

Financial statements of

MLSE Foundation

June 30, 2017

MLSE Foundation

June 30, 2017

Table of contents

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of revenue and expenses and changes in net assets.....	4
Statement of cash flows	5
Notes to the financial statements	6-12

Independent Auditor's Report

To the Board of Directors of
MLSE Foundation

We have audited the accompanying financial statements of MLSE Foundation (the "Foundation"), which comprise the statement of financial position as at June 30, 2017, the statements of revenue and expenses and changes in net assets and of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

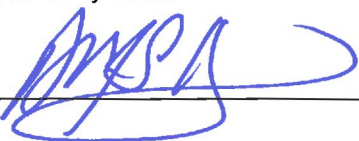
Chartered Professional Accountants
Licensed Public Accountants
October 19, 2017

MLSE Foundation

Statement of financial position as at June 30, 2017

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	833,181	2,595,282
Short-term investments (Note 3)	-	581,002
Accounts receivable	758,869	287,204
Due from related parties (Note 4)	2,358,484	1,009,837
Harmonized Sales Tax recoverable	175,775	178,609
Prepaid expenses and other assets	20,388	14,761
	4,146,697	4,666,695
Due from related parties (Note 4)	1,527,500	-
Leasehold improvements (Note 4)	-	2,959,741
Capital assets (Note 5)	35,659	-
	5,709,856	7,626,436
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	622,493	1,740,415
Deferred contributions (Note 6)	905,836	980,303
Deferred capital contributions (Note 4)	-	727,201
	1,528,329	3,447,919
Commitments and contingencies (Note 9)		
Net assets	4,181,527	4,178,517
	5,709,856	7,626,436

Approved by Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

MLSE Foundation

Statement of revenue and expenses and changes in net assets year ended June 30, 2017

	2017	2016
	\$	\$
Revenue		
Donations		
Cash (Note 4)	5,447,694	1,170,491
Give-a-Kid-a-Game program and other gifts-in-kind	390,140	222,871
Sponsorships	333,917	270,000
Fundraising		
50/50 programs (Note 7)	4,688,646	1,322,668
Events and activities (Note 4)	2,738,341	2,221,141
	13,598,738	5,207,171
Interest income	203	11,623
	13,598,941	5,218,794
Expenses		
Fundraising		
50/50 programs (Note 7)	2,875,707	498,053
Other (Note 8)	1,368,045	1,210,080
Gifts-in-kind	303,140	169,774
Administration (Note 8)	123,177	98,118
	4,670,069	1,976,025
Excess of revenue over expenses before charitable activities	8,928,872	3,242,769
Charitable activities		
Gifts-in-kind - Youth Centre for Sports Development (Note 4)	3,698,158	-
Refurbishment grants	1,707,874	-
Other grants and sponsorships (Note 7)	2,996,667	1,418,811
Give-a-Kid-a-Game program and other gifts-in-kind	87,000	53,097
Other (Note 8)	436,163	104,733
	8,925,862	1,576,641
Excess of revenue over expenses for the year	3,010	1,666,128
Net assets, beginning of year	4,178,517	2,512,389
Net assets, end of year	4,181,527	4,178,517
Net assets consist of		
Restricted		
Leasehold improvements, less deferred capital contributions	-	2,232,540
Capital assets	35,659	
Unrestricted	4,145,868	1,945,977
	4,181,527	1,945,977

The accompanying notes to the financial statements are an integral part of this financial statement.

MLSE Foundation

Statement of cash flows year ended June 30, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	3,010	1,666,128
Items not affecting cash		
Gifts-in-kind - Youth Centre for Sports Development	3,698,158	-
Amortization of capital assets	3,409	-
	3,704,577	1,666,128
Changes in non-cash working capital items		
Accounts receivable	(471,665)	274,379
Due from related party	(2,903,836)	(900,532)
Harmonized Sales Tax recoverable	2,834	(112,970)
Prepaid expenses and other assets	(5,627)	(14,182)
Accounts payable and accrued liabilities	(1,117,922)	1,561,685
Deferred contributions	(74,467)	694,653
	(866,106)	3,169,161
Investing activities		
Leasehold improvements	(4,408,886)	(2,959,741)
Capital asset additions	(39,068)	-
Sale of investments	581,002	723,248
	(3,866,952)	(2,236,493)
Financing activity		
Deferred capital contributions	2,970,957	727,201
(Decrease) increase in cash during the year	(1,762,101)	1,659,869
Cash, beginning of year	2,595,282	935,413
Cash, end of year	833,181	2,595,282

The accompanying notes to the financial statements are an integral part of this financial statement.

