

FINANCIAL STATEMENTS
For
TORONTO PAN AM SPORTS CENTRE INC.
For year ended
DECEMBER 31, 2019

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, 2019, and the statements 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, 2019 and its results of 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.

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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 17, 2020.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Undesignated cash	\$ 3,739,751	\$ 3,656,204
Cash - reserve fund (note 3)	1,541,508	1,526,362
Portfolio investments - reserve fund (note 3)	14,187,561	11,230,185
Accounts receivable (note 8)	295,171	412,835
Government remittances receivable	<u>-</u>	<u>19,610</u>
	<u>19,763,991</u>	<u>16,845,196</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 8)	1,811,982	1,812,802
Government remittances payable	4,975	-
Deferred revenue	<u>541,256</u>	<u>438,711</u>
	<u>2,358,213</u>	<u>2,251,513</u>
NET FINANCIAL ASSETS	<u>17,405,778</u>	<u>14,593,683</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	191,149	172,291
Inventory	39,348	34,601
Tangible capital assets (note 5)	<u>1,458,095</u>	<u>988,969</u>
	<u>1,688,592</u>	<u>1,195,861</u>
ACCUMULATED SURPLUS (note 7)	<u>\$ 19,094,370</u>	<u>\$ 15,789,544</u>

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, 2019

	<u>Budget</u> (note 10)	<u>Actual</u>	
		<u>2019</u>	<u>2018</u>
Revenue			
Field of play recoveries (note 8)	\$ 6,691,943	\$ 6,271,648	\$ 6,091,078
Space cost recoveries (note 8)	971,969	1,006,218	985,758
Rental income	1,346,000	1,465,567	1,324,811
Fitness centre income	1,739,000	1,770,722	1,760,614
Food and beverage	1,479,000	1,574,728	1,418,902
Ancillary and other revenue	<u>805,335</u>	<u>778,937</u>	<u>818,780</u>
	<u>13,033,247</u>	<u>12,867,820</u>	<u>12,399,943</u>
Expenses (Schedule A)			
Aquatics	1,429,853	1,374,193	1,388,970
License fees (note 8)	750,000	750,000	750,000
Field house	912,059	916,586	866,489
Central administration	1,978,349	1,848,913	1,992,719
Building operations	5,901,119	5,801,023	5,301,013
Fitness centre	1,284,026	1,262,991	1,232,307
Food and beverage	<u>1,312,828</u>	<u>1,388,464</u>	<u>1,334,077</u>
	<u>13,568,234</u>	<u>13,342,170</u>	<u>12,865,575</u>
Operating deficit	<u>\$ (534,987)</u>	<u>(474,350)</u>	<u>(465,632)</u>
Capital reserve fund			
Investment income		391,597	98,353
Management fees		(46,500)	(40,552)
Major repairs and replacements		<u>(870,381)</u>	<u>(902,422)</u>
		<u>(525,284)</u>	<u>(844,621)</u>
Accumulated surplus, beginning of year		<u>15,789,544</u>	<u>12,848,479</u>
		14,789,910	11,538,226
Capital stock issued (note 7)		<u>4,304,460</u>	<u>4,251,318</u>
Accumulated surplus, end of year		<u>\$ 19,094,370</u>	<u>\$ 15,789,544</u>

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Operating deficit	\$ (474,350)	\$ (465,632)
Reserve fund deficit	(525,284)	(844,621)
Acquisition of tangible capital assets	(719,612)	(335,052)
Amortization of tangible capital assets	250,486	163,232
Utilization (acquisition) of prepaid expenses	(18,858)	33,691
Acquisition of inventory	(4,747)	(11,637)
Capital stock issued	<u>4,304,460</u>	<u>4,251,318</u>
Change in net financial assets	2,812,095	2,791,299
Net financial assets, beginning of period	<u>14,593,683</u>	<u>11,802,384</u>
Net financial assets, end of period	<u>\$ 17,405,778</u>	<u>\$ 14,593,683</u>

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Operating deficit	\$ (474,350)	\$ (465,632)
Reserve fund deficit	(525,284)	(844,621)
Items not involving cash:		
Amortization of tangible capital assets	250,486	163,232
Investment proceeds reinvested	<u>(338,761)</u>	<u>(67,615)</u>
	(1,087,909)	(1,214,636)
Changes in:		
Accounts receivable	117,664	(173,641)
Government remittances receivable/payable	24,585	(844)
Accounts payable and accrued liabilities	(820)	(35,691)
Deferred revenue	102,545	(89,682)
Inventory	(4,747)	(11,637)
Prepaid expense	<u>(18,858)</u>	<u>33,692</u>
	<u>(867,540)</u>	<u>(1,492,439)</u>
CASH FLOWS USED IN CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(719,612)</u>	<u>(335,052)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(15,648,538)	(6,823,311)
Proceeds from sale of investments	<u>13,029,923</u>	<u>5,048,382</u>
	<u>(2,618,615)</u>	<u>(1,774,929)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	<u>4,304,460</u>	<u>4,251,318</u>
INCREASE IN CASH	98,693	648,898
CASH AT BEGINNING OF YEAR	<u>5,182,566</u>	<u>4,533,668</u>
CASH AT END OF YEAR	\$ <u>5,281,259</u>	\$ <u>5,182,566</u>
Cash is comprised of:		
Cash - reserve fund (note 3)	\$ 1,541,508	\$ 1,526,362
Undesignated cash	<u>3,739,751</u>	<u>3,656,204</u>
	\$ <u>5,281,259</u>	\$ <u>5,182,566</u>

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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 advance are recorded as deferred revenue.

