F I N A N C I A L S T A T E M E N T S

For

TORONTO PAN AM SPORTS CENTRE INC.

For year ended

DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

TORONTO PAN AM SPORTS CENTRE INC.

Opinion

We have audited the financial statements of Toronto Pan Am Sports Centre Inc. (the Centre), which comprise the statement of financial position as at December 31, 2020, and the statement of operations, changes in net financial 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2020 and its results of operations, changes in its net financial assets, 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 Centre 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 opinion.

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

Management is responsible for the preparation and fair presentation of the 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 Centre's ability to continue as a going concern, disclosing, as applicable, matters related to 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.

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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. 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 26, 2021.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Undesignated cash	$ 4,094,549	$ 3,739,751
Cash - reserve fund (note 3)	2,110,979	1,541,508
Portfolio investments - reserve fund (note 3)	15,533,074	14,187,561
Accounts receivable (note 8(c))	232,569	295,171
Government remittances receivable	33,815	-
	22,004,986	19,763,991
LIABILITIES		
Accounts payable and accrued liabilities (note 8(a))	1,935,834	1,811,982
Government remittances payable	-	4,975
Deferred revenue	508,368	541,256
	2,444,202	2,358,213
NET FINANCIAL ASSETS	19,560,784	17,405,778
NON-FINANCIAL ASSETS		
Prepaid expenses	167,927	191,149
Inventory	35,024	39,348
Tangible capital assets (note 5)	1,799,405	1,458,095
	2,002,356	1,688,592
ACCUMULATED SURPLUS (note 7)	$ 21,563,140	$ 19,094,370

Approved by the Board:

.... Director

.... Director

(See accompanying notes)

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TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2020

	Budget (note 10)	Actual 2020	Actual 2019
Revenue			
Field of play recoveries (note 8(b))	$ 6,864,542	$ 4,700,142	$ 6,271,648
Space cost recoveries (note 8(b))	1,025,399	999,775	1,006,218
Rental income (note 11)	1,411,000	885,095	1,465,567
Fitness centre income	1,923,351	546,467	1,770,722
Food and beverage	1,665,000	411,821	1,574,728
Ancillary and other revenue	886,886	381,229	778,937
Government assistance - wage subsidies (note 11)	-	1,723,232	-
	13,776,178	9,647,761	12,867,820
Expenses (Schedule A)			
Aquatics	1,456,578	953,128	1,374,193
License fees (note 8)	750,000	750,000	750,000
Field house	931,729	597,202	916,586
Central administration	2,076,319	1,891,227	1,848,913
Building operations	6,378,289	5,233,874	5,801,023
Fitness centre	1,271,801	955,153	1,262,991
Food and beverage	1,577,206	675,899	1,388,464
	14,441,922	11,056,483	13,342,170
Operating deficit	$ (665,744)	(1,408,722)	(474,350)
Capital reserve fund			
Investment income		465,229	391,597
Management fees		(50,215)	(46,500)
Major repairs and replacements		(885,027)	(870,381)
		(470,013)	(525,284)
Accumulated surplus, beginning of year		19,094,370	15,789,544
		17,215,635	14,789,910
Capital stock issued (note 7)		4,347,505	4,304,460
Accumulated surplus, end of year		$ 21,563,140	$ 19,094,370

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED DECEMBER 31, 2020

	2020	2019
Operating deficit	$ (1,408,722)	$ (474,350)
Reserve fund deficit	(470,013)	(525,284)
Acquisition of tangible capital assets	(696,576)	(719,612)
Amortization of tangible capital assets	348,397	250,486
Disposal of tangible capital assets	6,869	-
Utilization (acquisition) of prepaid expenses	23,222	(18,858)
Utilization (acquisition) of inventory	4,324	(4,747)
Capital stock issued	4,347,505	4,304,460
Change in net financial assets	2,155,006	2,812,095
Net financial assets, beginning of period	17,405,778	14,593,683
Net financial assets, end of period	$ 19,560,784	$ 17,405,778

