

REPORT TO THE AUDIT COMMITTEE OF
TORONTO PAN AM SPORTS CENTRE INC.

For the year ended December 31, 2022

Prepared by:
Kathy Steffan, CPA, CA
Umar Saeed, MAcc, CPA, CA
Matt Mersereau, CPA, CA
Partners
February 27, 2023

AUDIT STATUS

Our audit of the financial statements of Toronto Pan Am Sports Centre Inc. for the year ended December 31, 2022 is substantially complete and we expect to release our auditor's report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- Approval of the financial statements by the Board of Directors
- Final subsequent review up to the date of approval of the financial statements
- Copy of new strategic plan pending March 2023

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. Our draft unmodified audit opinion is included with the draft financial statements submitted to the committee for review.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2022 fiscal year.

MANAGEMENT REPRESENTATIONS

We are required to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. Management has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditor's report.

MISSTATEMENTS

The corrected misstatements identified during our audit are included in Appendix B. Management made all the corrections we proposed and as a result there are no unadjusted errors to report to you.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we did not identify any significant deficiencies in internal control to report to the Audit Committee.

INDEPENDENCE

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between Toronto Pan Am Sports Centre Inc. and us that, in our professional judgment, may reasonably be thought to bear on our independence.

No matters have been identified that would reasonably be thought to bear on our independence. As a result, we confirm that we are independent.

FINANCIAL STATEMENT PRESENTATION

1. Significant Accounting Policies

During the year there were no new accounting policies or changes to existing accounting policies.

2. Management's Judgments and Accounting Estimates

During the audit we did not encounter any situations that required significant judgments on the part of management or involved significant estimates.

OTHER MATTERS ARISING FROM THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

MATTERS TO BE COMMUNICATED

Canadian Auditing Standards require us to communicate to you the following:

- Significant matters identified during the audit in connection with the entity's related parties;
- Whether we encountered other transactions that were unusual or not in the normal course of business;
- Details of any frauds that we identified or information that indicates that a fraud may exist;
- Conditions identified that may cast significant doubt on the entity's ability to continue as a going concern; and
- Non-compliance with laws or regulations that come to the auditor's attention during the course of the audit.

We did not encounter any such matters during the course of our audit.

ACKNOWLEDGEMENTS

During the course of our audit, we received considerable assistance from the organization's staff and management. We would like to take this opportunity to thank them for their efforts and for their constructive approach to the audit.

TORONTO PAN AM SPORTS CENTRE INC.

875 Morningside Avenue
Toronto, Ontario
M1C 0C7

Date to be determined

Welch LLP
36 Toronto Street
Suite 1070
Toronto, ON
M5C 2C5

To whom it may concern:

We are providing this letter in connection with your audit of the financial statements of Toronto Pan Am Sports Centre Inc. ("Centre") as of December 31, 2022, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Centre in accordance with Canadian public sector accounting standards.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated January 24, 2022, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - (b) Additional information that you have requested from us for the purpose of the audit; and
 - (c) Unrestricted access to persons within the Centre from whom you determined it necessary to obtain audit evidence
2. All transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Centre and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
6. We have disclosed to you the identity of the Centre's related parties and all the related party relationships and transactions of which we are aware.

Temporary and Portfolio Investments

1. All investments that are owned by the Centre are recorded in the accounts.
2. The Centre has good title to all investments recorded in the accounts and these investments are free from hypothecation.
3. These investments were valued at cost computed on an average cost basis as at December 31, 2022.
4. All income earned on the investments for the year has been recorded in the accounts.
5. Where there has been a significant adverse change in the expected timing or amount of future cash flows from an investment, it has been appropriately written down.

Inventories

1. The inventory was correctly and properly taken by competent employees under the supervision of management as at the year-end and the quantities were determined by actual count.
2. The inventory was priced at the lower of cost and market and on the same basis as in the previous year.
3. The inventory does not include items not paid for and for which the liability had not been taken into account at the year-end.
4. The inventory does not include any goods on consignment from others or goods invoiced to customers.
5. Adequate provision has been made for slow-moving or obsolete inventory that is unfit for sale.
6. The inventory as recorded in the books is the property of the Centre free from all liens and encumbrances.

