

Financial statements of

MLSE Foundation

June 30, 2013 and 2012

MLSE Foundation

June 30, 2013 and 2012

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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 statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011 and the statements of revenues and expenses and changes in net assets and of cash flows for the years ended June 30, 2013 and 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives part of its revenue from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising events revenue, excess of revenue over expenses and cash flows from operations for the years ended June 30, 2013 and 2012, current assets and net assets as at June 30, 2013, June 30, 2012 and July 1, 2011.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of MLSE Foundation as at June 30, 2013, June 30, 2012 and July 1, 2011 and the results of its operations and cash flows for the years ended June 30, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
December 18, 2013

MLSE Foundation

Statements of financial position

as at June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012 (Note 2)	July 1, 2011 (Note 2)
	\$	\$	\$
Assets			
Current			
Cash	758,356	655,870	720,251
Short-term investments (Note 4)	292,736	287,945	284,445
Accounts receivable	398,836	277,895	176,315
Due from related party (Note 6)	524,604	12,919	-
Harmonized sales tax recoverable	47,233	27,518	29,808
Prepaid expenses and other assets	2,368	15,628	21,495
	2,024,133	1,277,775	1,232,314
Investment (Note 5)	250,000	250,000	250,000
	2,274,133	1,527,775	1,482,314
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 11)	289,910	81,001	52,840
Due to related party (Note 6)	-	-	43,858
Deferred contributions (Note 7)	376,152	33,973	69,852
	666,062	114,974	166,550
Net assets - unrestricted	1,608,071	1,412,801	1,315,764
	2,274,133	1,527,775	1,482,314

Approved by Board



Director



Director

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

MLSE Foundation

Statements of revenues and expenses and changes in net assets years ended June 30, 2013 and 2012

	2013	2012
		(Note 2)
	\$	\$
Revenues		
Donations		
Cash	1,367,267	888,854
Give-a-Kid-a-Game program and other gifts-in-kind	493,539	621,407
Sponsorships	210,000	210,000
Fundraising		
50/50 program	1,298,805	1,321,412
Other events and activities	1,823,197	1,397,706
	5,192,808	4,439,379
Interest income	8,361	7,534
	5,201,169	4,446,913
Expenses		
Fundraising		
50/50 program	755,557	774,217
Other	1,120,059	663,449
Gifts-in-kind	105,498	77,800
Administration	171,045	167,881
	2,152,159	1,683,347
Excess of revenues over expenses before charitable activities	3,049,010	2,763,566
Charitable activities		
Refurbishment grants	920,000	715,433
Other grants and sponsorships	1,195,528	862,583
Give-a-Kid-a-Game program and other gifts-in-kind	388,041	544,418
Other	350,171	544,095
	2,853,740	2,666,529
Excess of revenues over expenses for the year	195,270	97,037
Net assets - unrestricted, beginning of year	1,412,801	1,315,764
Net assets - unrestricted, end of year	1,608,071	1,412,801

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

MLSE Foundation

Statements of cash flows years ended June 30, 2013 and 2012

	2013	2012 (Note 2)
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	195,270	97,037
Changes in non-cash working capital items		
Accounts receivable	(120,941)	(101,580)
Due from (to) related party	(511,685)	(56,777)
Harmonized sales tax recoverable	(19,715)	2,290
Prepaid expenses and other assets	13,260	5,867
Accounts payable and accrued liabilities	208,909	28,161
Deferred contributions	342,179	(35,879)
	107,277	(60,881)
Investing activity		
Short-term investments	(4,791)	(3,500)
Increase (decrease) in cash	102,486	(64,381)
Cash, beginning of year	655,870	720,251
Cash, end of year	758,356	655,870

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

MLSE Foundation

Notes to the financial statements

June 30, 2013 and 2012

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 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. Adoption of a new accounting framework

During the year ended June 30, 2013, the Foundation adopted the new accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-time adoption, ("Section 1501"), the date of transition to the new standards is July 1, 2011 and the Foundation has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 1501, the Foundation:

- (a) recognized all assets and liabilities the recognition of which is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition; and
- (c) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.

