

Toronto Pan Am Sports Centre Inc. 2018 Highlights

1. Toronto Pan Am Sports Centre Inc.

Toronto Pan Am Sports Centre Inc. was incorporated under the Ontario Business Corporations Act (OBCA) on December 18, 2013 and was subsequently operationalized on February 10, 2014 with the inaugural meeting of the Board of Directors. A unanimous Shareholders' Agreement was executed on December 18, 2013, to govern the relationship of Toronto Pan Am Sports Centre Inc. with the City of Toronto and the University of Toronto. The University of Toronto and the City of Toronto are equal Shareholders of Toronto Pan Am Sports Centre Inc.

Under section 94(1) of OBCA the Directors of a corporation are required to call an annual meeting of Shareholders not later than eighteen months after the corporation comes into existence and thereafter not later than fifteen months following the last Annual General Meeting. The business to be transacted at a Toronto Pan Am Sports Centre Inc. Annual Shareholders Meeting is the election of the directors of whose term of office has expired, the appointment of the auditor, authorization for the directors to fix the auditor's remuneration, receipt of financial statements, approval of Operating and Capital Budgets, receipt of the Annual Report, and confirmation of corporation proceedings.

Alternatively, the requirements of holding an Annual General Meeting can be satisfied by both Shareholders signing the appropriate resolutions without holding a meeting, addressing the matters that need to be addressed at the Annual General Meeting, pursuant to section 104 of the Business Corporations Act. The written resolutions dealing with all of the matters required by the OBCA to be dealt with at an Annual Meeting of Shareholders, and signed by the duly authorized representatives of all the Shareholders entitled to vote at that meeting, satisfies all the requirements of the OBCA relating to the 2019 Annual Meeting of Shareholders.

2. 2018 Toronto Pan Am Sports Inc. Operating Highlights

The Toronto Pan Am Sports Centre is a legacy of the 2015 Toronto Pan Am and Parapan Am Games. It is operated by Toronto Pan Am Sports Centre Inc., a corporation co-owned by the City of Toronto and University of Toronto. The Toronto Pan Am Sports Centre Inc.'s 2018 Annual Report, forming Attachment 3 to this report, provides an overview of the corporation, its mission and strategy, as well as the operational highlights for the Centre in 2018.

2018 was the fourth complete year of operations for Toronto Pan Am Sports Centre Inc. and the third full year of uninterrupted programming. There were over 1.4 million visits to the Toronto Pan Am Sports Centre Inc.

Toronto Pan Am Sports Centre is home to the Toronto Sport Hall of Honour, and hosts multiple events. In 2018, Toronto Pan Am Sports Centre hosted 1,200 swimmers for the Scarborough Swim Club's Pan Am Invitational. The Centre also saw 116,621 individual track walks, 220,952 University of Toronto Scarborough student visits and 5,117 registrants utilized the "Welcome Policy". Toronto Pan Am Sports Centre now has 21 high performance sport organizations utilizing the facility, whose athletes won 50 international medals in 2018.

Toronto Pan Am Sports Centre provides significant local employment; last year the Centre employed 609 full and part-time staff.

3. Annual General Meeting

Under the OBCA the business to be completed at an Annual General Meeting of Shareholders includes the election of the directors of the corporation whose term of office has expired, the appointment of the auditor, receipt of financial statements, and confirmation of the corporation's proceedings since the last Annual Meeting of the Shareholders. The unanimous Shareholders' Agreement dated December 18, 2013 also requires that the annual Operating and Capital Budgets be approved by the Shareholders at the Annual General Meeting or by each Shareholder executing in enclosed attachments.

4. Appointment of Auditor

Under the OBCA the auditor must be appointed annually by the Shareholders at the Annual General Meeting of the corporation. The auditor so appointed holds office until the close of the next Annual General Meeting of the Shareholders, or until a successor is appointed.

Toronto Pan Am Sports Centre Inc. undertook a Request for Quotation (RFQ) process in 2014 for an external auditor and engaged Welch LLP, Chartered Accountants, as the external auditor of Toronto Pan Am Sports Centre Inc. for a five-year period covering fiscal years 2014 to 2018. The initial appointment of Welch LLP, Chartered Accountants as auditor for Toronto Pan Am Sports Centre Inc. was approved by City Council in 2015 and renewed in 2016, 2017 and 2018.