Capital Assets

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the Centre during the year.
2. All capital assets sold or dismantled have been properly accounted for in the books of the Centre.
3. Appropriate rates have been used to amortize the assets over their estimated useful lives.

4. The Centre has good title to the properties represented by the balance carried in the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the Centre.
5. Where the value of any capital assets has been impaired, this fact has been disclosed to you.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the Centre are included and fairly stated on the balance sheet.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).
3. The Centre has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, all unusual commitments and contractual obligations that were not in the ordinary course of business or that might have an adverse effect upon the Centre have been disclosed in the notes to the financial statements.
5. All claims outstanding against the Centre or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.
6. We understand that any illegal or possibly illegal act could damage the Centre or its reputation or give rise to a claim or claims against the Centre. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

Statement of Operations

1. All of the revenues of the Centre for the year has been recorded in the books of account and disclosed in the financial statements.
2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

Restrictions

1. All restrictions on the use of the Centre's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the financial statements. The Centre complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the financial statements.
2. All assets subject to a lien, pledged or assigned as security or guarantee for liabilities were brought to your attention and are appropriately disclosed in the financial statements.

Corporate Minutes

The minute books of the Centre contain an accurate record of all of the business transacted at meetings of directors and committees of directors up to the date of this letter.

Controlled and Related Entities

The Centre does not have relationships with any companies or other not-for-profit organizations that involve control, joint control, or significant influence nor does the Centre have an economic interest in any other not-for-profit organization.

Related Party Transactions

1. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
2. There have been no exchanges of goods or services with any related parties for which appropriate accounting recognition and financial statement disclosure has not been given.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
2. The Centre has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

4. The Centre did not undertake any material non-monetary transactions or transactions for no consideration during the financial reporting period under consideration.

Going Concern

We confirm that we have assessed the Centre's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the Centre is able to continue as a going concern for the foreseeable future.

Other Information

Other information consists of financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. An annual report is a document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners or stakeholders with information on the Company's operations and the Company's financial results and financial position as set out in the financial statements.

1. We do not anticipate to issue any documents that may comprise "other information".

General

1. We are unaware of any frauds or possible frauds having been committed by the Company, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the Centre's financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. In the course of your audit of our financial statements for the year ended December 31, 2022, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our Centre.

Events Subsequent to the Year-end

No facts have been discovered which necessitate material adjustment to the year-end figures or disclosure in the notes to the financial statements.

Yours very truly,

TORONTO PAN AM SPORTS CENTRE INC.

Per _____
Robert Singleton, Managing Director

Per _____
Erin Ritchie, Director of Business Administration

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For Discussion Purposes Only

Toronto Pan Am Sports Centre Inc.

