ATTACHMENT 3

FINANCIAL STATEMENTS

For

TORONTO PAN AM SPORTS CENTRE INC.

For year ended

DECEMBER 31, 2021

Welch LLP

Management's Responsibility for the Financial Statements

The financial statements of the Toronto Pan Am Sports Centre Inc. (the "Centre") are the responsibility of management and have been approved by the Board.

The financial statements have been prepared in compliance with the Canadian public sector accounting standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Centre's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Centre's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the Board of Directors, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Centre's financial statements.

.... Chairperson

.... Treasurer

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Welch LLP

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, 2021, 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, 2021 and the results of its 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 14, 2022.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Undesignated cash	$ 4,823,894	$ 4,094,549
Restricted cash (note 4)	1,506,635	2,110,979
Restricted investments (note 4)	18,032,469	15,533,074
Accounts receivable (note 8(c) and 11)	284,271	232,569
Government remittances receivable	41,065	33,815
	24,688,334	22,004,986
LIABILITIES		
Accounts payable and accrued liabilities (note 8(a))	2,132,931	1,935,834
Deferred revenue	446,166	508,368
	2,579,097	2,444,202
NET FINANCIAL ASSETS	22,109,237	19,560,784
NON-FINANCIAL ASSETS		
Prepaid expenses	213,496	167,927
Inventory	43,657	35,024
Tangible capital assets (note 5)	1,702,946	1,799,405
	1,960,099	2,002,356
ACCUMULATED SURPLUS (note 7)	$ 24,069,336	$ 21,563,140

Approved by the Board:

.... Director

.... Director

(See accompanying notes)

Welch LLP

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TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2021

	Budget (note 10)	Actual 2021	Actual 2020
Revenue			
Field of play recoveries (note 8(b))	$ 6,992,097	$ 6,584,371	$ 4,700,142
Space cost recoveries (note 8(b))	1,101,018	1,100,960	999,775
Rental income	1,322,675	625,616	885,095
Fitness centre income	1,149,600	401,176	546,467
Food and beverage	300,000	425,098	411,821
Ancillary and other revenue	533,885	324,425	355,196
Government assistance (note 11)	-	1,013,877	1,749,265
	11,399,275	10,475,523	9,647,761
Expenses (Schedule A)			
Aquatics	1,257,335	1,002,952	953,128
License fees (note 8(a) and note 9)	750,000	750,000	750,000
Field house	799,759	578,869	597,202
Central administration	2,155,454	1,947,430	1,891,227
Building operations	6,764,448	5,638,655	5,233,874
Fitness centre	1,313,754	914,139	955,153
Food and beverage	478,452	631,700	675,899
	13,519,202	11,463,745	11,056,483
Operating deficit	$ (2,119,927)	(988,222)	(1,408,722)
Restricted assets deficit			
Investment income		308,165	465,229
Management fees		(53,107)	(50,215)
Major repairs and replacements		(1,217,109)	(885,027)
		(962,051)	(470,013)
Accumulated surplus, beginning of year		21,563,140	19,094,370
		19,612,867	17,215,635
Capital stock issued (note 7)		4,456,469	4,347,505
Accumulated surplus, end of year		$ 24,069,336	$ 21,563,140

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED DECEMBER 31, 2021

	2021	2020
Operating deficit	$ (988,222)	$ (1,408,722)
Restricted assets deficit	(962,051)	(470,013)
Acquisition of tangible capital assets	(281,845)	(696,576)
Amortization of tangible capital assets	374,043	348,397
Disposal of tangible capital assets	4,261	6,869
Utilization (acquisition) of prepaid expenses	(45,569)	23,222
Utilization (acquisition) of inventory	(8,633)	4,324
Capital stock issued	4,456,469	4,347,505
Change in net financial assets	2,548,453	2,155,006
Net financial assets, beginning of period	19,560,784	17,405,778
Net financial assets, end of period	$ 22,109,237	$ 19,560,784