MLSE Foundation

Notes to the financial statements

June 30, 2017

1. Nature and status of Foundation

On March 7, 2013, the name of the Foundation was changed to MLSE Foundation (the "Foundation") from MLSE Team Up Foundation. The Foundation was incorporated under the Canada Corporations Act on October 24, 1994 and transitioned to the Canada Not-for-Profit Corporations Act on October 21, 2014. The Foundation is a Registered Charity under Section 149.1 of the Income Tax Act; accordingly, it is not subject to income tax provided certain conditions are complied with.

The main aims of the Foundation are to support the restoration, refurbishment and ongoing development of athletic, community and recreational facilities providing a safer environment for youth activities and to make charitable distributions in the form of grants, sponsorship and gifts-in-kind to registered charities in the Province of Ontario.

2. Significant accounting policies

Financial statement presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, published by the Chartered Professional Accountants of Canada.

The significant accounting policies are summarized below:

Financial instruments

Financial assets and financial liabilities are initially recognized at a fair value when the Foundation becomes a party to the contractual provision of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Short-term investments consist of guaranteed investment certificates ("GIC's") that are readily convertible into cash, without penalty. The GIC's are recorded at cost. Accrued interest is included in accounts receivable.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are stated at their estimated fair value at the date of contribution.

Capital assets consist of furniture and equipment, which is amortized on the straight-line basis over 5 years.

Pledges

Pledged donations are only recorded in the financial statements when received.

Gifts-in-kind

Gifts-in-kind are recorded at fair market value when received.

Activities and expenses

(i) Allocation of expenses

The Foundation engages in fundraising and charitable programs. The cost of each program includes the costs of personnel and other expenses that are directly related to the program. The Foundation also incurs salary and benefit expenses that are common to the administration of the Foundation and each of its programs.

MLSE Foundation

Notes to the financial statements

June 30, 2017

2. Significant accounting policies (continued)

Activities and expenses (continued)

(i) Allocation of expenses (continued)

The Foundation allocates these salary and benefit expenses based on the approximate amount of time spent by related individuals or the proportionate share of the related expenses to the various categories. Corporate governance and general management expenses are not allocated.

The basis of allocation is reviewed by management on a regular basis.

Additional disclosure is provided in Note 8.

(ii) 50/50 programs

In 2015, the Foundation entered into an agreement with Ontario Lottery and Gaming Corporation ("OLG") to assist with facilitation of 50/50 electronic draws at certain sporting events at the Air Canada Centre ("ACC"). OLG was responsible for conducting the draws, including supplying the technology and paying the prizes to the winners. The Foundation recorded the 40% of the ticket sales it received for assisting with the facilitation of the draws as revenue and any direct costs it incurred related to the administration of the program as expenses. This agreement expired in 2016.

The Foundation conducts its own 50/50 draws at certain sporting events throughout the year as a registered electronic gaming provider under Alcohol and Gaming Commission of Ontario ("AGCO") gaming licenses, and as a registered gaming provider under City of Toronto licenses at the ACC and BMO field. Where the Foundation obtains the lottery license for the draw and is responsible for paying the prize winners, gross ticket sales are recorded as revenue and expenses for the draw include prizes for the winners (50% of gross revenue), lottery licenses, ticket printing and other direct costs related to the administration of the program. The excess of revenues over expenses is granted and is included in Other grants and sponsorships.

Additional disclosure is provided in Note 7.

(iii) Other fundraising expenses

Other fundraising expenses are expenses directly attributable to donations, sponsorships and specific fundraising events and activities. An allocation of general support expenses is also included.

(iv) Refurbishment grants

Refurbishment grants are grants provided by the Foundation for the restoration, refurbishment and ongoing development of athletic, community and recreational facilities, excluding Youth Centre for Sports Development.