Year End: December 31, 2022

Adjustments

Rev. 10/10/01

Date: 1/1/2022 To 12/31/2022

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
1	12/31/2022	BMO Wealth Mgmt Investment A/C	1710	JJ1-2			15,523,133.42
1	12/31/2022	Short-term investments	1720	JJ1-2		1,940,137.90	
1	12/31/2022	Fixed income	1730	JJ1-2		13,582,995.52	
To post 2021 year-end adjustment #1							
2	12/31/2022	BMO Wealth Mgmt Investment A/C	1710	JJ1-2			2,249,778.22
2	12/31/2022	Short-term investments	1720	JJ1-2		9,978,037.34	
2	12/31/2022	Short-term investments	1720	JJ1-2			7,411,851.47
2	12/31/2022	Retained Earnings	3200	JJ1-2			369,513.99
2	12/31/2022	Retained Earnings	3200	JJ1-2			0.57
2	12/31/2022	Retained Earnings	3200	JJ1-2		53,106.91	
To post 2021 year-end adjustment #2							
3	12/31/2022	Short-term investments	1720	JJ1-2			3,206,955.39
3	12/31/2022	Fixed income	1730	JJ1-2		3,149,430.73	
3	12/31/2022	Retained Earnings	3200	JJ1-2		57,524.66	
To post 2021 year-end adjustment #3							
4	12/31/2022	Capital Reserves	3100	JJ1-2			1,217,109.36
4	12/31/2022	Retained Earnings	3200	JJ1-2		1,217,109.36	
To post 2021 year-end adjustment #6							
6	12/31/2022	BMO Wealth Mgmt Investment A/C	1710	JJ1-2		410,535.77	
6	12/31/2022	Retained Earnings	3200	JJ1-2			410,535.77
To post 2021 year-end adjustment #8							
7	12/31/2022	Major Maintenance Reserves	1505	JJ1-2			20,037,940.06
7	12/31/2022	Capital Replacement Reserves	1510	JJ1-2			8,815,770.43
7	12/31/2022	BMO Wealth Mgmt Investment A/C	1710	JJ1-2		580,940.46	
7	12/31/2022	Capital Reserves	3100	JJ1-2		25,616,057.00	
7	12/31/2022	Retained Earnings	3200	JJ1-2		2,656,713.03	
To post 2021 year-end adjustment #9							
8	12/31/2022	Accrued interest	1740	JJ1-2		674.33	
8	12/31/2022	Retained Earnings	3200	JJ1-2			674.33
To post 2021 year-end adjustment #12							
9	12/31/2022	Capital Reserves	3100	JJ1-2		3,116,483.70	
9	12/31/2022	Retained Earnings	3200	JJ1-2			3,116,483.70
To post 2021 year-end adjustment #13							
10	12/31/2022	Capital Reserves	3100	JJ1-2			46,957.33
10	12/31/2022	Retained Earnings	3200	JJ1-2		46,957.33	

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Toronto Pan Am Sports Centre Inc.

Year End: December 31, 2022

Adjustments

Rev. 10/10/01

Date: 1/1/2022 To 12/31/2022

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
To post 2021 year-end adjustment #14							
11	12/31/2022	Major Maintenance Reserves	1505	JJ1-2			3,969,494.05
11	12/31/2022	Capital Replacement Reserves	1510	JJ1-2			1,188,547.31
11	12/31/2022	Capital Reserves	3100	JJ1-2		5,158,041.36	
To post 2021 year-end adjustment #15							
12	12/31/2022	Shareholder Contributions	3030	JJ1-2		374.04	
12	12/31/2022	Retained Earnings	3200	JJ1-2			374.04
To post 2021 year-end adjustment #16							
13	12/31/2022	Major Maintenance Reserves	1505	PL12			1,098,474.01
13	12/31/2022	Capital Replacement Reserves	1510	PL12			177,433.73
13	12/31/2022	Major repairs and replacements	8200	PL12		1,275,907.74	
To record repairs and maintenance as expenses							
14	12/31/2022	Accrued interest	1740	B1			674.33
14	12/31/2022	Reserve interest income	8100	B1		674.33	
To reverse 2021 interest accrual							
15	12/31/2022	Accrued interest	1740	B1		107,252.36	
15	12/31/2022	Reserve interest income	8100	B1			107,252.36
To record 2022 interest accrual							
16	12/31/2022	Major Maintenance Reserves	1505	JJ			2,840,004.00
16	12/31/2022	Capital Replacement Reserves	1510	JJ			1,100,928.00
16	12/31/2022	Capital Reserves	3100	JJ		3,940,932.00	
To reverse capital reserve fund activity recorded by client							
17	12/31/2022	Short-term investments	1720	B1			2,153,242.30
17	12/31/2022	Fixed income	1730	B1		2,015,778.24	
17	12/31/2022	Reserve interest income	8100	B1		137,464.06	
To record 2022 investment account activity							
18	12/31/2022	BMO Wealth Mgmt Investment A/C	1710	B1			1,416,715.51
18	12/31/2022	Short-term investments	1720	B1		9,992,005.33	
18	12/31/2022	Short-term investments	1720	B1			8,216,131.41
18	12/31/2022	Reserve interest income	8100	B1			414,050.47
18	12/31/2022	Reserve interest income	8100	B1		0.62	
18	12/31/2022	Management fees	8300	B1		54,891.44	
To record 2022 investment cash account activity							

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Toronto Pan Am Sports Centre Inc.