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	2021	2020
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Operating deficit	$ (988,222)	$ (1,408,722)
Restricted assets deficit	(962,051)	(470,013)
Items not involving cash:		
Amortization of tangible capital assets	374,043	348,397
Investment proceeds reinvested	(324,517)	(292,611)
Disposal of tangible capital assets	4,261	6,869
	(1,896,486)	(1,816,080)
Changes in:		
Accounts receivable	(51,702)	62,602
Government remittances receivable/payable	(7,250)	(38,790)
Accounts payable and accrued liabilities	197,097	123,852
Deferred revenue	(62,202)	(32,888)
Inventory	(8,633)	4,324
Prepaid expense	(45,569)	23,222
	(1,874,745)	(1,673,758)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(281,845)	(696,576)
INVESTING ACTIVITIES		
Purchase of investments	(9,615,474)	(7,416,579)
Proceeds from sale of investments	7,440,596	6,363,677
	(2,174,878)	(1,052,902)
FINANCING ACTIVITIES		
Issuance of capital stock	4,456,469	4,347,505
INCREASE IN CASH	125,001	924,269
CASH, BEGINNING OF YEAR	6,205,528	5,281,259
CASH, END OF YEAR	$ 6,330,529	$ 6,205,528
Cash is comprised of:		
Restricted cash (note 4)	$ 1,506,635	$ 2,110,979
Undesignated cash	4,823,894	4,094,549
	$ 6,330,529	$ 6,205,528

(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.

The land and building where the Centre operates is not property of the Centre. The land and building are owned jointly by the City of Toronto and the University of Toronto.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards as issued 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 income and similar revenues are recognized on the date of the performance, and amounts paid in advance are recorded as deferred revenue.

Fitness centre income is recognized on a monthly basis or when service has been provided, and amounts paid in advance are recorded as deferred revenue.

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.

Investment income comprises interest earned on 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

The Government of Canada introduced the following forms of temporary government assistance in response to the COVID-19 pandemic:

Canada Emergency Wage Subsidy ("CEWS") is a subsidy to enable employers to re-hire workers previously laid off, and to retain those who were already on payroll. The subsidy is calculated as a percentage of eligible remuneration paid by those who experienced a certain level of revenue decline during the program periods.

Canada Emergency Rent Subsidy ("CERS") is a subsidy to cover part of commercial rent or property expenses.

Canada Recovery Hiring Program ("CRHP"), is a subsidy initiated by the federal government to enable employers to cover part of wages as they hire new employees and increase existing employees' wages or hours.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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. FUTURE ACCOUNTING PRONOUNCEMENTS

The Centre is in the process of assessing the impact on its financial statements of the following upcoming changes to PSAS.

<u>Standards applicable for fiscal years beginning on or after April 1, 2022 (in effect for the Centre for the year ending on December 31, 2023)</u>:

PS 1201 – Financial Statement Presentation replaces PS 1200 – Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The Standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. The new statement reports the changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.

PS 3450 – Financial instruments establishes accounting and reporting requirements for all types of financial instruments, including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments can be elected to be measured at cost, amortized cost, or fair value. Unrealized gains and losses arising from changes in fair value are presented in the new Statement of Remeasurement Gains and Losses.

PS 2601 – Foreign Currency Translation replaces PS 2600 – Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. However, the new standard also provides an election that will allow for the continued recognition of all exchange gains and losses directly in the Statement of Operations.

PS 3041 – Portfolio Investments replaces PS 3040 – Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 – Financial Instruments.

3. **FUTURE ACCOUNTING PRONOUNCEMENTS** - Cont'd.

PS 3280 – Asset Retirement Obligations establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a public sector entity. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the Centre for the year ending on December 31, 2024):

PS 3160 – Public Private Partnerships (P3s) identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, have access to the future economic benefits and exposure to the risks associated with the assets, and retain significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

PS 3400 – Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

PSG-8 – Purchased intangibles provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 – Financial Statement Concepts has been amended to remove the prohibition against recognizing intangibles purchased in an exchange transaction in public sector financial statements.

4. **RESTRICTED CASH AND 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.

Restricted investments consist of the following:

	Cost		Fair market values	
	2021	2020	2021	2020
Short-term investments	$ 1,299,369	$ 1,940,138	$ 1,300,000	$ 1,949,507
Fixed income securities	16,732,426	13,582,996	16,588,753	14,023,976
Accrued interest	674	9,940	-	-
	$ 18,032,469	$ 15,533,074	$ 17,888,753	$ 15,973,483

Fixed income securities consist of government and commercial bonds and guaranteed investment certificates ("GICs"). The fixed income securities have effective interest rates ranging from 1.00% to 3.50% with maturity dates ranging from June 2023 to June 2045.

