

Financial statements of

MLSE Foundation

June 30, 2016

MLSE Foundation

June 30, 2016

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Deloitte LLP
400 Applewood Crescent
Suite 500
Vaughan ON L4K 0C3
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

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, 2016, the statements of revenues 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 MLSE Foundation as at June 30, 2016 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 25, 2016

MLSE Foundation
Statement of financial position
as at June 30, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	2,595,282	935,413
Short-term investments (Note 3)	581,002	1,304,250
Accounts receivable	287,204	561,583
Due from related party (Note 4)	1,009,837	109,305
Harmonized sales tax recoverable	178,609	65,639
Prepaid expenses and other assets	14,761	579
	4,666,695	2,976,769
Leasehold improvements (Note 5)	2,959,741	-
	7,626,436	2,976,769
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	1,740,415	178,730
Deferred contributions (Note 6)	980,303	285,650
Deferred capital contributions (Note 7)	727,201	-
	3,447,919	464,380
Net assets	4,178,517	2,512,389
	7,626,436	2,976,769

Commitments and contingencies (Note 10)

Approved by Board

Aristides M Kaplanis Director

Kymber Bowles Director

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

MLSE Foundation

Statement of revenues and expenses and changes in net assets year ended June 30, 2016

	2016	2015
	\$	\$
Revenue		
Donations		
Cash (Note 4)	1,170,491	1,694,461
Give-a-Kid-a-Game program and other gifts-in-kind	222,871	263,643
Sponsorships	270,000	270,000
Fundraising		
50/50 programs (Note 8)	1,322,668	1,547,001
Events and activities (Note 4)	2,221,141	2,702,183
	5,207,171	6,477,288
Interest income	11,623	11,753
	5,218,794	6,489,041
Expenses		
Fundraising		
50/50 programs (Note 8)	498,053	433,622
Other (Note 9)	1,210,080	1,153,191
Gifts-in-kind	169,774	190,351
Administration (Note 9)	98,118	66,611
	1,976,025	1,843,775
Excess of revenue over expenses before charitable activities	3,242,769	4,645,266
Charitable activities		
Refurbishment grants	-	1,225,000
Other grants and sponsorships	1,418,811	2,458,391
Give-a-Kid-a-Game program	53,097	58,407
Other	104,733	207,576
	1,576,641	3,949,374
Excess of revenue over expenses for the year	1,666,128	695,892
Net assets, beginning of year	2,512,389	1,816,497
Net assets, end of year	4,178,517	2,512,389
Net assets consist of:		
Restricted (leasehold improvements, less deferred capital contributions)	2,232,540	-
Unrestricted	1,945,977	2,512,389
	4,178,517	2,512,389

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, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	1,666,128	695,892
Changes in non-cash working capital items		
Accounts receivable	274,379	(44,883)
Due from related party	(900,532)	(16,942)
Harmonized sales tax recoverable	(112,970)	105,667
Prepaid expenses and other assets	(14,182)	11,244
Accounts payable and accrued liabilities	1,561,685	(41,753)
Deferred contributions	694,653	(56,607)
	3,169,161	652,618
Investing activities		
Leasehold improvements	(2,959,741)	-
Sale (purchase) of investments	723,248	(756,023)
	(2,236,493)	(756,023)
Financing activity		
Deferred capital contributions	727,201	-
Increase (decrease) in cash during the year	1,659,869	(103,405)
Cash, beginning of year	935,413	1,038,818
Cash, end of year	2,595,282	935,413

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

MLSE Foundation

Notes to the financial statements

June 30, 2016

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.

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.

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 9.

MLSE Foundation

Notes to the financial statements

June 30, 2016

2. Significant accounting policies (continued)

Activities and expenses (continued)

(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 is responsible for conducting the draws, including supplying the technology and paying the prizes to the winners. The Foundation records the 40% of the ticket sales it receives for assisting with the facilitation of the draws as revenue and any direct costs it incurs related to the administration of the program as expenses.

The Foundation also conducts its own 50/50 draws at certain sporting events throughout the year. 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 8.

(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.

(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.

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.

MLSE Foundation

Notes to the financial statements

June 30, 2016

3. Short-term investments

	Maturity	2016	2015
		\$	\$
GICs			
1-year GIC			
0.4% interest rate	February 2017	34,445	34,445
30 day GIC			
0.25% interest rate	July 2016	280,175	-
30 day GIC			
0.25% interest rate	July 2016	266,382	-
5-year non-redeemable GIC			
minimum effective annual interest rate of 1.267%			
maximum effective annual return of 3.714%			
dependent on market performance	March 2016	-	250,000
5-year GIC, redeemable on each anniversary date			
3.8% interest rate for the fifth year,			
5 year effective annual interest rate of 2.297%	March 2016	-	269,805
30 day GIC			
0.5% interest rate	July 2015	-	750,000
		581,002	1,304,250

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

Maple Leaf Sports & Entertainment Ltd.