Year End: December 31, 2022

Adjustments

Rev. 10/10/01

Date: 1/1/2022 To 12/31/2022

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
19	12/31/2022	Capital Reserves	3100	JJ1		941,348.81	
19	12/31/2022	Retained Earnings	3200	JJ1			941,348.81
To adjust capital reserve to actual							
20	12/31/2022	Shareholder Contributions	3030	JJ1			374.04
20	12/31/2022	Retained Earnings	3200	JJ1		1,019.96	
20	12/31/2022	Other Income - Others	4736	JJ1		374.04	
20	12/31/2022	Other Financial Costs	7220	JJ1			1,019.96
To correct client adj #5990							
21	12/31/2022	Shareholder Contributions	3030	II1			374.94
21	12/31/2022	Other Income	4730	II1		374.94	
To correct ending shareholder contribution balance							
PBC1	12/31/2022	Accrued Expenses	2430	270-1			17,748.51
PBC1	12/31/2022	Salaries & Wages	5005	270-1		293.20	
PBC1	12/31/2022	Salaries & Wages	5005	270-1		5,273.30	
PBC1	12/31/2022	Salaries & Wages	5005	270-1		5.98	
PBC1	12/31/2022	Part Time Wages	5007	270-1		546.30	
PBC1	12/31/2022	Part Time Wages	5007	270-1			143.73
PBC1	12/31/2022	Part Time Wages	5007	270-1		3,282.32	
PBC1	12/31/2022	Part Time Wages	5007	270-1		1,739.73	
PBC1	12/31/2022	Part Time Wages	5007	270-1		977.28	
PBC1	12/31/2022	Part Time Wages	5007	270-1		1,798.58	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		165.92	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		487.46	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		388.76	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		136.44	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		1,795.15	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		187.85	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		91.48	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		100.33	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		109.47	
PBC1	12/31/2022	Employer CPP, EI - Full Time	5010	270-1		99.38	
PBC1	12/31/2022	Employer CPP, EI - Part Time	5011	270-1		22.17	
PBC1	12/31/2022	Employer CPP, EI - Part Time	5011	270-1			6.24
PBC1	12/31/2022	Employer CPP, EI - Part Time	5011	270-1		163.07	
PBC1	12/31/2022	Employer CPP, EI - Part Time	5011	270-1		84.92	
PBC1	12/31/2022	Employer CPP, EI - Part Time	5011	270-1		101.61	
PBC1	12/31/2022	Employer CPP, EI - Part Time	5011	270-1		47.78	
Late PBC entry 1 - to update payroll accrual with PP26 register							
PBC2	12/31/2022	Accrued Revenue	1220	270-2		10,248.28	
PBC2	12/31/2022	Accrued Revenue	1220	270-2			5,336.41
PBC2	12/31/2022	Prepaid Expenses	1240	270-2		14,750.00	
PBC2	12/31/2022	Credit Card - DBO	2230	270-2		5,336.41	
PBC2	12/31/2022	Accrued Expenses	2430	270-2			14,750.00
PBC2	12/31/2022	Unearned or Deferred Revenue	2480	270-2			10,248.28

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Toronto Pan Am Sports Centre Inc.

Year End: December 31, 2022

Adjustments

Rev. 10/10/01

Date: 1/1/2022 To 12/31/2022

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
Late PBC entry 2							
PBC3	12/31/2022	Furniture and Equipment	1520	270-3			4,702.00
PBC3	12/31/2022	Office Equipment	1525	270-3		57,015.00	
PBC3	12/31/2022	Office Equipment	1525	270-3		3,604.02	
PBC3	12/31/2022	Office Equipment	1525	270-3		901.00	
PBC3	12/31/2022	Office Equipment	1525	270-3		1,227.56	
PBC3	12/31/2022	Office Equipment	1525	270-3		4,702.00	
PBC3	12/31/2022	Computer Hardware & Software	1530	270-3			57,015.00
PBC3	12/31/2022	Computer Hardware & Software	1530	270-3			3,604.02
PBC3	12/31/2022	Computer Hardware & Software	1530	270-3			901.00
PBC3	12/31/2022	Computer Hardware & Software	1530	270-3			1,227.56
PBC3	12/31/2022	Accum Depr - Computer HW & SW	1585	270-3			549.96
PBC3	12/31/2022	Accum Depr - Computer HW & SW	1585	270-3			128.71
PBC3	12/31/2022	Depr and Amort - Allowable	5105	270-3		549.96	
PBC3	12/31/2022	Depr and Amort - Allowable	5105	270-3		128.71	
Late PBC entry 3 - to adjust capital asset addition entry error							
						86,149,504.73	86,149,504.73