The adoption of these new standards had no impact on the previously reported statement of financial position as at July 1, 2011, and the previously reported statements of revenues and expenses and changes in net assets and of cash flows for the year ended June 30, 2012. Consequently, a reconciliation of previously reported items to those reported using the new standards has not been presented.

3. 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 Canadian Institute of Chartered Accountants.

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

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.

MLSE Foundation

Notes to the financial statements

June 30, 2013 and 2012

3. Significant accounting policies (continued)

Investment

The investment consists of a GIC that is not readily convertible into cash, without penalty. The GIC is recorded at amortized cost.

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 as revenue when received or as a charitable activity when donated and as an expense when utilized.

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 a number of general support expenses that are common to the administration of the Foundation and each of its programs.

The Foundation allocates certain of its general support 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 included in Note 8.

(ii) 50/50 program

The Foundation conducts 50/50 draws at certain sporting events throughout the year. The expenses for these draws include prizes for the winners (50% of gross revenue), lottery licenses, ticket printing and other direct costs related to the administration of the program.

(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 and other gifts-in-kind

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

MLSE Foundation

Notes to the financial statements

June 30, 2013 and 2012

3. Significant accounting policies (continued)

(vi) Other charitable activities

Other charitable activities include both the direct and allocated costs related to the Foundation providing grants and supporting 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 accountings 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 requiring significant estimates include the allocation of expenses.

4. Short-term investments, at cost

	Maturity	June 30, 2013	June 30, 2012	July 1, 2011
		\$	\$	\$
GICs				
5-year GIC, redeemable on each anniversary date 2.0% interest rate for the third year, 5 year effective annual interest rate of 2.297%	March 2014	258,063	253,500	250,000
100 day GIC 1.15% interest rate	September 2013	34,673	34,445	34,445
		292,736	287,945	284,445

5. Investment, at amortized cost

	Maturity	June 30, 2013	June 30, 2012	July 1, 2011
		\$	\$	\$
GIC				
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	250,000	250,000

MLSE Foundation

Notes to the financial statements

June 30, 2013 and 2012

6. Relationship with Maple Leaf Sports & Entertainment Ltd.

The Foundation works in conjunction with the 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 to or from MLSE are unsecured, interest free and due on demand.

7. 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:

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$	\$
Balance, beginning of year	33,973	69,852	25,000
Amounts received during the year	2,201,367	1,392,636	1,210,957
Amounts recognized as revenue during the year	(1,859,188)	(1,428,515)	(1,166,105)
Balance, end of year	376,152	33,973	69,852

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

8. Allocation of expenses

General support expenses, including personnel costs, have been allocated as follows:

	2013		
	Salaries and benefits	General support and other	
	\$	\$	\$
Other fundraising expenses	328,962	5,520	334,482
Other charitable activities	187,275	5,520	192,795
Administration	82,082	5,521	87,603
	598,319	16,561	614,880

	2012		
	Salaries and benefits	General support and other	
	\$	\$	\$
Other fundraising expenses	285,112	4,686	289,798
Other charitable activities	191,571	9,270	200,841
Administration	79,302	9,270	88,572
	555,985	23,226	579,211

MLSE Foundation

Notes to the financial statements

June 30, 2013 and 2012

9. Commitments and contingencies

(i) Commitments

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

	\$
2014	500,000
2015	500,000
2016	100,000
2017	100,000
2018	100,000
	<hr/> 1,300,000

The Foundation has pledges from MLSE of \$400,000 in 2014 and \$400,000 in 2015 towards the above commitments.

In addition, the Foundation will contribute up to \$2,000,000 towards eligible construction costs of a project as costs are incurred. It is anticipated that the project will be completed in 2015. The Foundation has a pledge of \$250,000 towards this commitment, \$94,379 of which has been received and recorded as a deferred contribution.

(ii) Contingencies

At June 30, 2013, the Foundation has an outstanding letter of credit to The City of Toronto totaling \$34,445 for 50/50 Lottery Licenses (June 30, 2012 - \$34,445; July 1, 2011 - \$34,445).

10. 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, 2013, 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.

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes \$657 (June 30, 2012 - \$2,050; July 1, 2011 - \$1,250) with respect to remittance amounts owing to the Government.