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	2020	2019
CASH FLOWS USED IN OPERATING ACTIVITIES		
Operating deficit	$ (1,408,722)	$ (474,350)
Reserve fund deficit	(470,013)	(525,284)
Items not involving cash:		
Amortization of tangible capital assets	348,397	250,486
Investment proceeds reinvested	(292,611)	(338,761)
Disposal of tangible capital assets	6,869	-
	(1,816,080)	(1,087,909)
Changes in:		
Accounts receivable	62,602	117,664
Government remittances receivable/payable	(38,790)	24,585
Accounts payable and accrued liabilities	123,852	(820)
Deferred revenue	(32,888)	102,545
Inventory	4,324	(4,747)
Prepaid expense	23,222	(18,858)
	(1,673,758)	(867,540)
CASH FLOWS USED IN CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(696,576)	(719,612)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(7,416,579)	(15,648,538)
Proceeds from sale of investments	6,363,677	13,029,923
	(1,052,902)	(2,618,615)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	4,347,505	4,304,460
INCREASE IN CASH	924,269	98,693
CASH AT BEGINNING OF YEAR	5,281,259	5,182,566
CASH AT END OF YEAR	$ 6,205,528	$ 5,281,259
Cash is comprised of:		
Cash - reserve fund (note 3)	$ 2,110,979	$ 1,541,508
Undesignated cash	4,094,549	3,739,751
	$ 6,205,528	$ 5,281,259

(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 advance are recorded as deferred revenue.

Investment income comprises interest from cash and fixed income securities. Interest on fixed income securities is recognized over the term of those investments using the effective interest method.

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, accounts receivable and portfolio investments.

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

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

Inventory

Inventories comprise of mainly food court inventory. Inventories are valued at the lower of cost and net realizable value.

Tangible capital assets

Tangible capital assets are stated at acquisition cost and amortized as follows:

Computer hardware and software	- 4 years straight line
Furniture and equipment	- 10 years straight line
Food court capital improvements	- 10 years straight line

Impairment of financial assets

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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 or receivable for the current year. Future income tax assets and liabilities are recognized for temporary differences between tax and accounting basis of assets and liabilities.

Government assistance - Canada Emergency Wage Subsidy for Employers

Canada Emergency Wage Subsidy (CEWS), a form of temporary government assistance introduced in response to the COVID-19 pandemic, was a subsidy initiated by the federal government to enable employers to re-hire workers previously laid off, and to retain those who were already on payroll. The subsidy was calculated as a percentage of eligible remuneration paid by those who experienced a certain level of revenue decline during the program periods.

The subsidies have been recorded in the period to which they relate as long as the amount of the subsidy could be reasonably estimated at that point in time. The amount of the assistance received is reported as government assistance in the applicable period.

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 tangible 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. RESERVE CASH AND PORTFOLIO INVESTMENTS

The Centre has designated funds to be used for the sole purpose of funding major maintenance and capital requirements. There is an annual amount of $1,500,000 committed for this purpose from the Legacy funding, in accordance with the funding agreement dated December 18, 2014, and the balance is to be funded by amounts received from the Shareholders and/or operating surplus.

Reserve portfolio investments consist of the following:

	Cost	Fair market value
Short-term investments	$ 1,940,138	$ 1,949,507
Fixed income securities	13,582,996	14,023,976
Accrued interest	9,940	-
	$ 15,533,074	$ 15,973,483

Fixed income securities consist of government and commercial bonds and GICs. The fixed income securities have effective interest rates ranging from 1.00% to 3.50% with maturity dates ranging from March 2021 to June 2030.

	2020	2019
Reserve fund balance, beginning of year	$ 15,729,069	$ 12,756,547
Reserve fund deficit	(470,013)	(525,284)
Contributions during the year	2,384,997	3,497,806
Reserve fund balance, end of year	$ 17,644,053	$ 15,729,069
Reserve fund balance is comprised of:		
Cash	$ 2,110,979	$ 1,541,508
Portfolio investments	15,533,074	14,187,561
	$ 17,644,053	$ 15,729,069

4. FINANCIAL INSTRUMENTS

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

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, portfolio investments and accounts receivable. The Centre's cash is deposited with a Canadian chartered bank and the portfolio investments are held in high credit rated Canadian government bonds, commercial bonds and GICs. As a result management believes the risk of loss on these items to be remote. 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 on these items 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 through its budget process and by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal.

4. FINANCIAL INSTRUMENTS - Cont'd.

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's financial instruments are all 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.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The Centre's exposure to interest rate risk arises from its portfolio investments. The Centre manages this risk by having prudent investment policies and by ensuring bonds and GICs mature on a staggered basis over the next nine years.

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's exposure to other price risk arises from its portfolio investments. The Centre manages this risk by having prudent investment policies.

There have been no significant changes to the Centre's risk exposure from the prior year.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer hardware and software	$ 925,301	$ 494,059	$ 669,054	$ 319,860
Furniture and equipment	1,661,655	436,917	1,279,982	284,162
Food court capital improvements	211,172	67,747	160,741	47,660
	2,798,128	$ 998,723	2,109,777	$ 651,682
Accumulated amortization	998,723		651,682	
	$ 1,799,405		$ 1,458,095	

During the year, the Centre wrote off tangible assets with cost of $8,225 and accumulated amortization of $1,356.