Net Income (Loss) (2,028,045.22)

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FINANCIAL STATEMENTS
For
TORONTO PAN AM SPORTS CENTRE INC.
For year ended
DECEMBER 31, 2022

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.

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, 2022, 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, 2022 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.

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 27, 2023.

Welch LLP[®]

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TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Undesignated cash	\$ 4,726,155	\$ 4,823,894
Restricted cash (note 4)	1,872,186	1,506,635
Restricted investments (note 4)	19,777,457	18,032,469
Accounts receivable (note 8(c))	454,156	284,271
Government remittances receivable	38,088	41,065
	<u>26,868,042</u>	<u>24,688,334</u>
 LIABILITIES		
Accounts payable and accrued liabilities (note 8(a))	2,021,805	2,132,931
Deferred revenue	585,092	446,166
	<u>2,606,897</u>	<u>2,579,097</u>
 NET FINANCIAL ASSETS	 <u>24,261,145</u>	 <u>22,109,237</u>
 NON-FINANCIAL ASSETS		
Prepaid expenses	203,122	213,496
Inventory	46,503	43,657
Tangible capital assets (note 5)	2,009,697	1,702,946
	<u>2,259,322</u>	<u>1,960,099</u>
 ACCUMULATED SURPLUS (note 7)	 <u>\$ 26,520,467</u>	 <u>\$ 24,069,336</u>

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u> (note 10)	<u>Actual</u>	
		<u>2022</u>	<u>2021</u>
Revenue			
Field of play recoveries (note 8(b))	\$ 7,043,733	\$ 6,585,139	\$ 6,584,371
Space cost recoveries (note 8(b))	1,104,202	1,086,479	1,100,960
Rental income	1,424,585	1,442,817	625,616
Fitness centre income	1,416,263	1,157,026	401,176
Food and beverage	985,000	1,256,774	425,098
Ancillary and other revenue	719,000	735,886	324,425
Government assistance (note 11)	-	474,332	1,013,877
	<u>12,692,783</u>	<u>12,738,453</u>	<u>10,475,523</u>
Expenses (Schedule A)			
Aquatics	1,445,708	1,380,769	1,002,952
License fees (note 8(a) and note 9)	750,000	750,000	750,000
Field house	807,010	892,965	578,869
Central administration	2,244,843	2,296,763	1,947,430
Building operations	6,586,150	6,030,739	5,638,655
Fitness centre	1,234,576	1,239,451	914,139
Food and beverage	953,713	1,234,461	631,700
	<u>14,022,000</u>	<u>13,825,148</u>	<u>11,463,745</u>
Operating deficit	<u>\$ (1,329,217)</u>	<u>(1,086,695)</u>	<u>(988,222)</u>
Restricted assets deficit			
Investment income		389,450	308,165
Management fees		(54,891)	(53,107)
Major repairs and replacements		<u>(1,275,908)</u>	<u>(1,217,109)</u>
		<u>(941,349)</u>	<u>(962,051)</u>
Accumulated surplus, beginning of year		<u>24,069,336</u>	<u>21,563,140</u>
		22,041,292	19,612,867
Capital stock issued (note 7)		<u>4,479,175</u>	<u>4,456,469</u>
Accumulated surplus, end of year		<u>\$ 26,520,467</u>	<u>\$ 24,069,336</u>

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Operating deficit	\$ (1,086,695)	\$ (988,222)
Restricted assets deficit	(941,349)	(962,051)
Acquisition of tangible capital assets	(772,220)	(281,845)
Amortization of tangible capital assets	465,469	374,043
Disposal of tangible capital assets	-	4,261
Utilization (acquisition) of prepaid expenses	10,374	(45,569)
Utilization (acquisition) of inventory	(2,846)	(8,633)
Capital stock issued	<u>4,479,175</u>	<u>4,456,469</u>
Change in net financial assets	2,151,908	2,548,453
Net financial assets, beginning of period	<u>22,109,237</u>	<u>19,560,784</u>
Net financial assets, end of period	<u>\$ 24,261,145</u>	<u>\$ 22,109,237</u>

