

FINANCIAL STATEMENTS
For
BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
For the year ended
DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the of the

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

We have audited the accompanying financial statements of the Board of Management for Applegrove Community Complex, which comprise the statement of financial position as at December 31, 2013, 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Complex derives revenue from donations, 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 revenues, net revenue over expenses, assets, and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board of Management for Applegrove Community Complex as at December 31, 2013 and the 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.

Other Matter

The financial statements of the Board of Management for Applegrove Community Complex for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those financial statements on July 29, 2013 for the reasons described in the Basis for Qualified Opinion paragraph.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 28, 2014.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and short term investments	\$ 324,806	\$ 185,422
Accounts receivable - City of Toronto (note 7)	99,438	109,816
Accounts receivable - Other	12,310	38,020
Prepaid expenses	<u>5,759</u>	<u>-</u>
	442,313	333,258
ACCOUNTS RECEIVABLE - CITY OF TORONTO (note 6)	253,182	252,176
ACCOUNTS RECEIVABLE - CITY OF TORONTO - OTHER (note 7)	<u>-</u>	<u>58,522</u>
	<u>\$ 695,495</u>	<u>\$ 643,956</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - City of Toronto	\$ -	\$ 1,195
Accounts payable and accrued liabilities - Other	167,701	190,646
Deferred revenue	17,965	-
Deferred contributions (note 5)	31,681	31,099
Advance payable to the City of Toronto	<u>70,000</u>	<u>-</u>
	287,347	222,940
POST-EMPLOYMENT BENEFITS PAYABLE (note 6)	253,182	252,176
ACCOUNTS PAYABLE - CITY OF TORONTO - OTHER	<u>-</u>	<u>58,522</u>
	<u>540,529</u>	<u>533,638</u>
NET ASSETS		
Restricted program funds	108,386	98,893
Unrestricted	<u>46,580</u>	<u>11,425</u>
	<u>154,966</u>	<u>110,318</u>
	<u>\$ 695,495</u>	<u>\$ 643,956</u>

Approved by the Board:

 Chair

 Secretary

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

	<u>Restricted program fund</u>	<u>Unrestricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
Net assets, beginning of year	\$ 98,893	\$ 11,425	\$ 110,318	\$ 113,924
Net revenue over expenses	5,715	38,933	44,648	(3,606)
Transfer between funds	<u>3,778</u>	<u>(3,778)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 108,386</u>	<u>\$ 46,580</u>	<u>\$ 154,966</u>	<u>\$ 110,318</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013

	<u>Program</u>	<u>Administration</u>	<u>2013</u>	<u>2012</u>
Revenue				
Grants				
City of Toronto	\$ 169,256	\$ 372,453	\$ 541,709	\$ 749,296
Province of Ontario	36,374	-	36,374	34,692
Government of Canada	62,018	-	62,018	41,944
Other grants	<u>53,743</u>	<u>-</u>	<u>53,743</u>	<u>46,358</u>
	321,391	372,453	693,844	872,290
Program and membership fees	133,954	-	133,954	86,110
Donations	31,126	-	31,126	41,901
Interest revenue	<u>-</u>	<u>182</u>	<u>182</u>	<u>381</u>
	<u>486,471</u>	<u>372,635</u>	<u>859,106</u>	<u>1,000,682</u>
Expenses				
Salaries and wages	314,541	246,058	560,599	760,875
Employee benefits	54,626	72,567	127,193	130,897
Materials and supplies	49,705	7,596	57,301	53,926
Purchase of services	<u>22,951</u>	<u>46,414</u>	<u>69,365</u>	<u>58,590</u>
	<u>441,823</u>	<u>372,635</u>	<u>814,458</u>	<u>1,004,288</u>
Net revenue over expenses				
(expenses over revenue)	<u>\$ 44,648</u>	<u>\$ -</u>	<u>\$ 44,648</u>	<u>\$ (3,606)</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue over expenses (expenses over revenue)	\$ 44,648	\$ (3,606)
Increase (decrease) resulting from changes in:		
Accounts receivable - City of Toronto	10,378	(81,181)
Accounts receivable - Other	25,710	1,841
Prepaid expenses	(5,759)	574
Long-term account receivable - City of Toronto	(1,006)	(80,575)
Long-term accounts receivable - City of Toronto - Other	58,522	(58,522)
Accounts payable and accrued liabilities - City of Toronto	(1,195)	(12,545)
Accounts payable and accrued liabilities - Other	(22,945)	126,311
Deferred revenue	17,965	31,099
Deferred contributions	582	-
Advance payable to the City of Toronto	70,000	-
Post-employment benefits payable	1,006	22,053
Long-term accounts payable - Other	<u>(58,522)</u>	<u>58,522</u>
Cash flows from operating activities	<u>139,384</u>	<u>3,971</u>
INCREASE IN CASH AND SHORT TERM INVESTMENTS	139,384	3,971
CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR	<u>185,422</u>	<u>181,451</u>
CASH AND SHORT TERM INVESTMENTS AT END OF YEAR	<u>\$ 324,806</u>	<u>\$ 185,422</u>

(See accompanying notes)

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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.

