Attachment 1

LAKESHORE ARENA CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2014

HILBORN LLP

Independent Auditor's Report

To the Board of Directors of
Lakeshore Arena Corporation

We have audited the accompanying financial statements of the Lakeshore Arena Corporation, which comprise the statement of financial position as at December 31, 2014 and the statements of operations and accumulated deficiency, statement of change in net debt and statement of cash flows for the year then ended, 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 whether the financial statements are free of 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, these financial statements present fairly in all material respects, the financial position of Lakeshore Arena Corporation as at December 31, 2014 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Hilborn LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 9, 2015

401 Bay Street · Suite 3100 · P.O. Box 49 · Toronto · ON · CA · M5H 2Y4 · P416-364-1359 · F416-364-9503 · hilbornca.com

LAKESHORE ARENA CORPORATION

Statement of Financial Position

December 31

	2014 $	2013 $
FINANCIAL ASSETS		
Cash	**348,374**	192,195
Accounts receivable (note 3)	**747,105**	656,693
	1,095,479	848,888
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	**545,364**	417,866
Long term debt (note 6)	**40,524,277**	40,937,049
	41,069,641	41,354,915
NET DEBT	**(39,974,162)**	(40,506,027)
NON-FINANCIAL ASSETS		
Franchise fee	**2,500**	3,000
Tangible capital assets (note 4)	**37,038,474**	37,904,372
Inventory and prepaid expenses	**25,317**	28,056
	37,066,291	37,935,428
ACCUMULATED DEFICIENCY	**(2,907,871)**	(2,570,599)

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Ann Ulusoy
Director

Mike St. Amant
Director

LAKESHORE ARENA CORPORATION

Statement of Operations and Accumulated Deficiency

Year ended December 31

	2014 Budget $	2014 Budget $	2014 $	2014 $	2013 $	2013 $
Revenues						
Ice rentals		2,898,657		**3,104,504**		3,213,460
Tenancy rentals		897,737		**934,502**		883,600
Snack Bar sales	491,126		**530,388**		483,391	
Snack Bar purchases	279,226	211,900	**245,453**	**284,935**	211,243	272,148
Licensing		324,528		**234,575**		278,854
Utility recovery		162,406		**171,006**		238,336
Other		86,421		**47,169**		260,061
		4,581,649		**4,776,691**		5,146,459
Expenditures						
Salaries and benefits		955,663		**942,642**		980,884
Legal and audit		18,034		**18,200**		18,250
Insurance		50,646		**50,646**		50,646
Interest and bank charges		26,269		**36,519**		25,858
Building and equipment maintenance		484,901		**469,984**		477,265
Office and cleaning		47,102		**58,198**		46,362
Telephone		11,408		**9,637**		11,231
Utilities		1,072,194		**1,117,103**		1,124,359
Bad debts (recovery)		1,156		**4,457**		36,856
Interest on long term debt		1,492,130		**1,520,609**		1,505,649
Amortization of capital assets		951,492		**866,398**		951,993
Other		2,016		**19,570**		15,025
		5,113,011		**5,113,963**		5,244,378
Deficiency for year		(531,362)		**(337,272)**		(97,919)
Accumulated deficiency, beginning of year				**(2,570,599)**		(2,472,680)
Accumulated deficiency, end of year				**(2,907,871)**		(2,570,599)

The accompanying notes are an integral part of these financial statements

LAKESHORE ARENA CORPORATION

Statement of Change in Net Debt

Year ended December 31

	2014 $	2013 $
Deficiency for year	**(337,272)**	(97,919)
Acquisition of tangible capital assets	**-**	(20,039)
Utilization (acquisition) of inventories and prepaid expenses	**2,739**	(6,107)
Amortization of tangible capital assets	**866,398**	951,993
	869,137	925,847
Decrease in net debt	**531,865**	827,928
Net debt, beginning of year	**(40,506,027)**	(41,333,955)
Net debt, end of year	**(39,974,162)**	(40,506,027)

