FINANCIAL STATEMENTS

For

TORONTO PAN AM SPORTS CENTRE INC.

For year ended

DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

TORONTO PAN AM SPORTS CENTRE INC.

We have audited the accompanying financial statements of the Toronto Pan Am Sports Centre Inc., which comprise the statement of financial position as at December 31, 2015 and the statements of operations, change in net debt and 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 about whether the financial statements are free from 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, the financial statements present fairly, in all material respects, the financial position of the Toronto Pan Am Sports Centre Inc. as at December 31, 2015 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 30, 2016.

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TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Designated cash (note 3)	$ 5,927,004	$ 346,825
Undesignated cash	1,822,459	1,196,205
Accounts receivable (note 9)	259,405	197,386
Government remittances receivable	72,054	-
	8,080,922	1,740,416
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 9)	1,767,695	1,082,715
Government remittances payable	-	72,791
Deferred revenue	560,356	173,663
Advances from shareholders (note 7)	-	1,068,143
	2,328,051	2,397,312
NET FINANCIAL ASSETS (LIABILITIES)	5,752,871	(656,896)
NON-FINANCIAL ASSETS		
Prepaid expenses	160,758	117,522
Tangible capital assets (note 5)	285,096	174,811
	445,854	292,333
ACCUMULATED SURPLUS (DEFICIT) (note 8)	$ 6,198,725	$ (364,563)

Approved by the Board:

Bruce K .... Director

Ann Allison .... Director

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	Actual	
		2015	Dec. 18, 2013, - Dec. 31, 2014
Revenue (note 9)			
Space cost recoveries (note 9)	$ 731,664	$ 946,746	$ 353,493
Field of play recoveries (note 9)	5,903,849	5,762,348	3,004,517
Rental income	1,365,438	629,093	253,690
Fitness centre income	1,164,910	802,003	249,201
Ancillary and other revenue	2,105,104	1,529,721	316,657
	11,270,965	9,669,911	4,177,558
Expenses (Schedule A)			
Aquatics	1,293,572	1,231,157	496,360
License fees (note 9)	750,000	750,000	250,000
Field house	966,828	837,020	369,576
Central administration	4,141,493	3,167,111	1,575,597
Building operations	4,868,062	4,380,938	1,460,931
Fitness centre	816,752	892,983	389,659
	12,836,707	11,259,209	4,542,123
Operating deficit	$ (1,565,742)	(1,589,298)	(364,565)
Accumulated surplus (deficit), beginning of year		(364,563)	-
		(1,953,861)	(364,565)
Capital stock issued		8,152,586	2
Accumulated surplus (deficit), end of year		$ 6,198,725	$ (364,563)

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED DECEMBER 31, 2015

	2015	Dec. 18, 2013, - Dec. 31, 2014
Operating deficit	$ (1,589,298)	$ (364,565)
Acquisition of tangible capital assets	(180,821)	(193,111)
Amortization of tangible capital assets	70,536	18,300
Acquisition of prepaid expenses	(43,236)	(117,522)
Capital stock issued	8,152,586	2
Change in net financial assets (debt)	6,409,767	(656,896)
Net debt, beginning of period	(656,896)	-
Net financial assets (debt), end of period	$ 5,752,871	$ (656,896)

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	2015	Dec. 18, 2013, - Dec. 31, 2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating deficit	$ (1,589,298)	$ (364,565)
Items not involving cash:		
Amortization of tangible capital assets	70,536	18,300
	(1,518,762)	(346,265)
Changes in:		
Accounts receivable	(62,019)	(197,386)
Government remittances receivable/payable	(144,845)	72,791
Accounts payable and accrued liabilities	684,980	1,082,715
Deferred revenue	386,693	173,663
Advances from shareholders	(1,068,143)	1,068,143
Prepaid expense	(43,236)	(117,522)
	(1,765,332)	1,736,139
CASH FLOWS FROM (USED IN) CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(180,821)	(193,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	8,152,586	2
INCREASE IN CASH	6,206,433	1,543,030
CASH AT BEGINNING OF YEAR	1,543,030	-
CASH AT END OF YEAR	$ 7,749,463	$ 1,543,030
Cash is comprised of:		
Designated cash (note 3)	$ 5,927,004	$ 346,825
Undesignated cash	1,822,459	1,196,205
	$ 7,749,463	$ 1,543,030

(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 advances are recorded as deferred revenue.