(v) Give-a-Kid-a-Game program

Through its Give-a-Kid-a-Game program, the Foundation arranges for tickets donated by season seat holders to be provided to children's charitable organizations for youth to attend certain sporting events that they would not otherwise be able to attend.

(vi) Other charitable activities

Other charitable activities include both the direct and allocated costs related to the Foundation providing grants and supporting its charitable partners as well as the restoration, refurbishment and ongoing development of athletic, community and recreational facilities.

Contributed services

The work of the Foundation is dependent on the donated services of many volunteers. Due to the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

MLSE Foundation

Notes to the financial statements

June 30, 2017

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Amounts which require significant estimates include the allocation of expenses.

3. Short-term investments

	Maturity	2017	2016
		\$	\$
GICs			
1-year GIC			
0.4% interest rate	February 2017	-	34,445
30 day GIC			
0.25% interest rate	July 2016	-	280,175
30 day GIC			
0.25% interest rate	July 2016	-	266,382
		-	581,002

4. Relationship with Maple Leaf Sports & Entertainment Partnership and Youth Centre for Sports Development

Maple Leaf Sports & Entertainment Partnership.

The Foundation works in conjunction with Maple Leaf Sports & Entertainment Partnership ("MLSE") in utilizing the promotional benefits of the trademarks of the Toronto Maple Leafs, Toronto Raptors, Toronto Marlies and Toronto FC, and additional resources for its fundraising activities. The amounts due from MLSE are unsecured, interest free and due on demand.

During the year, MLSE made cash donations of \$500,000 (2016 - \$400,000) to the Foundation and purchased tickets to Foundation events of \$189,000 (2016 - \$226,925). In addition, MLSE directly incurred salaries and related operating costs on behalf of the Foundation of approximately \$452,000 (2016 - \$584,000).

Youth Centre for Sports Development

Youth Centre for Sports Development was incorporated under the Canada Not-for-Profit Corporation Act on March 16, 2015 and obtained its registration as a Charitable Private Foundation on February 8, 2017.

The Foundation entered into an agency agreement with Youth Centre for Sports Development (the "Agent") on September 1, 2015, under which the Agent agreed to perform certain charitable programming activities on behalf of the Foundation, using funds (the "Charitable Funds") provided by the Foundation.

In accordance with an agreement dated December 20, 2016, the Foundation and the Agent agreed to terminate the Agency Agreement upon the granting of registered charity status to the Agent by Canada Revenue Agency. The Foundation further agreed to convey to the Agent, all beneficial title and interest in the Property and the Charitable Funds held by the Agent as of that date.

MLSE Foundation

Notes to the financial statements

June 30, 2017

4. Relationship with Maple Leaf Sports & Entertainment Partnership and Youth Centre for Sports Development (continued)

Youth Centre for Sports Development (continued)

The Agent entered into a lease agreement dated April 17, 2015 with Toronto Community Housing Corporation with respect to the property located at 257-261 Jarvis Street, Toronto. The lease is for a period of 20 years from July 1, 2015, with an extension option for two additional 10 year terms. The cost of the improvements to the property was incurred by the Foundation, and capital contributions received were also recorded by the Foundation. The total cost incurred, together with the deferred capital contributions, were as follows:

Leasehold improvements

	\$
Balance as at June 30, 2016	2,959,741
<u>Amounts incurred during the current year</u>	<u>4,408,886</u>
	<u>7,368,627</u>

Deferred capital contributions

	\$
Balance as at June 30, 2016	727,201
<u>Amounts received during the current year</u>	<u>2,970,957</u>
	<u>3,698,158</u>

The \$3,698,158 has been recognized as revenue by the Foundation and as an off-setting gift-in-kind donation to the Agent.

The shortfall of \$3,670,469 between the amount incurred on the leasehold improvements and the deferred capital contributions received has been set up as a loan receivable from the Agent and will be covered by future amounts that have been pledged for the leasehold improvements. The loan receivable is unsecured and interest free.

The due from related parties balance consists of the following:

	2017	2016
	\$	\$
Current portion		
Due from MLSE	198,439	1,009,837
Due from Youth Centre for Sports Development leasehold improvements loan	2,142,969	-
Operating costs	17,076	-
	<u>2,358,484</u>	<u>1,009,837</u>
	2017	2016
	\$	\$
Long-term portion		
Due from Youth Centre for Sports Development leasehold improvements loan	1,527,500	-

During the year, the Foundation also made cash donations of \$1,828,306 to the Organization and incurred operating costs of approximately \$44,000 on behalf of the Organization.

