
Financial statements of MLSE Foundation

June 30, 2018

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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 statement of financial position as at June 30, 2018, 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, 2018 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

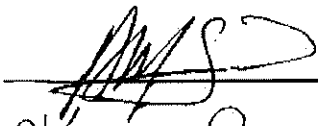
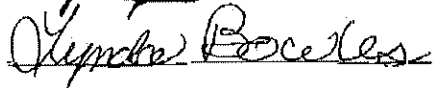
Chartered Professional Accountants
Licensed Public Accountants
October 30, 2018

MLSE Foundation
Statement of financial position
As at June 30, 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash		1,269,043	833,181
Accounts receivable		290,992	758,869
Due from related parties	3	1,091,915	2,358,484
Harmonized Sales Tax recoverable		183,290	175,775
Prepaid expenses and other assets		21,670	20,388
		2,856,910	4,146,697
Due from related parties	3	834,000	1,527,500
Capital assets	4	27,846	35,659
		3,718,756	5,709,856
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	125,332	622,493
Deferred contributions	5	325,783	905,836
		451,115	1,528,329
Commitments and contingencies	8		
Net assets		3,267,641	4,181,527
		3,718,756	5,709,856

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

Approved by Board

 Director
 Director

MLSE Foundation**Statement of revenue and expenses and changes in net assets**

Year ended June 30, 2018

	Notes	2018	2017
		\$	\$
Revenue			
Donations			
Cash	3	3,366,934	5,447,694
Gifts-in-kind		325,099	390,140
Sponsorships		330,000	333,917
Fundraising			
50/50 programs	6	4,950,915	4,688,646
Events and activities	3	2,672,678	2,738,341
		11,645,626	13,598,738
Interest income		3,432	203
		11,649,058	13,598,941
Expenses			
Fundraising			
50/50 programs	6	2,932,852	2,875,707
Other		1,461,903	1,368,045
Gifts-in-kind		325,099	303,140
Administration	7	141,703	123,177
		4,861,557	4,670,069
Excess of revenue over expenses before charitable activities		6,787,501	8,928,872
Charitable activities			
Youth Centre for Sports Development	3		
Refurbishment grants		2,142,969	—
Other grants and sponsorships	6	2,450,662	1,828,305
Gifts-in-kind		—	3,698,158
Refurbishment grants		250,000	441,771
Other grants and sponsorships	6	2,392,082	2,434,465
Gifts-in-kind		—	87,000
Other	7	465,674	436,163
		7,701,387	8,925,862
(Deficit) excess of revenue over expenses for the year		(913,886)	3,010
Net assets, beginning of year		4,181,527	4,178,517
Net assets, end of year		3,267,641	4,181,527
Net assets consist of			
Restricted			
Capital assets		27,846	35,659
Unrestricted		3,239,795	4,145,868
		3,267,641	4,181,527

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

MLSE Foundation
Statement of cash flows
Year ended June 30, 2018

	2018	2017
	\$	\$
Operating activities		
(Deficit) excess of revenue over expenses for the year	(913,886)	3,010
Items not affecting cash		
Gifts-in-kind - Youth Centre for Sports Development	—	3,698,158
Amortization of capital assets	7,813	3,409
	(906,073)	3,704,577
Changes in non-cash working capital items		
Accounts receivable	467,877	(471,665)
Due from related party	1,266,569	(1,376,336)
Harmonized Sales Tax recoverable	(7,515)	2,834
Prepaid expenses and other assets	(1,282)	(5,627)
Accounts payable and accrued liabilities	(497,161)	(1,117,922)
Deferred contributions	(580,053)	(74,467)
	(257,638)	661,394
Investing activities		
Due from related party	693,500	(1,527,500)
Leasehold improvements	—	(4,408,886)
Capital asset additions	—	(39,068)
Sale of investments	—	581,002
	693,500	(5,394,452)
Financing activity		
Deferred capital contributions	—	2,970,957
Increase (decrease) in cash during the year	435,862	(1,762,101)
Cash, beginning of year	833,181	2,595,282
Cash, end of year	1,269,043	833,181

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

1. Nature and status of Foundation

MLSE 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.

