Grant Thornton

Financial statements

Committee of Management of George Bell Arena

December 31, 2023

Contents

Management's responsibility for the financial statements

The financial statements of the Committee of Management of George Bell Arena (the "Arena") are the responsibility of management and have been approved by the Board of Management.

The financial statements have been prepared in compliance with the Canadian public sector accounting 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 Arena'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 Arena'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 Auditor General's Office, 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 Arena's financial statements.

________________________ Chairperson

________________________ Treasurer

Independent Auditor's Report

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To the Council of the Corporation of the City of Toronto and the Committee of Management of George Bell Arena

Opinion

We have audited the financial statements of George Bell Arena (the "Arena"), which comprise the statement of financial position as at December 31, 2023, and the statement of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of George Bell Arena as at December 31, 2023, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Arena 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 audit opinion.

Other Matter

The financial statements of the Arena for the year ended December 31, 2022, were audited by another auditor who expressed an unqualified opinion on those financial statements on November 2, 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, 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 Arena'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 Arena or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Arena’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 Arena’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 Arena’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 Arena 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
April 30, 2024

Chartered Professional Accountants
Licensed Public Accountants

Committee of Management of George Bell Arena
Statement of financial position

December 31		2023		2022
Financial assets				
Cash	$	**150,753**	$	237,025
Accounts receivable		**12,241**		6,452
Post-employment benefits receivable (Note 4)		**1,972**		-
Due from City of Toronto – post-employment benefits (Note 4)		**-**		18,272
		164,966		261,749
Liabilities				
Accounts payable and accrued liabilities		**49,389**		53,490
HST payable		**10,500**		2,400
Deferred revenue		**25,098**		2,639
Due to City of Toronto – operating surplus (Note 5)		**63,007**		169,948
Due to City of Toronto – working capital advance (Note 6)		**15,000**		15,000
Due to City of Toronto – post-employment benefits (Note 4)		**1,972**		-
Post-employment benefits payable (Note 4)		**-**		18,272
		164,966		261,749
Net debt		**-**		-
Non-financial assets				
Tangible capital assets (Note 7)		**28,314**		35,964
Accumulated surplus	$	**28,314**	$	35,964

Approved by the Board:

Chair

Member

See accompanying notes to the financial statements.

Committee of Management of George Bell Arena
Statement of operations

Year ended December 31

	Budget	**2023**	2022
Revenue			
Ice rentals	$ 789,300	**$ 368,565**	$ 693,898
City of Toronto funding (Note 8)	-	**313,506**	128,433
Facility rentals	26,400	**48,177**	29,059
Program fees	54,000	**28,715**	50,485
Other	8,800	**4,772**	8,491
Payment to the City of Toronto for employee related costs (Note 4)	-	**(20,244)**	(26,782)
	878,500	**743,491**	883,584
Expenses			
Salaries and wages	378,500	**267,215**	272,132
Maintenance and repairs	139,000	**198,795**	167,955
Utilities	169,100	**129,515**	158,358
Professional fees	20,000	**68,200**	58,760
Employee benefits	117,600	**62,305**	61,492
Amortization	13,968	**13,968**	10,679
General administration	15,700	**11,366**	14,782
Program expenses	11,000	**6,730**	13,828
Insurance	7,700	**4,941**	5,781
	872,568	**763,035**	763,767
(Deficiency) excess of revenue over expenses before item below	5,932	**(19,544)**	119,817
Vehicle and equipment reserve contribution (Note 9)	(16,000)	**(16,000)**	(13,000)
Operating (deficit) surplus	$ (10,068)	**(35,544)**	106,817
Net expenditure receivable from (revenue payable to) the City of Toronto (Note 5)		**27,894**	(90,901)
Annual surplus (deficit)		**(7,650)**	15,916
Accumulated surplus, beginning of year		**35,964**	20,048
Accumulated surplus, end of year		**$ 28,314**	$ 35,964

See accompanying notes to the financial statements.