6. INCOME TAXES

The Centre has unused non-capital losses of approximately $4,641,878 which may be carried forward and applied to reduce taxable income of future years. The losses are available for a limited time only and will expire beginning 2034. The Centre has not recognized the future tax benefit of these losses.

7. ACCUMULATED SURPLUS

The accumulated surplus is made up as follows:

	2020	2019
Accumulated operating deficit	$ (5,592,792)	$ (4,184,070)
Accumulated capital reserve deficit	(2,154,432)	(1,684,419)
Common shares - 70,870 (2019 - 60,466) shares	29,310,364	24,962,859
Accumulated surplus, end of year	$ 21,563,140	$ 19,094,370

The Centre is authorized to issue an unlimited number of voting common shares. In 2020, 10,404 (2019 - 10,300) common shares were issued for proceeds of $4,347,505 (2019 - $4,304,460).

8. RELATED PARTY TRANSACTIONS

The Centre is owned equally by the City of Toronto and the University of Toronto (the "Shareholders").

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) Included in the accounts payable balance are license fees of $750,000 (2019 - $750,000) payable to the Shareholders.

(b) The Centre received $3,022,824 (2019 - $3,923,544) from the City of Toronto and $1,542,104 (2019 - $2,003,164) from the University of Toronto for space cost and field of play recoveries.

(c) Included in the accounts receivable balance at year end is $1,482 (2019 - $41,093) due from the University of Toronto and $nil (2019 - $7,986) from the City of Toronto.

9. COMMITMENTS

The Centre has entered into an operating agreement with related parties which requires the Centre to pay a licensing fee of $750,000 a year for use of the facility.

10. BUDGETED FIGURES

The budgeted figures presented for comparison purposes are unaudited, and are based on the operating budget approved by the Board of Directors.

11. COVID-19

In mid-March of 2020, the province of Ontario declared a state of emergency in response to public health concerns originating from the spread of COVID-19. Those measures covered travel restrictions and social distancing requirements which included a call to avoid crowded places and non-essential gatherings. The Centre was closed for part of the year to comply with provincial orders, and when the Centre was reopened, only reduced level of service was provided and limited programming was offered in response to these restrictions. As a result, the Centre experienced a significant reduction in revenue in 2020. Management made strategic decisions to reduce operating expenses in order to minimize the financial impact from the reduction in revenue.

The Government of Canada announced that they would be providing emergency funding to various businesses in response to COVID-19 impacts. For the year ended December 31, 2020, the Centre was eligible for a total of $1,723,232 from the Federal Government of Canada's Emergency Wage Subsidy (CEWS) program, of which $1,571,840 was received by year-end and $151,392 is included in accounts receivable at December 31, 2020. In addition, the Centre was eligible for a total of $26,033 from the Federal Government of Canadian Emergency Commercial Rent (CECRA) program for the year ended December 31, 2020, which is included in rental income in the statement of operations.

At the time of issuance of these financial statements, certain facilities of the Centre remain open, and the Centre will continue to operate while meeting quarantine measures as announced by the government. The potential financial implications related to the COVID-19 pandemic include:

- Reduction in revenue related to closures and decrease in the number of events held at the Centre, and reduced usage in various services;
- Reduction in expenses directly related to program closures and/or decreases in service.
- Decline in the fair value of investments and investment income, including investments under the reserve fund.

These items may have a material impact on the future financial results. Uncertainty exists related to the impact that COVID-19 will have on the operations of the Centre. As the situation is fluid, the ultimate impact to the Centre's operations, assets, liabilities, revenues and expenses are not yet known. An estimate of the financial effect of these impacts is not practicable at this time. No adjustment has been made to these financial statements.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Budget (note 10)	Actual 2020	Actual 2019
Expenses			
Salaries, wages and benefits	$ 7,945,765	$ 6,147,316	$ 7,312,653
Utilities	1,610,987	1,270,880	1,462,180
Contracted services	1,518,612	1,180,880	1,445,450
Licenses fees	753,000	756,457	754,289
Amortization	350,000	348,397	250,486
Other operating	480,799	302,369	442,922
Insurance	216,000	216,534	188,708
Supplies	254,802	216,013	245,490
Direct food and beverage	752,119	201,497	683,907
Repairs and maintenance	234,598	157,280	227,114
Telecommunications	79,483	89,181	84,998
Services	95,905	56,422	93,721
Consulting fees	46,899	47,813	50,778
Professional fees	41,778	35,759	44,524
Office	61,175	29,685	54,950
	$ 14,441,922	$ 11,056,483	$ 13,342,170