F I N A N C I A L   S T A T E M E N T S

For

LAKESHORE ARENA CORPORATION

For year ended

DECEMBER 31, 2023

Management's Responsibility for the Financial Statements

The financial statements of the Lakeshore Arena Corporation (the "Corporation") 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 judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation'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 Corporation'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 Corporation's financial statements.

Cathy Vincelli
.... Chairperson

David McIsaac
.... Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

LAKESHORE ARENA CORPORATION

Opinion

We have audited the accompanying financial statements of Lakeshore Arena Corporation (the "Corporation"), which comprise the statement of financial position as at December 31, 2023 and the statements of operations, changes in net debt and cash flows for the year then ended, 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 statement of financial position of the Corporation as at December 31, 2023 and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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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 Corporation'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 Corporation'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 Corporation 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
April 23, 2024.

LAKESHORE ARENA CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash	$ 376,449	$ 302,152
Accounts receivable	50,677	64,367
Accrued revenue	159,014	150,836
	586,140	517,355
LIABILITIES		
Promissory note	-	50,000
Line of credit (note 5)	1,000,000	1,000,000
Accounts payable and accrued liabilities (note 6)	395,210	632,278
HST payable	40,449	36,921
Due to City of Toronto (note 10)	2,212,781	1,454,206
Deferred revenue	43,675	117,067
Deferred capital contributions (note 7)	141,678	-
Loans payable (note 8)	26,167,574	26,984,079
Obligations under capital lease (note 9)	44,227	94,939
	30,045,594	30,369,490
NET DEBT	(29,459,454)	(29,852,135)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	29,831,861	30,411,918
ACCUMULATED SURPLUS (note 10)	$ 372,407	$ 559,783

Approved on behalf of the Board:

David McIsaac
Director

Cathy Vincelli
Director

(See accompanying notes)

LAKESHORE ARENA CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2023

	Budget 2023 (unaudited)	2023	2022
Revenue			
Ice rentals	$ 3,703,878	$ 4,156,364	$ 3,477,497
Tenancy rentals	1,298,234	1,332,615	1,269,113
Licensing	277,254	290,141	283,445
Utility recovery	200,882	185,601	192,544
Strategic plan funding	-	-	100,000
Other	12,000	8,658	17,519
	5,492,248	5,973,379	5,340,118
Expenses			
Utilities	1,196,665	1,214,791	1,166,783
Salaries and benefits	1,097,312	1,112,083	1,045,757
Amortization of tangible capital assets	862,326	945,950	934,787
Interest (notes 5, 6 and 9)	944,630	943,432	955,946
Building and equipment maintenance	858,948	847,657	861,811
Office and cleaning	45,304	122,723	66,124
Professional fees	78,000	111,168	155,060
Bank and credit card charges	54,922	59,219	54,641
Marketing and promotions	37,039	20,442	12,872
Telephone	14,584	14,099	14,194
Insurance (note 6)	60,000	6,062	6,034
Amortization of loan transaction cost	-	3,327	3,327
Other	24,000	1,227	17,257
Bad debts	6,000	-	-
	5,279,730	5,402,180	5,294,593
Operating surplus	$ 212,518	571,199	45,525
Accumulated surplus, beginning of year		559,783	1,004,414
Distribution to City of Toronto (note 10)		(758,575)	(490,156)
Accumulated surplus, end of year		$ 372,407	$ 559,783

(See accompanying notes)

LAKESHORE ARENA CORPORATION

STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED DECEMBER 31, 2023

	Budget 2023 (unaudited)	2023	2022
Operating surplus	$ 212,518	$ 571,199	$ 45,525
Amortization of tangible capital assets	862,326	945,950	934,787
Acquisition of tangible capital assets	-	(365,893)	(237,774)
Change in prepaid expenses	-	-	8,375
Distribution to City of Toronto (note 10)	(537,422)	(758,575)	(490,156)
Changes in net debt	$ 537,422	392,681	260,757
Net debt, beginning of year		(29,852,135)	(30,112,892)
Net debt, end of year		$ (29,459,454)	$ (29,852,135)

(See accompanying notes)

LAKESHORE ARENA CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

	2023	2022
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Operating surplus	$ 571,199	$ 45,525
Items not affecting cash:		
Amortization of tangible capital assets	945,950	934,787
Amortization of loan transaction costs	3,327	3,327
Amortization of deferred capital contributions	(2,115)	-
	1,518,361	983,639
Non-cash changes to operations		
Accounts receivable	13,690	135,885
Accrued revenue	(8,178)	(23,528)
Accounts payable and accrued liabilities	(237,068)	(14,787)
HST payable	3,528	58
Due to City of Toronto	758,575	490,156
Deferred revenue	(73,392)	9,497
Deferred contributions	-	(100,000)
Deferred capital contributions	143,793	-
Prepaid expense	-	8,375
	2,119,309	1,489,295
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(365,893)	(237,774)
FINANCING ACTIVITIES		
Increase (decrease) in promissory notes	(50,000)	50,000
Principal repayments of loans payable	(819,832)	(792,403)
Distribution to City of Toronto	(758,575)	(490,156)
Repayments of obligation under capital lease	(50,712)	(49,216)
	(1,679,119)	(1,281,775)
INCREASE (DECREASE) IN CASH	74,297	(30,254)
CASH, BEGINNING OF YEAR	302,152	332,406
CASH, END OF YEAR	$ 376,449	$ 302,152

(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 Corporation 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 ("PSAS") as issued by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

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. Ice rental fees paid in advance are recorded as deferred revenues. Emergency funding is recognized when received.