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 Community Recreation Centres Act, known as Applegrove Community Complex ("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.

The Municipal Act, 2001, and the AOCC Governance report, 2003, re-established the Board of Management as a municipal service board.

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.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

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-profits ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Complex follows the restricted fund 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. Contributions not expended are included as surplus for the year. Restricted contributions not expended are included as surplus under the specified program for the year.

Program and membership fees and other similar revenues are recognized on the date the services are performed.

Cash and short term investments

Cash and short term investments include cash on hand, demand deposits, amounts in trust and short-term investments with maturities of less than three months at acquisition.

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.

Contributed materials and services

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

Employee related costs

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

- (a) The City of Toronto offers a multiemployer defined benefit pension plan to the Complex's 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 multiemployer 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 employees a defined benefit sick leave plan, a postretirement 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.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

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

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profits 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. **FINANCIAL INSTRUMENTS**

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 following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Complex's financial instruments.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Complex will encounter difficulty in meeting obligations associated with financial liabilities, which 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.

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 rates and the interest rate exposure related to these financial instruments is negligible.

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, short term investments and accounts receivable. The Complex'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 Complex'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.

Changes in risk

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

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

6. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNT RECEIVABLE - Cont'd.

The continuity of the accrued benefit obligation is as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 252,176	\$ 230,123
Current service cost	3,272	10,813
Interest cost	8,435	11,932
Amortization of actuarial loss (gain)	(2,974)	3,935
Expected benefits paid	<u>(7,727)</u>	<u>(4,627)</u>
Balance, end of year	<u>\$ 253,182</u>	<u>\$ 252,176</u>

Expenditures relating to employee benefits are included in administration employee benefits on the statement of operations in the amount of \$1,006 (2012 - \$22,053) and include the following components:

	<u>2013</u>	<u>2012</u>
Current service cost	\$ 3,272	\$ 10,813
Interest cost	8,435	11,932
Amortization of actuarial loss (gain)	(2,974)	3,935
Expected benefits paid	<u>(7,727)</u>	<u>(4,627)</u>
Total expenditures related to post-retirement and post-employment benefits	<u>\$ 1,006</u>	<u>\$ 22,053</u>

A long-term receivable of \$253,182 (2012 - \$252,176) from the City 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 is responsible for the benefit liabilities of management 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 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 \$30,136 in 2013 (2012 - \$39,565).

The most recent actuarial valuation of the OMERS plan as at December 31, 2013 indicates the Plan is not fully funded and the plan's December 31, 2013 financial statements indicate a deficit of \$8.6 billion (less an additional \$341 million of deferred gains that must be recognized over the next four years). The plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Arena's contributions accounted for 0.0017% 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.

BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2013

7. 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 Centre unless Council approval has been obtained for additional funding.

	2013 <u>Budget</u> (unaudited)	<u>2013</u>	<u>2012</u>
Administration expenses:			
Salaries and wages	\$ 257,966	\$ 246,058	\$ 299,693
Employee benefits	58,096	72,567	76,548
Materials and supplies	7,896	7,596	8,370
Purchase of services	23,887	46,414	28,384
Contractual obligation accrual	-	-	<u>152,049</u>
	<u>\$ 347,845</u>	<u>\$ 372,635</u>	<u>\$ 565,044</u>
Complex's actual administration revenue:			
Administration budget		\$ 347,845	\$ 411,544
Contractual obligation funding		-	152,049
Other revenue (interest)		<u>182</u>	<u>381</u>
		<u>348,027</u>	<u>563,974</u>
Complex's actual administration expenses:			
Administration expenses per statement of operations		372,635	565,044
Post-employment benefits, not funded by the City until paid, that are included in long-term accounts receivable - City of Toronto		(1,006)	-
Vacation pay accrual		(11,576)	-
Difference between funding received and budgeted		<u>38</u>	<u>-</u>
		<u>360,091</u>	<u>565,044</u>
Administration expenses over approved budget		<u>\$ (12,064)</u>	<u>\$ (1,070)</u>

The under expenditure of \$12,064 (2012 - \$1,070) is recorded in the accounts receivable from the City of Toronto.