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Operating deficit	\$ (1,086,695)	\$ (988,222)
Restricted assets deficit	(941,349)	(962,051)
Items not involving cash:		
Amortization of tangible capital assets	465,469	374,043
Investment proceeds reinvested	(51,819)	(324,517)
Disposal of tangible capital assets	-	4,261
	<u>(1,614,394)</u>	<u>(1,896,486)</u>
Changes in:		
Accounts receivable	(169,885)	(51,702)
Government remittances receivable/payable	2,977	(7,250)
Accounts payable and accrued liabilities	(111,126)	197,097
Deferred revenue	138,926	(62,202)
Inventory	(2,846)	(8,633)
Prepaid expense	10,374	(45,569)
	<u>(1,745,974)</u>	<u>(1,874,745)</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(772,220)</u>	<u>(281,845)</u>
INVESTING ACTIVITIES		
Purchase of investments	(9,498,642)	(9,615,474)
Proceeds from sale of investments	<u>7,805,473</u>	<u>7,440,596</u>
	<u>(1,693,169)</u>	<u>(2,174,878)</u>
FINANCING ACTIVITIES		
Issuance of capital stock	<u>4,479,175</u>	<u>4,456,469</u>
INCREASE IN CASH	267,812	125,001
CASH, BEGINNING OF YEAR	<u>6,330,529</u>	<u>6,205,528</u>
CASH, END OF YEAR	<u>\$ 6,598,341</u>	<u>\$ 6,330,529</u>
Cash is comprised of:		
Restricted cash (note 4)	\$ 1,872,186	\$ 1,506,635
Undesignated cash	<u>4,726,155</u>	<u>4,823,894</u>
	<u>\$ 6,598,341</u>	<u>\$ 6,330,529</u>

(See accompanying notes)

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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.

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

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 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.

Tourism and Hospitality Recovery Program ("TRHP"), is a subsidy initiated by the federal government to provide wage and rent support for the tourism or hospitality sector or, through the Local Lockdown Program, those affected by a qualifying full or partial public health restriction.

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.

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

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.

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):

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.

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

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:

	<u>Cost</u>		<u>Fair market values</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term investments	\$ 922,000	\$ 1,299,369	\$ 922,000	\$ 1,300,000
Fixed income securities	18,748,205	16,732,426	17,286,132	16,588,753
Accrued interest	<u>107,252</u>	<u>674</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,777,457</u>	<u>\$ 18,032,469</u>	<u>\$ 18,208,132</u>	<u>\$ 17,888,753</u>

Fixed income securities consist of government and commercial bonds and guaranteed investment certificates ("GICs"). The fixed income securities have effective interest rates ranging from 1.25% to 3.70% with maturity dates ranging from August 2023 to December 2051.

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

4. RESTRICTED CASH AND INVESTMENTS - Cont'd.

	<u>2022</u>	<u>2021</u>
Restricted assets balance, beginning of year	\$ 19,539,104	\$ 17,644,053
Restricted assets deficit	(941,349)	(962,051)
Deposits made during the year	<u>3,051,888</u>	<u>2,857,102</u>
Restricted assets balance, end of year	<u>\$ 21,649,643</u>	<u>\$ 19,539,104</u>
Restricted assets is comprised of:		
Cash	\$ 1,872,186	\$ 1,506,635
Portfolio investments	<u>19,777,457</u>	<u>18,032,469</u>
	<u>\$ 21,649,643</u>	<u>\$ 19,539,104</u>

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer hardware and software	\$ 1,636,660	\$ 917,325	\$ 1,132,560	\$ 656,709
Furniture and equipment	1,931,487	780,970	1,691,874	600,574
Food court capital improvements	<u>253,673</u>	<u>113,828</u>	<u>225,166</u>	<u>89,371</u>
	<u>3,821,820</u>	<u>\$ 1,812,123</u>	<u>3,049,600</u>	<u>\$ 1,346,654</u>
Less: accumulated amortization	<u>(1,812,123)</u>		<u>(1,346,654)</u>	
	<u>\$ 2,009,697</u>		<u>\$ 1,702,946</u>	

Amortization expense is composed of \$465,469 (2021 - \$374,043) of amortization and \$nil (2021 - \$4,261) of a loss on disposal of tangible capital assets, due to disposal of tangible capital assets with cost of \$nil (2021 - \$30,373) and accumulated amortization of \$nil (2021 - \$26,112).