4. RESTRICTED CASH AND INVESTMENTS - Cont'd.

	2021	2020
Restricted assets balance, beginning of year	$ 17,644,053	$ 15,729,069
Restricted assets deficit	(962,051)	(470,013)
Deposits made during the year	2,857,102	2,384,997
Restricted assets balance, end of year	$ 19,539,104	$ 17,644,053
Restricted assets is comprised of:		
Cash	$ 1,506,635	$ 2,110,979
Portfolio investments	18,032,469	15,533,074
	$ 19,539,104	$ 17,644,053

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer hardware and software	$ 1,132,560	$ 656,709	$ 925,301	$ 494,059
Furniture and equipment	1,691,874	600,574	1,661,655	436,917
Food court capital improvements	225,166	89,371	211,172	67,747
	3,049,600	$ 1,346,654	2,798,128	$ 998,723
Less: accumulated amortization	(1,346,654)		(998,723)	
	$ 1,702,946		$ 1,799,405	

Amortization expense is composed of $374,043 (2020 - $348,397) of amortization and $4,261 (2020 - $6,869) of a loss on disposal of tangible capital assets, due to disposal of tangible capital assets with cost of $30,373 (2020 - $8,225) and accumulated amortization of $26,112 (2020 - $1,356).

6. INCOME TAXES

The Centre has unused non-capital losses of approximately $10,241,038 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:

	2021	2020
Accumulated operating deficit	$ (6,627,971)	$ (5,592,792)
Accumulated capital reserve deficit	(3,069,526)	(2,154,432)
Common shares - 81,550 (2020 - 70,870) shares	33,766,833	29,310,364
Accumulated surplus, end of year	$ 24,069,336	$ 21,563,140

The Centre is authorized to issue an unlimited number of voting common shares. In 2021, 10,680 (2020 - 10,404) common shares were issued for proceeds of $4,456,469 (2020 - $4,347,505).

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 (2020 - $750,000) payable to the Shareholders.

(b) The Centre earned $4,121,242 (2020 - $3,022,824) from the City of Toronto and $2,111,702 (2020 - $1,542,104) from the University of Toronto for space cost and field of play recoveries.

(c) Included in the accounts receivable balance at year end is $2,411 (2020 - $nil) from the City of Toronto and $12,316 (2020 - $1,482) due from the University of Toronto.

9. COMMITMENTS

The Centre has an operating agreement with the City of Toronto and the Governing Council of the University of Toronto effective July 15, 2014. This agreement requires the Centre to pay an annual license fee of $750,000 to access, occupy and use the Toronto Pan Am Sports Centre 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. UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF 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.

The Centre was closed for part of 2020 and 2021 to comply with provincial orders. Over 2020 and 2021, when restrictions were loosened, the Centre was reopened. At this time, reduced level of service was provided and limited programming was offered in response to these restrictions. From November 23, 2020 to July 16, 2021, the Centre was closed to all but Tokyo Olympic-identified High-performance athletes. As a result, the Centre experienced a significant reduction in revenue in 2020 and 2021. Management made strategic decisions to reduce operating expenses to minimize the financial impact from the reduction in revenue.

In 2020 and 2021, the Centre received a number of subsidies provided by the Government of Canada to various businesses in response to COVID-19 impacts. Included in government assistance on the statement of operations is:

	2021	2020
Canadian Emergency Wages Subsidy ("CEWS") program	$ 820,350	$1,723,232
Canadian Emergency Rent Subsidy ("CERS") program	-	26,033
Canada Recovery Hiring Program ("CRHP")	193,527	-
	$1,013,877	$1,749,265

At December 31, 2021 included in accounts receivable is $130,196 (2020 - $151,392) receivable related to these subsidies.

11. **UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF COVID-19** - Cont'd.

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 restricted investments.

These items may have a material impact on the future financial results. A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of COVID-19 makes it difficult to determine the length of time that the Centre's operations will be impacted or the severity of the impact. Consequently, the effects of any subsequent outbreaks or abrupt declines in economic activity will have on the Centre's operations, assets, liabilities, revenues and expenses are unknown at this time.

12. **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.

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.

12. **FINANCIAL INSTRUMENTS** - Cont'd.

Market risk - Cont'd.

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.

13. **COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Budget (note 10)	Actual 2021	Actual 2020
Expenses			
Salaries, wages and benefits	$ 7,454,347	$ 6,372,132	$ 6,147,316
Utilities	1,569,823	1,242,270	1,270,880
Contracted services	1,765,816	1,328,240	1,180,880
Licenses fees	754,179	755,741	756,457
Amortization (note 5)	370,000	378,304	348,397
Other operating	441,694	270,812	302,369
Insurance	235,012	244,230	216,534
Supplies	327,851	184,509	216,013
Direct food and beverage	65,378	231,509	201,497
Repairs and maintenance	212,721	206,773	157,280
Telecommunications	83,457	87,725	89,181
Services	102,900	64,437	56,422
Consulting fees	48,449	12,586	47,813
Professional fees	43,868	55,274	35,759
Office	43,707	29,203	29,685
	$ 13,519,202	$ 11,463,745	$ 11,056,483