Committee of Management of George Bell Arena
Statement of changes in net debt
December 31

	Budget	**2023**	2022
Annual (deficit) surplus	$ (10,068)	**$ (7,650)**	$ 15,916
Acquisition of tangible capital assets	-	**(6,318)**	(26,595)
Amortization of tangible capital assets	13,968	**13,968**	10,679
Changes in net debt	(3,900)	**-**	-
Net debt, beginning of year	-	**-**	-
Net debt, end of year	$ (3,900)	**$ -**	$ -

See accompanying notes to the financial statements.

Committee of Management of George Bell Arena
Statement of cash flows

Year ended December 31		2023		2022
Increase (decrease) in cash				
Operating				
Annual (deficit) surplus	**$**	**(7,650)**	$	15,916
Items not affecting cash				
Amortization of tangible capital assets		**13,968**		10,679
		6,318		26,595
Change in non-cash working capital items				
Accounts receivable		**(5,789)**		(1,237)
Post-employment benefits receivable/ payable		**(20,244)**		(26,782)
Accounts payable and accrued liabilities		**(4,101)**		27,912
HST payable		**8,100**		(17,759)
Deferred revenue		**22,459**		(32,416)
Due to City of Toronto – operating surplus		**(106,941)**		93,441
Due to/ from City of Toronto – post employment benefits		**20,244**		26,782
		(79,954)		96,536
Investing				
Purchase of tangible capital assets		**(6,318)**		(26,595)
(Decrease) Increase in cash		**(86,272)**		69,941
Cash, beginning of year		**237,025**		167,084
Cash, end of year	**$**	**150,753**	$	237,025

See accompanying notes to the financial statements.

Committee of Management of George Bell Arena
Notes to the financial statements
December 31, 2023

1. Nature of operations

The Committee of Management of George Bell Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, by By-law No. 319-71, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto ("the City").

Under the By-Law, the Committee of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Committee over and above that necessary to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Revenue recognition

Revenues and expenditures are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

Ice rentals paid in advance are recorded as deferred revenue.

Financial instruments

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

The Arena subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, and amounts due from the City of Toronto.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, HST payable, amounts due to the City of Toronto and post-employment benefits payable.

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:

Furniture and equipment	5 years straight-line

2. Significant accounting policies (continued)

Contributed materials and services

Major capital expenditures are financed by the City, which owns the facility, and are not recorded in these financial statements. Services provided without charge by the City are not recorded in these financial statements. Other contributed materials and services are not recognized in the financial statements due to the difficulty of determining their fair value.

Employee related costs

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

a) The City offers a multi-employer defined benefit pension plan to the Arena's employees. Due to the nature of this plan, the Arena does not have sufficient information to account for it 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 Arena also offers its eligible employees a defined benefit 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 Arena recognizes an accrued benefit receivable 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 Canadian public sector accounting standards 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 revenue and expenses during the reporting period. Management makes accounting estimates when determining useful life of its tangible capital assets, assessing the allowance of doubtful accounts, significant accrued liabilities and the post-employment benefits liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

3. Change in accounting policy

Effective January 1, 2023, the Arena 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. Post-employment benefits payable and amount receivable

The Arena participates in a benefit plan provided by the City. The Arena provides administrative employees with long-term disability benefits and the continuation of health, dental and life insurance benefits to disabled employees.

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%

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

	2023	2022
Continuation of benefits to disabled employees	**$ 169,979**	$ 223,121
Post-employment income benefits	**320,355**	323,327
	490,334	546,448
Unrealized actuarial loss	**(492,306)**	(528,176)
Post-employment benefit (receivable) liability	**$ (1,972)**	$ 18,272

4. Post-employment benefits payable and amount receivable (continued)

The continuity of the accrued benefit obligation is as follows:

		2023		2022
Balance, beginning of year	$	**18,272**	$	45,054
Interest cost		**20,639**		13,189
Amortization of actuarial loss		**45,232**		50,805
Expected benefits paid		**(86,115)**		(90,776)
Balance, end of year	$	**(1,972)**	$	18,272

A receivable from the City of $1,972 in 2023 (2022 – payable of $18,272) has resulted from recording 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 Arena.

