial statements.

Board of Management for the Waterfront Neighbourhood Centre
Statement of Cash Flows

Year ended December 31	2023	2022
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenues over expenses	**$ 34,345**	$ (537)
Change in non-cash working capital items		
Amortization of tangible capital assets	**11,171**	18,337
Amortization of deferred capital contributions	**(9,773)**	(15,809)
Post-employment benefits liability	**11,733**	13,035
	47,476	15,026
Increase (decrease) resulting from changes in		
Accounts receivable	**(2,963)**	(2,767)
Prepaid expenses	**2,838**	(362)
Due from Waterfront Neighbourhood Centre Charitable Fund	**3,529**	(306)
Due to/from City of Toronto	**(193,122)**	(6,858)
Accounts payable and accrued liabilities	**(30,176)**	35,202
Deferred revenue	**24,427**	(3,287)
Deferred contributions	**(9,540)**	6,644
	(157,531)	43,292
Investing activities		
Purchase of investments	**(56,476)**	(666,687)
Proceeds from sale of investments	**690,193**	647,723
	(633,717)	(18,964)
Financing activities		
Long-term amount due from City of Toronto	**(11,733)**	(13,035)
Increase in cash	**464,453**	11,293
Cash, beginning of year	**354,701**	343,408
Cash, end of year	**$ 819,154**	$ 354,701

See accompanying notes to the financial statements.

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 of Management (the "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

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("PSAS-GNPO"), 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 recorded as part of 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.

2. Significant accounting policies (continued)

Cash

Cash includes cash on hand and cash on deposit with financial institutions.

Investments

Investments include 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, accounts receivable, due from City of Toronto and due from Waterfront Neighbourhood Centre Charitable Fund. Financial liabilities measured at amortized cost include accounts payable and due to City of Toronto.

Contributed material 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 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 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.

2. Significant accounting policies (continued)

Employee related costs (continued)

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 accordance with PSAS-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.

3. Change in accounting policies

Effective January 1, 2023, the Centre adopted new Public Sector Accounting Standards Sections PS3450 *Financial Instruments* and PS1201 *Financial Statement Presentation* along with related amendments. New Section PS3450 requires the fair value measurement of derivatives and portfolio investments in equities quoted in an active market. All other financial assets and liabilities are measured at cost or amortized cost (using the effective interest method), or, by policy choice, at fair value when the entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, liabilities, or both on a fair value basis.

The measurement requirements were applied prospectively. There were no adjustments required and there are no remeasurement gains or losses or embedded derivatives requiring the presentation of a statement of remeasurement gains or losses.

4. Investments

The Centre’s investment portfolio consists of the following:

		2023		2022
Money market funds	**$**	**631,514**	$	607,351
Guaranteed investment certificates		**-**		657,882
	$	**631,514**	$	1,265,233

Investments in 2022 consisted of guaranteed investment certificates with annual interest rates ranging from 5.00% to 5.11% that matured on December 22, 2023.

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

	Approved Budget 2023 (unaudited)	**2023**	2022
Administration expenses			
Salaries and wages	$ 1,028,074	**$ 976,504**	$ 987,285
Employee benefits	312,494	**284,298**	268,338
Employee benefits – post-employment benefits	-	**11,733**	13,035
Materials and supplies	83,487	**116,817**	90,609
Purchase of services	126,859	**242,767**	195,299
Amortization of tangible capital assets	-	**9,773**	15,809
	$ 1,550,914	**$ 1,641,892**	$ 1,570,375
Centre's actual administration revenue			
Administration budget		**$ 1,550,914**	$ 1,512,111
Centre's actual administration expenses			
Administration expenses		**$ 1,641,892**	$ 1,570,375
Adjustments for:			
Amortization of deferred capital contributions		**(9,773)**	(15,809)
Post-employment benefits, not funded by the City until paid, that are included in long-term receivable - City of Toronto		**(11,733)**	(13,035)
Administration vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto		**-**	1,009
Section 37 Funding due from City of Toronto		**(69,472)**	(30,528)
		1,550,914	1,512,012
Administration expenses (over) under approved budget		**$ -**	$ 99

5. Funds provided by the City of Toronto – administration (continued)

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

	2023	2022
2021 surplus	**$ -**	$ (216,918)
2022 surplus	**(99)**	(99)
Vacation payable	**17,452**	19,521
Section 37 funding receivable	-	30,528
Miscellaneous payables	-	(8,801)
	$ 17,353	$ (175,769)

6. Post-employment benefits payable and long-term amount due from /to 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 accumulated 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, life insurance, accidental death and long-term disability benefits to eligible employees. Depending upon the length of service and an individual's election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2021 with projections to December 31, 2023. 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%

6. Post-employment benefits payable and long-term amount due from /to the City of Toronto (continued)

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

	2023	2022
Post retirement benefits	**$ 268,482**	$ 249,795
Income benefits	**271,505**	295,306
Disabled employee benefits	**127,533**	133,412
	667,520	678,513
Add: Unamortized actuarial loss	**80,633**	57,927
Employee benefit liability	**$ 748,173**	$ 736,440

The continuity of the accrued benefit obligation is as follows:

	2023	2022
Balance, beginning of year	**$ 736,440**	$ 723,405
Current service cost	**6,832**	9,347
Interest cost	**28,272**	18,178
Amortization of actuarial gain	**41,302**	48,751
Benefits paid	**(64,673)**	(63,241)
Balance, end of year	**$ 748,173**	$ 736,440

A long-term receivable from the City of $748,173 (2022 - $736,440) 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.

