EX26.10 Attachment 2

FINANCIAL STATEMENTS

For

LAKESHORE ARENA CORPORATION

For year ended

DECEMBER 31, 2016

Welch 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, 2016 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, these financial statements present fairly, in all material respects, the financial position of Lakeshore Arena Corporation as at December 31, 2016 and the results of its operations and 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
April 17, 2017.

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LAKESHORE ARENA CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash	$ 242,785	$ 186,713
Accounts receivable	586,876	547,874
	829,661	734,587
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	296,245	344,647
Line of credit (note 4)	125,000	-
Deferred revenue	54,385	39,008
Loans payable (note 6)	31,758,503	40,094,932
	32,234,133	40,478,587
NET DEBT	(31,404,472)	(39,744,000)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	35,373,652	36,350,130
Inventory	13,363	19,148
	35,387,015	36,369,278
ACCUMULATED SURPLUS (DEFICIT) (note 8)	$ 3,982,543	$ (3,374,722)

Approved on behalf of the Board:

Ann Blusog .... Director

.... Director

(See accompanying notes)

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LAKESHORE ARENA CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	Budget 2016	2016	2015
Revenue			
Ice rentals	$ 3,218,151	$ 3,048,013	$ 3,167,473
Tenancy rentals	985,117	965,587	965,827
Licensing	314,703	287,499	287,625
Snack bar revenue (Schedule A)	340,943	263,533	331,296
Utility recovery	175,100	228,731	221,326
Other	30,621	40,834	48,833
	5,064,635	4,834,197	5,022,380
Expenses			
Interest on loans payable (note 6)	1,611,704	1,368,384	1,621,454
Utilities	1,220,524	1,333,679	1,231,399
Salaries and benefits	961,164	1,043,846	953,406
Amortization of capital assets	977,976	977,976	967,081
Building and equipment maintenance	488,482	621,073	503,466
Office and cleaning	74,836	97,546	76,849
Insurance (note 6)	50,646	50,597	50,646
Interest and bank charges	36,491	32,570	39,151
Telephone	9,966	12,838	9,808
Legal and audit	23,118	12,682	26,300
Bad debts	-	13,442	2,552
Other	2,044	12,299	7,119
	5,456,951	5,576,932	5,489,231
Operating deficit	$ (392,316)	(742,735)	(466,851)
Accumulated deficit, beginning of year		(3,374,722)	(2,907,871)
Contributed capital (note 8)		8,100,000	-
Accumulated surplus (deficit), end of year		$ 3,982,543	$ (3,374,722)

(See accompanying notes)

LAKESHORE ARENA CORPORATION

STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Operating deficit	$ (742,735)	$ (466,851)
Acquisition of tangible capital assets	(1,498)	(278,737)
Utilization of inventories, prepaid expenses and franchise fee	5,785	8,669
Amortization of tangible capital assets	977,976	967,081
Conversion of loan payable to contributed capital by City of Toronto	8,100,000	-
Change in net debt	8,339,528	230,162
Net debt, beginning of year	(39,744,000)	(39,974,162)
Net debt, end of year	$ (31,404,472)	$ (39,744,000)

(See accompanying notes)

LAKESHORE ARENA CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating deficit	$ (742,735)	$ (466,851)
Item not affecting cash		
Amortization of tangible capital assets	977,976	967,081
Franchise fee expensed in year	-	2,500
	235,241	502,730
Non-cash changes to operations		
Accounts receivable	(39,002)	199,231
Accounts payable and accrued liabilities	(48,402)	(154,961)
Deferred revenue	15,377	(6,748)
Inventory	5,785	(1,231)
Prepaid expenses	-	7,400
Cash flows from operating activities	168,999	546,421
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,498)	(278,737)
Cash flows used in investing activities	(1,498)	(278,737)
FINANCING ACTIVITIES		
Advances from (repayments to) line of credit	125,000	(429,345)
Net principal repayments of loans payable	(236,429)	-
Cash flows used in financing activities	(111,429)	(429,345)
INCREASE (DECREASE) IN CASH	56,072	(161,661)
CASH, BEGINNING OF YEAR	186,713	348,374
CASH, END OF YEAR	$ 242,785	$ 186,713

(See accompanying notes)

1. NATURE OF 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

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB).

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.