MLSE Foundation

Notes to the financial statements

June 30, 2018

2. Significant accounting policies (continued)

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 7.

(ii) 50/50 programs

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 Scotiabank Arena (formerly Air Canada Centre) 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, lottery licenses, ticket printing and other direct costs related to the administration of the program. Winners' prizes are 50% of gross ticket sales but there are also instances where additional funds are included in the jackpot amount which are paid in full to the winner. The excess of revenues over expenses may be granted to AGCO approved beneficiaries and is included in Other grants and sponsorships.

All prizes must be claimed within six months of the relevant draw unless otherwise specified by the Foundation. If at the expiry of six months the prize has not been claimed, the Foundation will put an administrative hold on the prize monies. Twelve months after the relevant draw date the prize monies will be granted to an approved beneficiary.

Additional disclosure is provided in Note 6.

(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, if applicable.

(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.

2. Significant accounting policies (continued)

Activities and expenses (continued)

(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.

3. 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, Toronto FC and Toronto Argonauts, 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 (\$500,000 in 2017) to the Foundation and purchased tickets to Foundation events of \$293,000 (\$189,000 in 2017). In addition, MLSE directly incurred salaries and related operating costs on behalf of the Foundation of approximately \$518,000 (\$452,000 in 2017).

MLSE Foundation

Notes to the financial statements

June 30, 2018

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

Youth Centre for Sports Development (Operating as MLSE LaunchPad)

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.

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 "Property"). The lease is for a period of 20 years from July 1, 2015, with an extension option for two additional 10-year terms. The Foundation incurred the costs for the improvements to the property, and is recovering those costs through deferred capital contributions pledged for the leasehold improvements over a six-year period. As of June 30, 2017, total costs incurred were \$7,368,627, of which \$3,698,158 was recovered from deferred capital contributions. During 2018, additional capital contributions of \$2,142,969 were received, and the remaining balance of \$1,527,500 (\$3,670,469 in 2017) has been set up as a loan receivable from the Agent to be repaid over the next three years. The loan receivable is unsecured and interest free. Changes in the loan receivable balance are as follows:

	2018		2017
	Total leasehold improvements	Total deferred capital contributions	Ending balance
	\$	\$	\$
Loan receivable	7,368,627	5,841,127	3,670,469

The deferred capital contributions of \$2,142,969 (\$3,698,158 in 2017) has been recognized as revenue by the Foundation and as an off-setting refurbishment grant (gift-in-kind donation in 2017) to the Agent.

MLSE Foundation**Notes to the financial statements**

June 30, 2018

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

The due from related parties balance consists of the following:

	2018	2017
	\$	\$
Current portion		
Due from MLSE	396,590	198,439
Due from Youth Centre for Sports Development		
Loan receivable	693,500	2,142,969
Operating costs	1,825	17,076
	1,091,915	2,358,484
	2018	2017
	\$	\$
Long-term portion		
Due from Youth Centre for Sports Development		
Loan receivable	834,000	1,527,500

During the year, the Foundation also made cash donations of \$2,450,662 included in other grants and sponsorships (\$1,828,306 in 2017) to the Organization and incurred operating costs of \$Nil (approximately \$44,000 in 2017) on behalf of the Organization.

4. Capital assets

	2018		2017
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	39,068	11,222	27,846
			35,659

5. 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:

	2018	2017
	\$	\$
Balance, beginning of year	905,836	980,303
Amounts received during the year	6,948,210	4,753,632
Amounts recognized as revenue during the year	(7,528,263)	(4,828,099)
Balance, end of year	325,783	905,836

5. Deferred contributions (continued)

The balance relates to the following programs:

	2018	2017
	\$	\$
Camp Trillium	—	257,706
Youth Centre for Sports Development	162,024	260,000
50/50 unclaimed prizes & partnership grants	110,959	339,343
Kids Up Front	25,000	—
Auction packages to be executed	17,800	43,925
Others	10,000	4,862
	325,783	905,836