MLSE Foundation

Notes to the financial statements

June 30, 2017

5. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	39,068	3,409	35,659	-

6. Deferred contributions

Deferred contributions represent unspent resources externally restricted for specific program expenses, or donation to various charities and organizations. Changes in the deferred contributions balance are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	980,303	285,650
Amounts received during the year	4,753,632	2,119,814
Amounts recognized as revenue during the year	(4,828,099)	(1,425,161)
Balance, end of year	905,836	980,303

The balance relates to the following programs:

	2017	2016
	\$	\$
Camp Trillium	257,706	331,375
Youth Centre for Sports Development	260,000	87,423
Refurbishment grant - Regent Park	-	241,771
50/50 Partnership grants	339,343	156,233
Kickstart program	-	100,000
Auction packages to be executed	43,925	45,085
Others	4,862	18,416
	905,836	980,303

The Foundation has complied with the requirements of these restricted resources.

MLSE Foundation

Notes to the financial statements

June 30, 2017

7. 50/50 Programs

	2017		
	AGCO 50/50 Program	Other 50/50 Program	Total
	\$	\$	\$
Revenue			
Ticket sales	4,407,432	258,877	4,666,309
Sponsorship revenue	20,000	-	20,000
Interest income	2,148	189	2,337
	4,429,580	259,066	4,688,646
Expenses			
Prizes	2,137,508	100,232	2,237,740
Other	603,163	34,804	637,967
	2,740,671	135,036	2,875,707
Excess of revenue over expenses before charitable activities	1,688,909	124,030	1,812,939
Charitable activities - other grants and sponsorships	1,520,603	111,476	1,632,079
Surplus	168,306	12,554	180,860
			2016
	OLG 50/50 Program	Other 50/50 Program	Total
	\$	\$	\$
Revenue			
Ticket sales	1,040,839	281,556	1,322,395
Interest income	273	-	273
	1,041,112	281,556	1,322,668
Expenses			
Prizes	-	150,729	150,729
Other	278,192	69,132	347,324
	278,192	219,861	498,053
Excess of revenue over expenses before charitable activities	762,920	61,695	824,615
Charitable activities - other grants and sponsorships	422,817	58,325	481,142
Surplus	340,103	3,370	343,473

MLSE Foundation

Notes to the financial statements

June 30, 2017

8. Allocation of expenses

Salaries and benefits have been allocated as follows:

	2017	2016
	\$	\$
Other fundraising expenses	-	44,901
Other charitable activities	18,241	-
Administration	13,859	14,967
	32,100	59,868

9. Commitments and contingencies

(i) Commitments

The Foundation has funding commitments for donations to charities and for specific programs. The future commitments are as follows:

	Youth Centre for Sports Development	Other	Total
	\$	\$	\$
2018	2,500,000	350,000	2,850,000
2019	2,500,000	350,000	2,850,000
2020	2,500,000	350,000	2,850,000
2021	2,500,000	100,000	2,600,000
2022	2,500,000	100,000	2,600,000
Thereafter to 2035	32,500,000	200,000	32,700,000
	45,000,000	1,450,000	46,450,000

(ii) Contingencies

At June 30, 2017, the Foundation has an outstanding letter of credit to The City of Toronto for \$34,445 for 50/50 Lottery Licenses (2016 - \$34,445).

At June 30, 2017, the Foundation has an outstanding letter of credit to the Ministry of Finance for \$180,000 (2016 - \$180,000).

10. Overdraft facility

The Foundation has an overdraft facility of \$500,000 as at June 30, 2017 (2016 - \$1,500,000) with a chartered bank, \$132,521 of which has been utilized (2016 - \$Nil). The overdraft facility bears interest at the chartered bank's prime rate per annum.

11. Guarantee

Indemnification has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the Foundation, subject to certain restrictions. As at June 30, 2017, no suits or actions were outstanding. The Foundation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions.

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil (2016 - \$Nil) with respect to amounts owing to the Government.