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 and accounts receivable.

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

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Tangible capital assets

Tangible capital assets are stated at acquisition cost and amortized on a straight line basis over four years.

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

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. DESIGNATED CASH

The Centre has budgeted $3,940,929 to be contributed annually to a designated cash fund 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.

At December 31, 2015, the Centre's cash balance was $5,927,004 (2015 - $346,825) in the designated account, to be used for the sole purposes of funding major maintenance and capital requiresments.

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 and accounts receivable. The Centre's cash is deposited with a Canadian chartered bank 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 transacts in Canadian dollars and consequently is not exposed to currency risk.

ii) *Interest Rate Risk*

The Centre does not have loans receivable or payable which would cause exposure to interest rate risk. Consequently, the Centre's exposure to interest rate risk is minimal.

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 is not exposed to other material price risk.

There have been no changes to the Centre's risks from the prior period.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2015	2014
Furniture and equipment - cost	$ 373,932	$ 193,111
Less: accumulated amortization	88,836	18,300
	$ 285,096	$ 174,811

6. INCOME TAXES

The Centre has unused non-capital losses of approximately $1,884,338 which may be carried forward and applied to reduce taxable income of future years. The losses are available for a limited time only and expire as follows.

2034	$ 365,576
2035	1,518,762

The Centre has not recognized the future tax benefit of these losses.

7. ADVANCES FROM SHAREHOLDERS

In 2014, construction began on the food court addition to the building in which the Centre operates and which is owned by the shareholders. In accordance with the operating agreement between the Centre and the shareholders, the assets will be owned and paid for in equal share by the City of Toronto and the University of Toronto. The Centre was responsible for managing the construction process and paying the contractor on behalf of the shareholders, using funds received from the shareholders. All funds received from the shareholders were paid to the contractors as at December 31, 2015.

8. ACCUMULATED SURPLUS (DEFICIT) (DEFICIT)

The accumulated surplus (deficit) is made up as follows:

	2015	2014
Accumulated deficit, beginning of year	$ (364,563)	$ -
Operating deficit	(1,589,298)	(364,565)
Share capital issued	8,152,586	2
Accumulated surplus (deficit), end of year	$ 6,198,725	$ (364,563)

The Centre is authorized to issue an unlimited number of voting common shares.

Shares issued are:

	2015	2014
Common shares - 19,998 shares	$ 8,152,588	$ 2

19,996 common shares were issued in 2015 for proceeds of $8,152,586.

9. RELATED PARTY TRANSACTIONS

The Centre is owned equally by the City of Toronto and the University of Toronto.

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 accounts payable at December 31, 2015 is $854,603 (2014 - $255,070) payable to the shareholders which includes license fees payable to the shareholders in the amount of $750,000 (2014 - $250,000).

(b) The Centre received $3,665,274 (2014 - $1,747,567) from the City of Toronto and $1,874,450 (2014 - $1,149,362) from the University of Toronto for space cost and field of play recoveries.

(c) Included in the accounts receivable balance at year end is $130,367 (2014 - $39,194) due from the University of Toronto.

10. CONTINGENCIES

The Centre is contesting a claim made during the year by a supplier for $459,000 for work performed in excess of the agreed amount of $1,500,000.

No provision for possible loss has been included in these financial statements.

11. 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 as long as the Centre operates.

12. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and are based on the operating budget approved by the Board of Directors.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	Actual 2015	Actual Dec. 18, 2013, - Dec. 31, 2014
Expenses			
Salaries, wages and benefits	$ 5,256,885	$ 5,120,840	$ 2,043,260
Contracted services	2,901,931	2,475,151	765,979
Utilities	1,380,146	1,337,812	551,024
Supplies	480,788	251,147	265,965
Consulting fees	42,000	71,163	261,583
License fees	763,025	751,920	250,000
Insurance	212,377	224,823	101,755
Office expenses	136,459	54,302	52,385
Services	229,793	231,804	51,445
Repairs and maintenance	421,009	189,785	50,202
Professional fees	96,000	91,797	48,420
Other operating expenses	703,097	326,789	44,563
Telecommunications	135,317	61,340	37,242
Amortization	77,880	70,536	18,300
	$ 12,836,707	$ 11,259,209	$ 4,542,123