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

6. 50/50 Programs

	2018		
	AGCO 50/50	Other 50/50	Total
	Program	Program	Total
	\$	\$	\$
Revenue			
Ticket sales	4,870,310	—	4,870,310
Sponsorship revenue	65,000	—	65,000
Interest income	15,605	—	15,605
	4,950,915	—	4,950,915
Expenses			
Prizes	2,306,407	—	2,306,407
Other	626,445	—	626,445
	2,932,852	—	2,932,852
Excess of revenue over expenses before charitable activities	2,018,063	—	2,018,063
Charitable activities - other grants and sponsorships	2,293,095	—	2,293,095
Deficit	(275,032)	—	(275,032)

Ticket sales includes prior period balances for unclaimed prizes and partnership grants (\$332,671), while excluding unclaimed prizes and partnership grants not disbursed in 2018 (\$104,288). These prior period balances are recognized as revenue once the corresponding grants have been issued to AGCO approved beneficiaries. The grants are included in charitable activities - other grants and sponsorships.

6. 50/50 Programs (continued)

	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
	<u>4,429,580</u>	<u>259,066</u>	<u>4,688,646</u>
Expenses			
Prizes	2,137,508	100,232	2,237,740
Other	603,163	34,804	637,967
	<u>2,740,671</u>	<u>135,036</u>	<u>2,875,707</u>
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	<u>168,306</u>	<u>12,554</u>	<u>180,860</u>

Ticket sales includes prior period balances for unclaimed prizes and partnership grants (\$156,233), while excluding unclaimed prizes and partnership grants not disbursed in 2017 (\$339,343). These prior period balances are recognized as revenue once the corresponding grants have been issued to AGCO approved beneficiaries. The grants are included in charitable activities – other grants and sponsorships.

7. Allocation of expenses

Salaries and benefits have been allocated as follows:

	2018	2017
	\$	\$
Other charitable activities	—	18,241
Administration	—	13,859
	<u>—</u>	<u>32,100</u>

During the year, the Foundation did not incur any salary and benefit expenses that were common to the administration of the Foundation and its fundraising or programs. All costs were expensed directly to the various categories and no allocations were required.

8. 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
		\$	\$
2019	2,500,000	500,000	3,000,000
2020	2,500,000	500,000	3,000,000
2021	2,500,000	100,000	2,600,000
2022	2,500,000	100,000	2,600,000
2023	2,500,000	100,000	2,600,000
Thereafter to 2035	30,000,000	100,000	30,100,000
	<u>42,500,000</u>	<u>1,400,000</u>	<u>43,900,000</u>

(ii) Contingencies

At June 30, 2018, the Foundation has an outstanding letter of credit to The City of Toronto for \$34,445 for 50/50 Lottery Licenses (\$34,445 in 2017).

At June 30, 2018, the Foundation has an outstanding letter of credit to the Ministry of Finance for \$180,000 (\$180,000 in 2017).

9. Overdraft facility

The Foundation has an overdraft facility of \$500,000 as at June 30, 2018 (\$500,000 as at June 30, 2017) with a chartered bank, of which \$Nil has been utilized (\$132,521 in 2017). The overdraft facility bears interest at the chartered bank's prime rate per annum.

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, 2018, 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 include \$Nil (nil in 2017) with respect to amounts owing to the Government.

12. Comparative amounts

The following comparative amounts have been reclassified to conform to the current year's financial statement presentation:

	2017 as amended	2017 as previously presented
Statement of revenue and expenses	\$	\$
Charitable Activities		
Youth Centre for Sports Development		
Other grants and sponsorships	1,828,305	—
Refurbishment grants	441,771	1,707,874
Other grants and sponsorships	2,434,465	2,996,667
	4,704,541	4,704,541
Statement of cash flows	\$	\$
Change in non cash working capital items		
Due from related party	(1,376,336)	(2,903,836)
Investing activities		
Due from related party	(1,527,500)	—
	(2,903,836)	(2,903,836)