Investment income comprises interest from 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.

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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.

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. RESERVE CASH AND PORTFOLIO 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.

Reserve portfolio investments consist of the following:

	<u>Cost</u>	<u>Fair market value</u>
Short-term investments	\$ 2,112,917	\$ 2,118,267
Fixed income securities	12,059,365	11,983,098
Accrued interest	<u>15,279</u>	<u>-</u>
	<u>\$ 14,187,561</u>	<u>\$ 14,101,365</u>

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

3. RESERVE CASH AND PORTFOLIO INVESTMENTS - Cont'd.

Fixed income securities consist of government and commercial bonds and GICs. The fixed income securities have effective interest rates ranging from 1.50% to 4.50% with maturity dates ranging from March 2021 to July 2029.

	<u>2019</u>	<u>2018</u>
Reserve fund balance, beginning of year	\$ 12,756,547	\$ 10,922,183
Reserve fund deficit	(525,284)	(844,621)
Contributions during the year	<u>3,497,806</u>	<u>2,678,985</u>
Reserve fund balance, end of year	<u>\$ 15,729,069</u>	<u>\$ 12,756,547</u>
Reserve fund balance is comprised of:		
Cash	\$ 1,541,508	\$ 1,526,362
Portfolio investments	<u>14,187,561</u>	<u>11,230,185</u>
	<u>\$ 15,729,069</u>	<u>\$ 12,756,547</u>

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, 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.

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

4. 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.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2019		2018	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer hardware and software	\$ 669,054	\$ 319,860	\$ 404,310	\$ 210,859
Furniture and equipment	1,279,982	284,162	862,874	183,382
Food court capital improvements	<u>160,741</u>	<u>47,660</u>	<u>148,644</u>	<u>32,618</u>
	<u>2,109,777</u>	<u>\$ 651,682</u>	<u>1,415,828</u>	<u>\$ 426,859</u>
Accumulated amortization	<u>651,682</u>		<u>426,859</u>	
	<u>\$ 1,458,095</u>		<u>\$ 988,969</u>	

During the year, the Centre disposed of tangible assets with cost of \$25,663 and accumulated amortization of \$25,663 for \$nil consideration.

6. INCOME TAXES

The Centre has unused non-capital losses of approximately \$3,511,794 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
2036	992,642
2037	108,550
2038	302,400
2039	223,864

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

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2019

7. ACCUMULATED SURPLUS

The accumulated surplus is made up as follows:

	<u>2019</u>	<u>2018</u>
Accumulated operating deficit	\$ (4,184,070)	\$ (3,709,720)
Accumulated capital reserve deficit	(1,684,419)	(1,159,135)
Common shares - 60,466 (2018 - 50,166) shares	<u>24,962,859</u>	<u>20,658,399</u>
Accumulated surplus, end of year	<u>\$ 19,094,370</u>	<u>\$ 15,789,544</u>

The Centre is authorized to issue an unlimited number of voting common shares. In 2019, 10,300 (2018 - 10,172) common shares were issued for proceeds of \$4,304,460 (2018 - \$4,251,318).

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 and license fees is \$750,000 (2018 - \$750,000) payable to the Shareholders.
- (b) The Centre received \$3,923,544 (2018 - \$3,827,778) from the City of Toronto and \$2,003,164 (2018 - \$1,954,433) from the University of Toronto for space cost and field of play recoveries.
- (c) Included in the accounts receivable balance at year end is \$41,093 (2018 - \$136,513) due from the University of Toronto and \$7,986 (2018 - \$4,546) from the City of Toronto.

9. 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 use of the 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.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Budget (note 10)	Actual	
		2019	2018
Expenses			
Salaries, wages and benefits	\$ 7,578,781	\$ 7,312,653	\$ 7,206,457
Utilities	1,591,177	1,462,180	1,468,768
Contracted services	1,428,807	1,445,450	1,294,466
Licenses fees	755,271	754,289	753,037
Direct food and beverage expenses	675,955	683,907	629,780
Other operating expenses	413,646	442,922	383,115
Amortization	230,999	250,486	163,232
Supplies	145,014	245,490	179,653
Repairs and maintenance	190,967	227,114	239,105
Insurance	189,264	188,708	172,219
Services	103,355	93,721	104,187
Telecommunications	76,455	84,998	75,046
Office expenses	63,605	54,950	60,111
Consulting fees	63,177	50,778	51,356
Professional fees	61,761	44,524	85,043
	<u>\$ 13,568,234</u>	<u>\$ 13,342,170</u>	<u>\$ 12,865,575</u>