ATTACHMENT 3

FINANCIAL STATEMENTS

For

TORONTO PAN AM SPORTS CENTRE INC.

For year ended

DECEMBER 31, 2014

Welch LLP

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

TORONTO PAN AM SPORTS CENTRE INC.

We have audited the accompanying financial statements of the Toronto Pan Am Sports Centre Inc., which comprise the statement of financial position as at December 31, 2014 and the statements of operations, change in net debt and cash flows from the date of incorporation, December 18, 2013 to December 31, 2014, 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, 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Toronto Pan Am Sports Centre Inc. as at December 31, 2014 and the results of its operations, changes in net debt and its cash flows from the date of incorporation, December 18, 2013 to December 31, 2014 in accordance with Canadian public sector accounting standards.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 27, 2015.

Welch LLP – Chartered Accountants
36 Toronto Street, Suite 530, Toronto, ON M5C 2C5
T: 647.288.9200 F: 647.288.7600 W: www.welchllp.com
An Independent Member of BKR International

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

FINANCIAL ASSETS	
Cash (note 3)	$ 1,543,030
Accounts receivable (note 9)	197,386
	1,740,416
FINANCIAL LIABILITIES	
Accounts payable and accrued liabilities (note 9)	1,082,715
Government remittances payable	72,791
Deferred revenue	173,663
Advances from shareholders (note 7)	1,068,143
	2,397,312
NET DEBT	(656,896)
NON-FINANCIAL ASSETS	
Prepaid expenses	117,522
Tangible capital assets (note 5)	174,811
	292,333
ACCUMULATED DEFICIT (note 8)	$ (364,563)

Approved by the Board:

Ann Buller[illegible] .... Director

[illegible] .... Director

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM DATE OF INCORPORATION, DECEMBER 18, 2013 TO DECEMBER 31, 2014

	Budget (unaudited)	Actual
Revenue (note 9)		
Legacy fund income	$ 2,576,293	$ -
Space cost recoveries (note 9)	294,945	353,493
Field of play recoveries (note 9)	2,009,003	3,004,517
Rental income	394,955	253,690
Fitness centre income	332,655	249,201
Ancillary and other revenue	528,523	316,657
	6,136,374	4,177,558
Expenses		
Aquatics	616,211	496,360
License fees (note 9)	250,000	250,000
Field house	429,698	369,576
Central administration	2,094,944	1,575,597
Building operations	1,836,619	1,460,931
Fitness centre	526,196	389,659
	5,753,668	4,542,123
Operating surplus (deficit)	382,706	(364,565)
Accumulated surplus, beginning of year	-	-
	382,706	(364,565)
Capital stock issued	2	2
Accumulated surplus (deficit), end of year	$ 382,708	$ (364,563)

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CHANGE IN NET DEBT

FOR THE PERIOD FROM DATE OF INCORPORATION, DECEMBER 18, 2013 TO DECEMBER 31, 2014

Operating deficit	$ (364,565)
Acquisition of tangible capital assets	(193,111)
Amortization of tangible capital assets	18,300
Acquisition of prepaid expenses	(117,522)
Capital stock issued	2
Change in net financial assets (net debt)	(656,896)
Net financial assets, beginning of period	-
Net debt, end of period	$ (656,896)

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM DATE OF INCORPORATION, DECEMBER 18, 2013 TO DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating deficit	$ (364,565)
Items not involving cash:	
Amortization of tangible capital assets	18,300
	(346,265)
Changes in:	
Accounts receivable	(197,386)
Government remittances payable	72,791
Accounts payable and accrued liabilities	1,082,715
Deferred revenue	173,663
Advances from shareholders	1,068,143
Prepaid expense	(117,522)
Cash flows from operating activities	1,736,139
CASH FLOWS FROM CAPITAL TRANSACTIONS	
Acquisition of tangible capital assets	(193,111)
Cash flows from capital transactions	(193,111)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of capital stock	2
Cash flows from financing activities	2
INCREASE IN CASH	1,543,030
CASH AT BEGINNING OF YEAR	-
CASH AT END OF YEAR	$ 1,543,030

(See accompanying notes)

1. NATURE OF OPERATIONS

The Toronto Pan Am Sports Centre Inc. (hereafter referred to as the "Centre") is incorporated under the Business Corporations Act of the Province of Ontario. The Centre is owned in equal share by the City of Toronto (the "City") and the University of Toronto (the "University"). The Centre's principal business activity is the management of the Toronto Pan Am Sports Centre. The Centre maintains its head office in Scarborough, Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Revenue recognition

The Centre recognizes revenue when it is realized or realizable and earned. The Centre considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or the service has been provided to the customer, the sales price is fixed or determinable and collectability is reasonably assured.

Space cost recoveries and field of play recoveries are recognized as revenues in accordance with individual user agreements and when performance is provided.

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

Fitness centre membership revenues are recognized on a monthly basis or when service has been provided.

Food and beverage revenues are recognized as earned, upon performance of the service. Revenues related to catering events are recognized on the date of the event.

Rental and membership revenues paid in advances are recorded as deferred revenue.

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 and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Tangible capital assets

Tangible capital assets are stated at acquisition cost and amortized on a straight line basis over 4 years.

Income taxes

The Centre uses the future income taxes method of accounting for taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between tax and accounting basis of assets and liabilities.