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 $96,302 in 2023 (2022 - $87,845).

The most recent actuarial valuation of the Plan as at December 31, 2023 indicates the Plan is in a deficit position and the Plan's December 31, 2023 financial statements indicate a net deficit of $7,571 million (a deficit of $4,202 million plus adjustment of $3,369 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 contributions. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

7. Tangible capital assets

			2023	2022
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Administration - furniture fixtures and equipment	$ 203,399	$ 199,834	**$ 3,565**	$ 13,337
Program - furniture fixtures and equipment	108,123	108,123	**-**	1,397
	$ 311,522	$ 307,957	**$ 3,565**	$ 14,734

8. Deferred contributions

	2023	2022
Balance, beginning of year	**$ 100,963**	$ 94,319
Contributions received	**792,640**	500,043
Amounts recognized as revenue	**(802,180)**	(493,399)
Balance, end of year	**$ 91,423**	$ 100,963

9. 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, 2023, $Nil (2022 - $3,529) was owed by WNCCF to the Centre for purchases made by the Centre and donations collected on behalf of WNCCF.

10. Deferred capital contributions

	2023	2022
Balance, beginning of year	**$ 413,338**	$ 429,147
Amortization of deferred capital contributions	**(9,773)**	(15,809)
Balance, end of year	**$ 403,565**	$ 413,338

11. Internally restricted - program fund reserves

	2023	2022
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	**36,936**	36,936
	$ 378,370	$ 378,370

The Mission and Strategic Priority Reserve represents funds set aside by the Board 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.

12. 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.

13. 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, investments and accounts receivable. The Centre's cash and short-term 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 Centre's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

13. Financial instruments (continued)

Liquidity risk

Liquidity risk refers to the adverse consequence that the Centre will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities. The Centre manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal as the Centre's financial assets are considered to be highly liquid.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest risk and other price risk.

Currency risk

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

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 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.

Other price risk

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with financial instruments will fluctuate because of changes in market prices (other than those arising 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 significant other price risk.

Changes in risk

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

14. Comparative figures

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

May 28, 2024

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Management and the Board of Directors

Waterfront Neighbourhood Centre

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In connection with our audit of the financial statements of Waterfront Neighbourhood Centre (the "Centre") as of December 31, 2023 and for the year then ended, we considered internal control over financial reporting ("internal control") as a basis for designing appropriate audit procedures. The purpose of our audit was to express an opinion on the financial statements, not to identify internal control matters. Therefore, we express no opinion on the effectiveness of internal control and it would be inappropriate to conclude that no internal control matters, including significant control deficiencies, exist beyond those included in this communication.

A deficiency in internal control exists where the design, implementation, operation or absence of a control means that internal controls are unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis. The Canadian Auditing Standards require that, where we identify internal control deficiencies during an audit, we assess their importance and severity and communicate them to management and those charged with governance, as appropriate. Deficiencies that are of sufficient importance to merit the attention of those charged with governance are described as "significant deficiencies".

Significant control deficiencies

Segregation of duties

In common with other organizations with a small accounting team, we noted an issue surrounding segregation of duties. Whereby the Manager of Financial Operations is able to post and approve their own entries. In addition, initial journal entries are not reviewed by another party after they have been posted however a review is done for any reclassifications or corrections. We recognize that the Board of Management meet frequently to review financial results and any significant or unusual item will be identified and investigated.

As the achievement of high degree of segregation of duties may not be practical for organizations with a small accounting team, we remind the Board of Management that ongoing involvement and review of budgets and interim financial information is important to the control environment.

Management Response

Management believes that the current controls in place are sufficient given the size and complexity of the entity. The Finance Committee meet monthly to discuss financial results and the Treasurer specifically reviews the financial results and asks necessary questions during the meeting. The Manager of Financial Operations attend Board meetings quarterly to present the financial reports and answers questions from the Board if any irregularities or issues are noticed.

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Conclusion

The matters reported in this communication are limited to those deficiencies we identified during the audit that we considered to be of sufficient importance to communicate to management and, in the case of significant deficiencies, those charged with governance. Had we performed more extensive procedures on internal control, including procedures subsequent to May 28, 2024, we might have identified more deficiencies or reached different conclusions about the deficiencies included in this communication.

This communication is intended solely for the information and use of management, those charged with governance, and others within the Centre and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,

Grant Thornton LLP

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David Fioretti, CPA, CA

Principal

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