To comply with the 10% reduction in the administration budget of 2012 as approved by the City Council on January 27, 2012, contractual obligations of \$93,611 in 2013 and \$58,438 in 2014, totalling to \$152,049 had been recorded along with an equivalent amount of receivable from the City. The 2013 obligation was settled in the same year as \$93,005 even though the funding received from the City was \$93,611, thus leaving an unsettled 2013 obligation of \$606. Accordingly, the remaining severance liability of \$59,044 (\$58,438 plus \$606) and the corresponding recoverable from the City had been carried forward.

8. LEASE COMMITMENTS

The Complex has obtained permitted use of the Corpus Christi Church for Edgewood Connection Family Resources Centre and the lease expires on June 30, 2014. Minimum payments for 2014 amount to \$3,000.

9. COMPARATIVE FIGURES

Comparative figures have been audited by another auditor and have been reclassified where necessary to conform to the presentation adopted in the current year.

**BOARD OF MANAGEMENT FOR APPLGROVE COMMUNITY COMPLEX
MAJOR PROGRAM ACTIVITIES AND FUNDRAISING
YEAR ENDED DECEMBER 31, 2013**

	Unrestricted				Restricted				Total
	Applegrove Drop-in	Edgewood Drop-in	After School Program	Other	Teen Program	Perinatal Program	Therapeutic Play	Summer Camp & Leadership Program	
Program revenues									
Grants									
City of Toronto	\$ 112,428	\$ 20,142	\$ -	\$ 28,121	\$ -	\$ -	\$ -	\$ 8,565	\$ -
Province of Ontario	12,000	-	-	-	-	-	-	2,817	21,557
Federal Government	-	-	-	352	-	34,977	-	14,639	12,050
Non-government grants	1,000	-	250	3,302	11,520	250	26,750	10,421	250
	<u>125,428</u>	<u>20,142</u>	<u>250</u>	<u>31,775</u>	<u>11,520</u>	<u>35,227</u>	<u>26,750</u>	<u>36,442</u>	<u>33,857</u>
Donations	1,555	885	164	7,919	-	186	-	3,000	1,050
Fundraising	2,053	2,108	-	9,370	-	-	-	39,033	2,837
Membership/user fees/other	2,732	-	81,065	6,109	-	100	-	-	4,914
	<u>131,768</u>	<u>23,135</u>	<u>81,479</u>	<u>55,173</u>	<u>11,520</u>	<u>35,513</u>	<u>26,750</u>	<u>78,475</u>	<u>42,658</u>
Program expenditures									
Salaries	101,784	15,853	59,855	27,504	4,300	8,428	19,660	53,074	24,083
Benefits	32,610	6,938	4,218	2,180	254	616	1,561	4,455	1,794
Materials and supplies	3,275	626	6,678	1,408	1,119	14,945	824	11,735	8,455
Furniture and equipment	222	117	-	-	-	267	-	34	-
Purchase of services	1,471	3,333	3,215	9,474	-	182	1,311	1,720	2,245
	<u>139,362</u>	<u>26,867</u>	<u>73,966</u>	<u>40,566</u>	<u>5,673</u>	<u>24,438</u>	<u>23,356</u>	<u>71,018</u>	<u>36,577</u>
Surplus (deficit) from program activities	(7,594)	(3,732)	7,513	14,607	5,847	11,075	3,394	7,457	6,081
Operating surplus (deficit), beginning of year	921	557	26,037	12,049	5,433	8,267	32,647	2,808	21,599
Operating surplus (deficit), end of year	(6,673)	(3,175)	33,550	26,656	11,280	19,342	36,041	10,265	27,680
Transfers (Board approved)	6,673	3,175	(13,626)	-	-	3,778	-	-	-
Operating surplus (deficit), post-transfer	\$ -	\$ -	\$ 19,924	\$ 26,656	\$ 11,280	\$ 23,120	\$ 36,041	\$ 10,265	\$ 27,680
									\$ 154,966

Restricted program funds total \$108,386 including end of year surplus of Teen, Perinatal, Therapeutic Play, Summer Camp and Leadership programs and Seniors Program.

The transfer of \$9,848 from After School Program 2012 surplus to cover the deficit of \$6,673 in Applegrove Drop-in and \$3,175 in Edgewood Drop-in was based on Minutes of the Board on January 27, 2014.

The transfer of \$3,778 from After School Program surplus to cover Perinatal Program worker salaries and benefits was based on Minutes of the Board on January 27, 2014.