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. Ice rental fees paid in advance are recorded as deferred revenues.

Inventories

Inventories held for resale are initially recorded at cost and subsequently measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Tangible capital assets

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

Building	46 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.

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. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, line of credit and loans payable.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Contributed services

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

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its tangible capital assets, significant accured liabilities and the related costs charged to the statement of operations.

Actual results could differ from those estimates, the impact of which would be recorded in future periods.

3. TANGIBLE CAPITAL ASSETS

	2016			2015		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Building	$ 39,398,517	$ 4,499,772	$ 34,898,745	$ 39,398,517	$ 3,639,895	$ 35,758,622
Computer equipment	44,852	39,625	5,227	43,354	39,589	3,765
Furniture and fixtures	574,949	351,120	223,829	574,949	282,501	292,448
Zamboni	373,452	127,601	245,851	373,452	78,157	295,295
	$ 40,391,770	$ 5,018,118	$ 35,373,652	$ 40,390,272	$ 4,040,142	$ 36,350,130

4. LINE OF CREDIT

The Corporation has available a line of credit with the City of Toronto for up to $1,000,000 at 3% per annum, to cover periodic operating cash flow shortfalls. The line of credit is unsecured and there are no specific terms for repayment. As of the year end $125,000 (2015 - $nil) has been drawn upon.

5. RELATED PARTY TRANSACTIONS

Insurance

The City of Toronto provides for facility insurance for the Corporation. The Corporation paid $50,597 (2015 - $50,646) to the City for the current year premiums.

Interest

The Corporation incurred interest of $359,574 (2015 - $598,092) on outstanding debt to the City and the amount is recorded in interest on loans payable.

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.

6. LOANS PAYABLE

	2016	2015
Versabank (formerly Pacific & Western Bank of Canada) Facility #2	$ 19,258,566	$ 19,602,463
City of Toronto - General Loan	11,792,469	19,892,469
Sustainable Energy Plan Financing	207,468	-
City of Toronto - Energy Retrofit Loan	500,000	600,000
	$ 31,758,503	$ 40,094,932

Principal repayments are due as follows:

	City of Toronto	Pacific and Western
2017	$ 11,995,944	$ 19,258,566
2018	203,993	-
2019	100,000	-
2020	100,000	-
2021	100,000	-
	$ 12,499,937	$ 19,258,566

The Versabank (formerly 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. Versabank (formerly 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. The Arena is nearing the closing stages of obtaining a new loan to replace the Versabank loan coming to maturity on October 31 2017.

The City of Toronto general loan is unsecured and bears interest at 3.0% compounded semi-annually. Interest only is payable quarterly and the loan maturity date is September 30, 2017. January 1, 2016 the City of Toronto converted $8,100,000 of the loan to contributed capital, as shown in note 8.

On July 1 2016 the Arena obtained financing from the City of Toronto for the implementation of energy efficient projects in the amount of $207,468. The loan bears interest at 0.5% with payments beginning January 2017. The loan matures on October 1 2018 and is repayable in equal quarterly blended intererest and princpial payments.

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.

7. FINANCIAL INSTRUMENTS

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

Credit risk

The Corporation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Corporation’s maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. The Corporation’s cash is with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote.

Management believes that the Corporation’s credit risk with respect to accounts receivable is limited. The Corporation manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to interest rate risk arises from its line of credit and long-term debt, both of which bear interest at fixed interest rates. Consequently, the Corporation's exposure to interest rate risk is negligible.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and loans payable.

The Corporation manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Corporation beleives its overall liquidity risk to be minimal.

Changes in risk

There have been no significant changes in the Corporation's risk exposures from the prior year.

8. ACCUMULATED SURPLUS (DEFICIT)

The accumulated deficit is made up as follows:

	2016	2015
Accumulated operating deficit	$ (4,117,457)	$ (3,374,722)
Contributed capital	8,100,000	-
Accumulated surplus (deficit), end of year	$ 3,982,543	$ (3,374,722)

LAKESHORE ARENA CORPORATION

YEAR ENDED DECEMBER 31, 2016

SNACK BAR OPERATIONS

	2016	2015
Sales		
Snack bar	$ 399,357	$ 438,833
Catering income	69,402	129,724
	468,759	568,557
Cost of goods sold	205,226	237,261
Gross profit	$ 263,533	$ 331,296