The initial RFQ in 2014 included an option to extend the external auditor contract for a second term of five years. Welch LLP was approved by the Board of Directors for an extension of the external auditor contract for additional five-year term at the Board of Directors Meeting, March 14, 2019. The second term includes fiscal years 2019-2023. The annual re-appointment of the external auditors will continue to be brought forward to City Council for their approval as Shareholders.

5. Shareholder Resolutions

This report recommends that City Council, acting as Shareholder, approve the Shareholder Resolution forming Attachment 1 to this report:

- i. To receive the "Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2018";
- ii. To approve the re-appointment of Welch LLP, Chartered Accountants, as the external auditor of Toronto Pan Am Sports Centre Inc. for 2019, and authorize the Board of Directors of Toronto Pan Am Sports Centre Inc. to set the external auditor's remuneration; and

- iii. To ratify all corporate proceedings since the last Annual Meeting of the Shareholders. The Unanimous Shareholders' Agreement provides that, in addition to those matters required by the Business Corporations Act, that the annual Operating and Capital Budget approved by the Board of Directors shall be approved at each Annual Meeting of the Shareholders.

This report also recommends that City Council, acting as Shareholder, approve the Shareholder Resolution forming Attachment 5 to this report approving the "Toronto Pan Am Sports Centre Budgets for 2019" which forms Attachment 5, Schedule A to this Report.

6. Summary – 2018 Audited Financial Statements

Toronto Pan Am Sports Centre Inc. officials have informed the City of Toronto that the Board, at its meeting on March 14, 2019, approved the "Audited Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2018", forming Attachment 4 to this report. Under the OBCA and provisions of the Unanimous Shareholders' Agreement, the Shareholders must receive the annual Audited Financial Statements.

The Audited Financial Statements are presented for the fiscal year 2018. The Auditors have expressed an unqualified opinion on these statements. When comparing the actual results to the "cash-basis" budget, there is one technical difference. The Legacy Fund revenues are technically treated as Share Capital contributions, even though they are revenues for business purposes. There was \$4.251 million contributed for the year 2018, which was classified as Share Capital issued. The Statement of Operations (page 4 of 12) shows an Operating Deficit of (\$465,632), and lower down shows Capital Stock issued in the amount of \$4,251,318. The result for the year 2018 is a \$2.9 million cash surplus, which increased the accumulated surplus at the end of the year from \$12,848,479 to \$15,789,544.

7. 2018 Operating Financial Results – "cash-basis"

The Operating Financial Statements for 2018 show an annual surplus of \$7,991. The difference between these results and the audited statements results above is the treatment of the Legacy Funds of \$4,251,318, which are shown as revenue, and contributions of \$3,940,929 to the Capital Reserve Fund, which is treated as an expense. Amortization expenses are captured in the Capital Reserve Fund.

8. 2019 Budget

Toronto Pan Am Sports Centre Inc. officials have informed the City of Toronto that the Board, at its meeting on September 28, 2018, approved the 2019 Operating Budget, and at the following meeting on December 14, 2018, approved the 2019 Capital Budget for Toronto Pan Am Sports Centre Inc. The 2019 Operating and Capital Budgets form Attachment 5, Schedule A to this report. Under provisions of the Unanimous Shareholders' Agreement, the Shareholders must approve the annual Operating and Capital Budgets of Toronto Pan Am Sports Centre Inc.

The 2019 Operating Budget shows planned revenues (including legacy fund amounts) of \$17,390,849 and expenditures (including reserve contributions) of \$17,278,164 for a surplus of \$112,685, after budgeted reserve contributions of \$3,940,929.

The original budget framework did not call for license fees of \$750,000 (half of which is paid to the City of Toronto), which this budget covers, while still providing a minor surplus.

9. Board Composition

City of Toronto representatives to the Board presently include two (2) public appointments and three (3) City of Toronto staff who were all appointed in 2016 for a two-year term.