Capital reserve fund

Amounts, as approved by the Board of Directors, are set aside in accumulated surplus to a capital reserve fund for future major maintenance and capital requirements.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its capital assets, and significant accrued liabilities. 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. DESIGNATED CASH

The Centre has budgeted $3,940,929 to be contributed annually to a designated cash fund to be used for the sole purpose of funding major maintenance and capital requirements. The budgeted amount was prorated for 2014 to $1,970,465. There is an annual amount of $1,500,000 committed for this purpose from Legacy funding, in accordance with the funding agreement dated December 18, 2014, and the balance is to be funded by amounts received from the Co-owners and/or operating surplus.

At December 31, 2014, the Centre's cash balance included $346,825 deposited in a designated account. Subsequent to year-end the Centre deposited the remaining budgeted balance for 2014 to the designated account as a result of receiving Legacy funding, as disclosed in note 11.

4. FINANCIAL INSTRUMENTS

The Centre's financial instruments are subject to the following risks:

Credit Risk

The Centre provides credit to its customers in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients, a review of outstanding amounts and maintains provisions for estimated uncollectible accounts. Consequently, the Centre believes that its exposure to credit risk is remote.

Liquidity Risk

Liquidity risk refers to the adverse consequence that the Centre will encounter difficulty in meeting obligations associated with its financial 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.

Market risk

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

i) *Currency risk*

Currency risk is the risk that the fair value of instruments or future cash flows associated with instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Centre transacts in Canadian dollars and consequently is not exposed to currency risk.

ii) Interest Rate Risk

The Centre does not have loans receivable or payable which would cause exposure to interest rate risk. Consequently, the Centre's exposure to interest rate risk is minimal.

ii) *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 because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all similar instruments traded in the market.

The Centre is not exposed to other material price risk.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

Furniture and equipment - cost	$ 193,111
Less: accumulated amortization	(18,300)
	$ 174,811

6. INCOME TAXES

The Centre has unused non-capital losses of approximately $346,265 which may be carried forward and applied to reduce taxable income of future years. The losses are available for a limited time only and expire in 2034.

The Centre has not recognized the future tax benefit of these losses.

7. ADVANCES FROM SHAREHOLDERS

During the year, construction began on the food court addition to the building in which the Centre operates and is owned by the shareholders. In accordance with the operating agreement between the Centre and the shareholders, the assets will be owned and paid for in equal share by the City of Toronto and the University of Toronto. The Centre is responsible for managing the construction process and paying the contractor on behalf of the shareholders, using funds received from the shareholders. The Centre will extinguish the liability as payments are made to the contractor.

Funds received	
University of Toronto	$ 750,000
City of Toronto	750,000
	1,500,000
Payments made	(431,857)
	$ 1,068,143

8. ACCUMULATED DEFICIT

The Centre is authorized to issue an unlimited number of voting common shares.

The accumulated deficit is made up as follows:

Operating deficit	$ (364,565)
Share capital	2
	$ (364,563)

Share capital includes 2 common shares issued for proceeds of $1 each.

During the year there were no allocations to the capital reserve fund from accumulated surplus.

9. RELATED PARTY TRANSACTIONS

The Centre is owned equally by the City of Toronto and the University of Toronto.

The following related party transactions occurred in the normal course of business and have been recorded at their exchange amount which is the amount agreed upon by the related parties. The balances due to and from related parties are non-interest bearing and have no specified terms of repayments.

(a) During the period, the Centre incurred license fees payable to the shareholders in the amount of $250,000.

(b) The Centre received $1,747,567 from the City of Toronto and $1,149,362 from the University of Toronto for space cost and field of play recoveries. These amounts include contributions for start-up costs in the amount of $529,148 from each shareholder.

(c) Included in the accounts receivable balance at year end is approximately $40,000 due from the University of Toronto.

(d) The Centre has received funds for the construction of a food court which will be owned by the shareholders as disclosed in note 7.

10. COMMITMENTS

The Centre has entered into an operating agreement with a related party which requires the Centre pay a licensing fee of $750,000 a year for as long as the Centre operates.

11. SUBSEQUENT EVENTS

Subsequent to year end each shareholder acquired an additional 4,999 common shares of the Centre in exchange for $2,038,147. The total funds received by the Centre amount to $4,076,293 and represent the first year of funding from the Legacy Funding agreement dated December 18, 2014, to be contributed to the Centre to fund the capital reserve and operating costs.

12. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and are based on the operating budget approved by the Board of Directors.

SCHEDULE A

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF EXPENSES

FOR THE PERIOD FROM DATE OF INCORPORATION, DECEMBER 18, 2013 TO DECEMBER 31, 2014

	Budget (Unaudited)	Actual
Expenses		
Salaries, wages and benefits	$2,225,709	$2,043,260
Contracted services	924,733	765,979
Utilities	489,870	551,024
Supplies	357,347	265,965
Consulting fees	394,417	261,583
License fees	250,000	250,000
Insurance	113,088	101,755
Office expenses	85,080	52,385
Services	133,576	51,445
Repairs and maintenance	306,675	50,202
Professional fees	54,489	48,420
Other operating expenses	348,503	44,563
Telecommunications	52,666	37,242
Amortization	17,515	18,300
	$5,753,668	$4,542,123