The accompanying notes are an integral part of these financial statements

LAKESHORE ARENA CORPORATION

Statement of Cash Flows

Year ended December 31

	2014 $	2013 $
Cash provided by (used in):		
Cash flows from operating activities		
Deficiency for year	**(337,272)**	(97,919)
Item not affecting cash		
Amortization of tangible capital assets	**866,398**	951,993
	529,126	854,074
Non-cash changes to operations		
Accounts receivable	**(90,412)**	(88,893)
Accounts payable and accrued liabilities	**127,498**	32,480
Inventory and prepaid expenses	**2,739**	(6,107)
	568,951	791,554
Investing activities		
Purchase of tangible capital assets	**-**	(20,039)
Financing activities		
Advances from/repayments of line of credit	**-**	(315,000)
Principal repayments of long-term debt	**(412,772)**	(397,035)
	(412,772)	(712,035)
Net increase in cash	**156,179**	59,480
Cash, beginning of year	**192,195**	132,715
Cash, end of year	**348,374**	192,195

The accompanying notes are an integral part of these financial statements

December 31, 2014

1. **Establishment and Operations**

   Lakeshore Arena Corporation (the "Corporation") was incorporated under the Ontario Business Corporations Act on July 19, 2011 to acquire the assets and assume certain liabilities of Lakeshore Lions Arena Incorporated and to continue to operate the Arena as a community recreation centre under the Community Recreation Centre Act, pursuant to Chapter 25 of the City of Toronto Municipal Code, By-Law No. 21259, as amended. The Committee of Management operates and manages the arena facilities on behalf of the City of Toronto (the "City").

2. **Significant Accounting Policies**

   These financial statements are the representation of management and have been prepared in accordance with Public Sector Accounting Standards which are the generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. The significant accounting policies of the Corporation are as follows:

(a) **Statement of Remeasurement Gains or Losses**

There are no remeasurement gains or losses as none of the Corporation's financial assets or financial liabilities are measured at fair value. A statement of remeasurement gains and losses has not been presented.

(b) **Revenue recognition**

Ice rental revenues are recognized on the event date. Tenancy rental and licensing revenues are recognized on a pro-rata basis over the term of the respective agreements. Utilities recovery is recognized on a monthly basis based on usage. Snack bar sales are recognized at the time of sale.

(c) **Tangible capital assets**

Purchased tangible capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Computer equipment	5 years
Furniture and fixtures	10 years
Zamboni	8 years

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that the reduction in future economic benefits is expected to be permanent. If any potential impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of the property and/or equipment to its fair value. Any impairment of property and/or equipment is charged to income in the period in which the impairment is determined.

(d) **Financial Instruments**

Measurement of financial instruments

The Corporation initially measures its financial assets and financial liabilities at fair value.

The Corporation subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

2. **Significant Accounting Policies (continued)**

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

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in operations.

(e) **Contributed services**

Services provided without charge by the City of Toronto and others are not recorded in these financial statements.

(f) **Management estimates**

The preparation of financial statements in conformity with PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Key areas where management has made estimates are the length of tangible capital asset useful lives and amortization rates of tangible capital assets. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

(g) **Future Accounting Changes**

PS 3450 provides guidance with respect to the recognition, derecognition, and measurement policies followed in the financial statements of government organizations. The application of this standard is prospective and will not require the restatement of financial statements of prior periods. Application of this standard will require the Corporation to:

- recognize all financial assets and financial liabilities on its statement of financial position;
- identify those financial assets and financial liabilities to be measured at fair value; and
- apply the measurement provisions of the section prospectively. Any adjustment of the previous carrying amount is recognized as an adjustment to the accumulated remeasurement gains and losses at the beginning of the fiscal year in which this guidance is initially applied

The Corporation has applied PSAB accounting standards since incorporation and therefore, the requirements of this section apply to the fiscal years beginning on or after April 1, 2016. The Corporation will apply the requirements of PS 3450 beginning January 1, 2017.

The Corporation is in the process of assessing its financial instruments and the impact of the section on its financial statements.

3. **Accounts Receivable**

Accounts receivable are net of allowances for doubtful accounts of $nil (2013 - $41,334).

December 31, 2014

4. Tangible Capital Assets

	Cost $	Accumulated Amortization $	2014 Net book Value $
Building	39,398,517	2,780,017	36,618,500
Computer Equipment	42,321	37,320	5,001
Furniture and Fixtures	574,949	209,654	365,295
Zamboni	95,748	46,070	49,678
	40,111,535	3,073,061	37,038,474

	Cost $	Accumulated Amortization $	2013 Net book Value $
Building	39,398,517	1,992,047	37,406,470
Computer Equipment	42,321	28,855	13,466
Furniture and Fixtures	574,949	152,159	422,790
Zamboni	95,748	34,102	61,646
	40,111,535	2,207,163	37,904,372

5. Line of Credit

The Corporation has available a line of credit with the City for up to $1,000,000 at a 3% per annum, to cover periodic operating cash flow shortfalls. The line of credit is unsecured and there are no specific terms for repayment. The line of credit was not drawn upon as of December 31, 2014, during the year or during the prior year.