The Foundation works in conjunction with Maple Leaf Sports & Entertainment Ltd. ("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 \$400,000 (2015 - \$400,000) to the Foundation and purchased tickets to Foundation events of \$226,925 (2015 - \$259,400). In addition, MLSE directly incurred salaries and related operating costs on behalf of the Foundation of approximately \$584,000 (2015 - \$545,000).

Youth Centre for Sports Development

Youth Centre for Sports Development is a not-for-profit corporation which has applied for its charitable status with Canada Revenue Agency.

The Foundation entered into an agency agreement with Youth Centre for Sports Development (the "Agent") on September 1, 2015 (with an expiry date of December 31, 2016), under which the Agent will perform certain charitable programming activities on behalf of the Foundation. The Foundation will have the right and shall maintain full and complete direction, control and supervision over the application of the funds provided to the Agent.

The Foundation and the Agent have one common board member and three officers.

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 to date of the improvements to the property has been incurred by the Foundation (Note 5). It is intended that the cost of the leasehold improvements on completion will be transferred by the Foundation to the Agent as a charitable gift.

The Agent will commence operations when it receives its charitable registration.

MLSE Foundation

Notes to the financial statements

June 30, 2016

5. Leasehold improvements

As described in Note 4, the leasehold improvements relate to the property located at 257-261 Jarvis Street, Toronto. Amortization over the term of the lease will commence upon the completion and transfer of the improvements to the Agent.

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:

	2016	2015
	\$	\$
Balance, beginning of year	285,650	342,257
Amounts received during the year	2,119,814	3,669,044
Amounts recognized as revenue during the year	(1,425,161)	(3,725,651)
Balance, end of year	980,303	285,650

The balance relates to the following programs:

	2016	2015
	\$	\$
Camp Trillium	331,375	272,719
Youth Centre for Sports Development	87,423	-
Refurbishment grant - Regent Park	241,771	-
50/50 Partnership grants	156,233	-
Kickstart program	100,000	-
Auction packages to be executed	45,085	12,900
Others	18,416	31
	980,303	285,650

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

7. Deferred capital contributions

During the year, the Foundation received \$727,201 towards the cost of the leasehold improvements (Note 5). Amortization over the term of the lease will commence upon the completion and transfer of the improvements to the Agent (Note 4).

MLSE Foundation

Notes to the financial statements

June 30, 2016

8. 50/50 Programs

			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
			2015
	OLG 50/50 Program	Other 50/50 Program	Total
	\$	\$	\$
Revenue			
Ticket sales	1,195,645	321,181	1,516,826
Sponsorship revenue	30,000	-	30,000
Interest income	175	-	175
	1,225,820	321,181	1,547,001
Expenses			
Prizes	-	140,202	140,202
Other	189,657	103,763	293,420
	189,657	243,965	433,622
Excess of revenue over expenses before charitable activities	1,036,163	77,216	1,113,379
Charitable activities - other grants and sponsorships	862,474	78,175	940,649
Surplus (deficit)	173,689	(959)	172,730

MLSE Foundation

Notes to the financial statements

June 30, 2016

9. Allocation of expenses

Salaries and benefits have been allocated as follows:

	2016	2015
	\$	\$
Other fundraising expenses	44,901	10,619
Administration	14,967	3,540
	<u>59,868</u>	<u>14,159</u>

10. Commitments and contingencies

(i) Commitments

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

	\$
2017	350,000
2018	350,000
2019	350,000
2020	350,000
2021	100,000
Thereafter	300,000
	<u>1,800,000</u>

In addition to the above-noted amounts, the Foundation is committed to annual minimum rent and its share of taxes and operating costs in relation to the lease agreement referred to in Note 4. No minimum rent is payable during the duration of the lease if the Foundation meets its Program Delivery Obligations under the conditions of the lease. In the event of a default, the annual rent will be \$499,800.

(ii) Contingencies

At June 30, 2016, the Foundation has an outstanding letter of credit to The City of Toronto for \$34,445 for 50/50 Lottery Licenses (2015 - \$34,445).

Subsequent to the year end, the Foundation issued a letter of credit to the Ministry of Finance for \$180,000 (2015 - \$Nil).

11. Overdraft facility

The Foundation had an overdraft facility of \$1,500,000 as at June 30, 2016 (2015 - \$Nil) with a chartered bank, none of which had been utilized (2015 - \$Nil). The overdraft facility bears interest at the chartered bank's prime rate per annum.

12. 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, 2016, 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.

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil (2015 - \$Nil) with respect to amounts owing to the Government.