The Arena 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 $17,793 (2022 - $18,194).

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 Arena’s contributions accounted for an insignificant portion of the Plan's total employer contribution. Additional contributions, if any, required to address the Arena’s proportionate share of the deficit will be expensed during the period incurred.

5. Due from (to) City of Toronto – operating deficit (surplus)

		2023		2022
Balance, beginning of year	$	**(169,948)**	$	(76,507)
Operating deficit (surplus)		**35,544**		(106,817)
Tangible capital assets purchases		**6,318**		26,595
Amortization of tangible capital assets		**(13,968)**		(10,679)
Net expenditures receivable from (revenue payable to) the City of Toronto		**27,894**		(90,901)
Paid to (received from) the City		**79,047**		(2,540)
		106,941		(93,441)
Balance, end of year	$	**(63,007)**	$	(169,948)

5. Due from (to) City of Toronto – operating deficit (surplus) (continued)

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

	2023	2022
2016 operating deficit	**$ -**	$ 79,578
2017 overpayment received	**-**	(90,748)
2018 operating deficit	**-**	1,494
2021 operating surplus	**-**	(69,371)
2022 operating surplus	**(90,901)**	(90,901)
2023 operating deficit	**27,894**	-
	$ (63,007)	$ (169,948)

6. Due to City of Toronto – working capital advance

The Committee of Management retains a working capital advance of $15,000 (2022 - $15,000) provided by the City, for the management and control of the premises, to be returned to the City upon the Committee of Management ceasing to function for any reason.

7. Tangible capital assets

Tangible capital assets consist of the following:

			2023	2022
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Furniture and equipment	$ 170,894	$ 142,580	**$ 28,314**	$ 35,964

8. City of Toronto funding

The Arena received $313,506 (2022 - $128,433) from the City of Toronto to support cash shortfall due to a closure in 2023 for repairs and the closure due to COVID-19 in 2022.

9. Vehicle and equipment reserve contributions

These contributions are for the financing of replacement ice resurfacer machines required by the Arenas in future years. In the year, the contribution was $16,000 (2022 - $13,000).

10. Budget

The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Statement of Operations and Statement of Change in Net Financial Assets represent the budget adopted by the Arena with the following adjustments:

Budgeted annual operating surplus	$	3,900
Less:		
Amortization of tangible capital assets		(13,968)
Budgeted annual operating deficit per Statement of Operations	$	(10,068)

11. Financial instruments

Transactions involving financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Arena's financial instruments.

Credit risk

The Arena is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Arena's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and amounts due from the City of Toronto. The Arena's cash is with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote.

Management believes that the Arena's credit risk with respect to accounts receivable is limited. The Arena manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Liquidity risk

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

11. Financial instruments (continued)

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 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 Arena's financial instruments are denominated in Canadian dollars and it 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 of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. As a result, management does not believe the Arena is exposed to interest rate risk as the Arena does not currently have any interest bearing debt.

Other price risk

Other price risk refers to 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 Arena is exposed to significant other price risks.

Changes in risk

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

April 15, 2024

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Committee of Management

George Bell Arena

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In connection with our audit of the financial statements of George Bell Arena (the "Arena") 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

Lack of segregation duties

In common with other organizations with a small accounting team, we noted an issue surrounding segregation of duties. It was noted that the Bookkeeper has the ability to post and approve journal entries in Sage and is also part of the financial reporting process.

Management has a mitigating control in place whereby members of the Committee of Management perform a monthly review of the financial package which includes the journal entries.

Management believes that the current controls in place are sufficient given the size and complexity of the entity.

Other deficiencies

Evidence of review of bank reconciliations

In prior year audits, it was recommended that the bank reconciliations should be reviewed and evidence of the review process should be documented. While the bank reconciliation review process has been implemented, the documentation process has yet to be implemented. Management is in process of implementing such process through an email confirmation.

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 April 15, 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 Arena and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,

Grant Thornton LLP

Grant Thornton LLP

Melanie Dugard, CPA, CA
Principal