6. Long-Term Debt

	2014 $	2013 $
Pacific & Western Bank of Canada Facility # 1	-	9,754,060
Pacific & Western Bank of Canada Facility # 2	19,931,808	20,244,580
Pacific & Western Bank of Canada Facility # 3	-	4,535,624
Pacific & Western Bank of Canada Facility # 4	-	4,402,785
City of Toronto	19,892,469	1,200,000
City of Toronto - Energy Retrofit Loan	700,000	800,000
	40,524,277	40,937,049

6. Long-Term Debt (continued)

Principal repayments are due as follows:

	City of Toronto $	Pacific & Western $
2015	100,000	329,345
2016	100,000	343,897
2017	19,992,469	19,258,566
2018	100,000	-
2019 and thereafter	300,000	-
	20,592,469	19,931,808

The Pacific & Western Bank of Canada Facility #2 is secured by a registered leasehold second mortgage of $19,984,578. Additionally, rental income, lease income and insurance proceeds from all other properties, are also assigned under a general security agreement. The City has provided a guarantee and postponement of claim agreement in the amount of $29,000,000 plus accrued and capitalized interest on Facility #2.

Pacific & Western Bank of Canada Facilities #1, #3, and #4 matured on September 30, 2014. The City of Toronto provided Lakeshore Arena Corporation with a loan of $18,692,469 to enable repayment of the facility loans to Pacific and Western Bank. This repayment of the facility loans discharged the registered leasehold first and third mortgages of $4,650,000 and $5,000,000 respectively, and released the guarantee and postponement of claim agreements in the amount of $10,000,000 and $5,000,000 respectively. The loan of $1,200,000 previously provided by the City and which was repayable in full on September 12, 2014 has been incorporated into the new loan agreement with the City of Toronto. The City of Toronto loan is unsecured and bears interest at 3.0% compounded semi-annually. Interest only is payable quarterly and the loan maturity date is October 2, 2017.

In addition, the City has provided an energy retrofit loan in the amount of $1,000,000, repayable in quarterly installments of $25,000 commencing January 1, 2012. The principal amount is non-interest bearing unless the funds remain outstanding past October 1, 2021 at which time interest will accrue at RBC's prime rate on a daily basis.

Pacific & Western Bank of Canada Facility #2 bears interest at 5.23% per annum. The facility is payable in scheduled monthly payments of principal and interest and the loan maturity date is October 31, 2017.

7. Related Party Transactions

Insurance

The City of Toronto provides for facility insurance for the Corporation. The Corporation paid $50,646 (2013 - $50,646) to the City for the current year premiums.

Interest

The Corporation incurred interest of $169,633 (2013 - $36,270) on outstanding debt to the City and the amount is recorded in interest on long term debt. Of this amount, $142,106 (2013 - $nil) is recorded in accounts payable and accrued liabilities.

December 31, 2014

7. **Related Party Transactions (continued)**

Leased Land

The Corporation has signed a sub lease agreement with the City at no cost for the first 35 years and then 50% of the operating surplus for the balance of the term to October 27, 2057, for the land on which the arena facilities are located. In turn, the City has leased the land from The Toronto District School Board and the Corporation is required to provide 500 hours of no cost non-prime time ice time, to the Toronto District School Board, from October 1st to September 30th, each lease year.

Discounted Ice Time

As a continuation of an agreement with Lakeshore Lions Arena Corporation, the City receives exclusive prime time ice rental at an hourly rate equivalent to the average rate for adult ice time charged at arena facilities operated by the City from time to time. This agreement is for 400 hours in 2011, 500 hours in 2012, 600 hours in 2013, 700 hours in 2014, and 800 hours in 2015.

8. **Financial Instruments**

The estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate carrying value given the relatively short term nature of the instruments. The estimated value of long term debt approximates carrying value as the interest rates charged on the debt approximate current interest rates on similar facilities.

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LISTENERS. THINKERS. DOERS.

401 Bay Street · Suite 3100 · P.O. Box 49 · Toronto · ON · CA · M5H 2Y4 · P416-364-1359 · F416-364-9503 · hilbornca.com