

ATTACHMENT 1



Annual and Cover Report
Lakeshore Arena Corporation
For the Year ended December 31, 2021

2021 was another challenging year for Lakeshore Arena Corporation due to the prolonged impact of the global pandemic. The Corporation generated 50% of its pre-pandemic ice rental revenues (\$1.86 in 2021 vs. \$3.68M in 2019) as a result of prolonged closures of the arena mandated by Provincial public health restrictions that prevented the full and sustained opening between March 2020 and February 2022. Tenancy revenue for 2021 was \$1.23M (\$1.10, 2019) and exceeded pre-pandemic totals.

The arena was able to resume regular ice rental activity in September of 2021 with the full complement of ice users, leagues and training taking place. No additional emergency funding was required from the City since July 26, 2021. The arena was closed again for a period of one-month in January of 2022. Despite the closure, the arena has been able to meet all debt obligations and for 2022 is currently projecting revenue and expenses in line with pre-pandemic levels of 2019.

In January 2016, City Council approved a conversion of \$8.1M of the loan receivable from the Corporation into a capital contribution. As part of the transaction, the Corporation agreed to make an annual distribution to the City equal to 50% of net operating income before amortization of tangible capital assets. As of December 31, 2021, \$1,602,446 has been recorded as distributions to date, of which \$964,050 is outstanding and due to the City. The balance outstanding is non-interest bearing with no fixed repayment terms.

In April 2017, the Corporation obtained two credit facilities from Ontario Infrastructure and Lands Corporation (OILC). The debt outstanding as of December 31, 2021, was \$23,794,257. The arena's lender provided Lakeshore Arena with a 6-month mortgage deferral from January through June 2021. The deferral was repaid in July of 2021 and the credit facility is currently in good standing. The Corporation is in compliance with the debt service coverage ratio requirement from the lender.

As of December 31, 2021, the Corporation had net debt of \$30,112,892. For the year then ended, the Corporation had an operating deficit of \$61,247 (\$1.25M deficit, 2020) and had positive operating cash flows of \$1,601,080. This was achieved with the \$1.15M in Emergency Funding received from the City of Toronto in 2021.

The Corporation has a general, interest only loan with the City of Toronto in the amount of \$4M that was renewed in September 2021 and matures in October 2022. The credit facility is 3% and interest only payments are due quarterly. No interest payments were made to the City in 2021.

The Corporation has an operating line of credit with the City of Toronto in the amount of \$1M. As of December 31, 2021, the Corporation has drawn the full \$1M available. There are no specific terms of repayment and interest accrues at 3%. No repayments were made in 2021.

The Corporation fully repaid two credit facilities to the City of Toronto in 2021 totaling \$151,000 related to energy efficiency projects.



The Auditor of the Corporation has added a note to the 2021 financial statements that indicates a material uncertainty exists that may cast some doubt on the Corporation's ability to remain a going concern. The Board of Directors of the Corporation have been working on a long-term, sustainable financial plan and strategy to present to the City regarding operation of the arena and its economic future.

Whether the Corporation will have the ability to meet its debt obligations is uncertain due to the impact of the Covid-19 global pandemic. When Provincial Health restrictions were in place, the arena was dependent on the City for continued cash flow support to meet debt obligation needs and working capital requirements. When health restrictions were not in place, the arena was able to manage its cash flow and debt obligations without any financial support from the City.

A degree of uncertainty persists surrounding the full economic impact of Covid-19. The unpredictable nature of the spread of the virus makes it difficult to determine the length of time the Corporation's operations will be impacted or the severity of the impact. The effects of any subsequent outbreaks or abrupt declines in economic activity therefrom will have on the Corporation's operations, assets, liabilities, accumulated surplus, revenues, and expenses are unknown at this time.

The Ford Performance Centre remains an important facility in the provision of community and competitive hockey and skate programming and infrastructure. The Board of Directors and Management of the Lakeshore Arena Corporation continue to work toward stabilizing the financial challenges associated with its operation to ensure it remains a sustainable and viable operation well into the future. The Board of Directors would like to thank the shareholder for its ongoing support and look forward to continuing to deliver exceptional value to the community and the City.

A handwritten signature in black ink, appearing to read "Howie Dayton".

Howie Dayton, Chair

Members of the Board of Directors

Andrew Flynn – Treasurer

Patrick Matozzo

Nick Eaves – Tenant Representative (MLSE)

Andrew Kidd

Andrew Teichman