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	5 years

Tangible capital assets 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 tangible capital assets to its fair value. Any impairment is charged to income in the period in which the impairment is determined.

Deferred capital contributions

Deferred capital contributions are grants used for the purchase of tangible capital assets. They are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization of the related assets.

2. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

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, unless the financial instruments meet the requirements to be measured at fair value in accordance with public sector accounting standards.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, amounts due to City of Toronto, capital lease and line of credit. Loans payable are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. Transaction costs are amortized on a straight-line basis.

Contributed services

Services provided without charge by the City 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, accrued 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. **FUTURE ACCOUNTING PRONOUNCEMENTS**

The Corporation 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, 2023
(in effect for the Corporation 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. TANGIBLE CAPITAL ASSETS

	2023			2022
	Cost	Accumulated amortization	Net book value	Net book value
Building	$ 40,289,666	$ 10,559,418	$ 29,730,248	$ 30,281,897
Computer equipment	43,004	23,795	19,209	6,804
Furniture and fixtures	632,948	577,385	55,563	42,694
Zamboni	364,159	337,318	26,841	80,523
	$ 41,329,777	$ 11,497,916	$ 29,831,861	$ 30,411,918

Included in Zamboni is equipment under capital lease of $268,411 (2022 - $268,411) with related accumulated amortization of $241,570 (2022 - $187,888).

5. LINE OF CREDIT AND PROMISSORY NOTE

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 at December 31, 2023, the Corporation has drawn $1,000,000 (2022 - $1,000,000) on this facility.

6. RELATED PARTY TRANSACTIONS

Insurance

The City of Toronto provides for facility insurance for the Corporation. The Corporation paid $6,062 (2022 - $6,034) to the City for the current year premiums.

Interest

The Corporation incurred interest of $153,788 (2022 - $125,415) on outstanding debt to the City of Toronto and the amount is recorded in interest, of which $40,105 (2022 - $187,253) is outstanding and included in accounts payable and accrued liabilities.

Leased Land

The Corporation has signed a sub lease agreement with the City of Toronto 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.

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2023	2022
Balance, beginning of year	$ -	$ -
Add: contributions received to acquire capital assets	143,793	-
Less: amortization of deferred capital contributions	(2,115)	-
Balance, end of year	$ 141,678	$ -

8. LOANS PAYABLE

	2023	2022
(a) Infrastructure Ontario	$ 22,182,589	$ 23,002,423
(b) City of Toronto - General	4,047,660	4,047,660
	26,230,249	27,050,083
Less: unamortized transaction costs	(62,675)	(66,004)
	$ 26,167,574	$ 26,984,079

Principal repayments are due as follows:

	City of Toronto	Infrastructure Ontario
2024	$ -	$ 848,823
2025	4,047,660	878,838
2026	-	909,914
2027	-	942,089
2028	-	975,402
Thereafter	-	17,627,523
	$ 4,047,660	$ 22,182,589

(a) In April 2017, the Corporation obtained two credit facilities from Ontario Infrastructure and Lands Corporation ("Infrastructure Ontario"). The maximum aggregate principal amount which maybe outstanding at anytime cannot exceed $30,860,435. The credit facilities bearing interest at 3.48% and are repayable in equal blended monthly installments of $133,944 which commenced on November 30, 2017 and matures on October 31, 2042. The credit facilities are secured by a mortgage over the property, a general security agreement, and assignment of rents and leases. The City of Toronto has provided a guarantee of the principal amount. The credit facilities contain a number of restrictive covenants that requires the Corporation to be in compliance with a financial ratio and non-financial criteria. As at December 31, 2023, the Corporation was in compliance with the debt service coverage ratio requirement.

(b) The City of Toronto general loan is unsecured and bears interest at 3.0% compounded semi-annually with interest only payments due. The loan was renewed in 2022 and matures on October 31, 2025.

9. CAPITAL LEASE OBLIGATIONS

The Corporation has financed two Zambonis by entering into capital leasing arrangements. Capital lease repayments are due as follows:

2024	$ 44,846
Less: amount representing deemed interest at 3%	(619)
Present value of net minimum capital lease payments	$ 44,227

Interest of $2,155 (2022 - $3,652) relating to capital lease obligations has been included in interest expense.

10. ACCUMULATED SURPLUS

The accumulated surplus is made up as follows:

	2023	2022
Accumulated surplus, beginning of year	$ 559,783	$ 1,004,414
Distribution to City of Toronto	(758,575)	(490,156)
Current year operating surplus (deficit)	571,199	45,525
Accumulated surplus, end of year	$ 372,407	$ 559,783

In January 2016, the City of Toronto wrote-off $8,100,000 of the loan receivable from the Corporation and converted it as a capital contribution to the Corporation. As part of the transaction, the Corporation agreed to make an annual distribution to the City equal to 50% of net operating income before amortization of tangible capital assets. The annual distribution would continue until the full $8,100,000 of the capital contribution has been returned. The Corporation is able to draw from the distributions made to the City for capital repair projects upon approval by the City of Toronto. As at December 31, 2023, a total of $2,851,177 (2022 - $2,092,602) had been recorded as distributions to date, of which $2,212,781 (2022 - $1,454,206) is outstanding and included in due to City of Toronto. The balance outstanding is non-interest bearing with no fixed repayment terms.

11. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Corporation's financial instruments:

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 line of credit and long-term debt 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 considers its liquidity risk to be minimal as it expects to receive cash flow support from the City of Toronto, when necessary, to meet its obligations.

Changes in risk

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