6. INCOME TAXES

The Centre has unused non-capital losses of approximately \$12,809,422 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:

	<u>2022</u>	<u>2021</u>
Accumulated operating deficit	\$ (7,714,668)	\$ (6,627,971)
Accumulated capital reserve deficit	(4,010,875)	(3,069,526)
Common shares - 92,270 (2021 - 81,550) shares	<u>38,246,010</u>	<u>33,766,833</u>
Accumulated surplus, end of year	<u>\$ 26,520,467</u>	<u>\$ 24,069,336</u>

The Centre is authorized to issue an unlimited number of voting common shares. In 2022, 10,720 (2021 - 10,680) common shares were issued for proceeds of \$4,479,175 (2021 - \$4,456,469).

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

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 (2021 - \$750,000) payable to the Shareholders.
- (b) The Centre earned \$4,150,567 (2021 - 4,121,242) from the City of Toronto and \$2,124,583 (2021 - \$2,111,702) from the University of Toronto for space cost and field of play recoveries.
- (c) Included in the accounts receivable balance at year end is \$1,365 (2021 - \$2,411) from the City of Toronto and \$69,904 (2021 - \$12,316) 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. GOVERNMENT SUBSIDIES

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, 2021, and 2022 to comply with provincial orders. Over 2020, 2021, and 2022 when restrictions were loosened, the Centre was reopened. When required, reduced level of service was provided and limited programming was offered in response to these restrictions. From November 23, 2020 to July 16, 2021 and January 5, 2022 to January 31, 2022, the Centre was closed to all but Olympic-identified High-performance athletes. As a result, the Centre experienced a significant reduction in revenue in 2020 and 2021, which mostly recovered in 2022. The Centre reopened on January 31, 2022 (with capacity restrictions fully lifted by March 14, 2022) and remained open for the remainder of the year.

In 2020, 2021, and 2022, 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:

	<u>2022</u>	<u>2021</u>
Canadian Emergency Wages Subsidy ("CEWS") program	\$ -	\$ 820,350
Tourism and Hospitality Recovery ("TRHP") program	298,325	-
Canada Recovery Hiring Program ("CRHP")	<u>176,007</u>	<u>193,527</u>
	<u>\$ 474,332</u>	<u>\$1,013,877</u>

At December 31, 2022 included in accounts receivable is \$nil (2021 - \$130,196) receivable related to these subsidies.

TORONTO PAN AM SPORTS CENTRE INC.
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

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.

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.

iii) *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.

TORONTO PAN AM SPORTS CENTRE INC.

STATEMENT OF EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Budget	Actual	
	(note 10)	2022	2021
Expenses			
Salaries, wages and benefits	\$ 7,749,059	\$ 7,779,532	\$ 6,372,132
Utilities	1,560,013	1,327,854	1,242,270
Contracted services	1,596,875	1,498,127	1,328,240
Licenses fees	750,000	758,880	755,741
Amortization (note 5)	400,000	465,469	378,304
Other operating	413,075	376,337	270,812
Insurance	313,000	293,349	244,230
Supplies	247,391	233,884	184,509
Direct food and beverage	400,000	560,927	231,509
Repairs and maintenance	248,024	190,072	206,773
Telecommunications	75,629	79,023	87,725
Services	113,468	69,781	64,437
Consulting fees	50,388	70,957	12,586
Professional fees	55,472	71,844	55,274
Office	49,606	49,112	29,203
	<u>\$ 14,022,000</u>	<u>\$ 13,825,148</u>	<u>\$ 11,463,745</u>