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# Financial statements of MLSE Foundation

June 30, 2020

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## Independent Auditor's Report

To the Board of Directors of  
MLSE Foundation

### Opinion

We have audited the financial statements of MLSE Foundation (the "Foundation"), which comprise the statement of financial position as at June 30, 2020, the statements of revenue and expenses, changes in net assets and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Foundation 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 audit 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 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.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

### 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 GAAS 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 GAAS, 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 Foundation'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 Foundation'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 Foundation 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
December 11, 2020

**MLSE Foundation**  
**Statement of financial position**  
As at June 30, 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Current assets			
Cash			
Restricted	3	<b>1,732,154</b>	6,060,797
Unrestricted	3	<b>2,067,184</b>	1,700,538
Accounts receivable		<b>517,072</b>	699,917
Due from related parties	4	<b>1,026,599</b>	657,987
Harmonized Sales Tax recoverable		<b>132,625</b>	178,793
Prepaid expenses and other assets		<b>73,521</b>	7,500
		<b>5,549,155</b>	9,305,532
Due from related party	4	—	400,500
Capital assets	5	<b>46,715</b>	27,990
		<b>5,595,870</b>	9,734,022
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	11	<b>782,328</b>	1,284,808
Deferred contributions	6	<b>1,019,054</b>	4,943,944
		<b>1,801,382</b>	6,228,752
Commitments and contingencies	8		
<b>Net assets</b>		<b>3,794,488</b>	3,505,270
		<b>5,595,870</b>	9,734,022

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

Approved by Board

Aristides M Kaplanis, Director

Oliver Bowles, Director

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

Year ended June 30, 2020

	Notes	2020 \$	2019 \$
<b>Revenue</b>			
Donations			
Cash	4	<b>3,088,229</b>	3,178,364
Gifts-in-kind		<b>231,141</b>	173,269
Sponsorships		<b>275,000</b>	305,000
Fundraising			
50/50 programs	7	<b>7,313,209</b>	7,946,166
Events and activities	4	<b>2,408,129</b>	2,905,974
		<b>13,315,708</b>	14,508,773
Interest income		<b>31,446</b>	19,753
		<b>13,347,154</b>	14,528,526
<b>Expenses</b>			
Fundraising			
50/50 programs	7	<b>2,813,359</b>	6,269,281
Other		<b>1,089,665</b>	1,600,151
Gifts-in-kind		<b>213,168</b>	173,269
Administration		<b>172,502</b>	132,717
		<b>4,288,694</b>	8,175,418
Excess of revenue over expenses before charitable activities		<b>9,058,460</b>	6,353,108
<b>Charitable activities</b>			
Youth Centre for Sports Development			
Refurbishment grants	4	<b>333,500</b>	1,193,500
Other grants and sponsorships	4, 7	<b>6,501,439</b>	2,916,963
Refurbishment grants		<b>250,000</b>	300,000
Other grants and sponsorships	7	<b>1,552,794</b>	1,205,040
Gifts-in-kind		<b>17,974</b>	—
Other		<b>113,535</b>	499,975
		<b>8,769,242</b>	6,115,478
Excess of revenue over expenses for the year		<b>289,218</b>	237,630
Net assets, beginning of year		<b>3,505,270</b>	3,267,640
<b>Net assets, end of year</b>		<b>3,794,488</b>	3,505,270
<b>Net assets consists of</b>			
Restricted			
Invested in Capital assets		<b>46,715</b>	27,990
Unrestricted		<b>3,747,773</b>	3,477,280
		<b>3,794,488</b>	3,505,270

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

**MLSE Foundation**  
**Statement of cash flows**  
Year ended June 30, 2020

	<b>2020</b>	2019
	<b>\$</b>	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	<b>289,218</b>	237,630
Items not affecting cash		
Amortization of capital assets	<b>14,922</b>	9,405
	<b>304,140</b>	247,035
Changes in non-cash working capital items		
Accounts receivable	<b>182,845</b>	(408,925)
Due from related parties	<b>(368,612)</b>	433,928
Harmonized Sales Tax recoverable	<b>46,168</b>	4,497
Prepaid expenses and other assets	<b>(66,021)</b>	14,169
Accounts payable and accrued liabilities	<b>(502,480)</b>	1,159,476
Deferred contributions	<b>(3,924,890)</b>	4,618,161
	<b>(4,328,850)</b>	6,068,341
<b>Investing activities</b>		
Due from related party	<b>400,500</b>	433,500
Capital asset additions	<b>(33,647)</b>	(9,549)
	<b>366,853</b>	423,951
(Decrease) Increase in cash during the year	<b>(3,961,997)</b>	6,492,292
Cash, beginning of year	<b>7,761,335</b>	1,269,043
<b>Cash, end of year</b>	<b>3,799,338</b>	7,761,335
<b>Cash consists of:</b>		
Restricted	<b>1,732,154</b>	6,060,797
Unrestricted	<b>2,067,184</b>	1,700,538
	<b>3,799,338</b>	7,761,335

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.

In March 2020, the NHL, NBA and MLS suspended their respective leagues for an indefinite period due to the COVID-19 pandemic (COVID-19 or COVID), which had a significant impact on the Foundation's fundraising abilities through its 50/50 program. In addition, the Foundation was impacted by reduced donations, sponsorships and postponed fundraising activities from the economic uncertainties due to COVID-19. Results for the year ended June 30, 2020 reflect the impact of COVID-19.

Due to the uncertainty of the timing and of many government-imposed restrictions, it is not possible to reliably estimate the duration and impact of COVID-19 on the financial results and position of the Foundation in future periods. The Foundation continues to consider options available to manage its operations and limit the financial implications.

## **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 3-5 years.



## **2. Significant accounting policies (continued)**

### *Pledges*

Pledged donations are only recorded when received, and are presented in Fundraising – events and activities on the financial statements.

### *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, and no allocations were required.

#### *(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 and BMO field. On March 13, 2019, the Foundation began selling 50/50 tickets online in conjunction with the existing 50/50 draws held at Scotiabank Arena and BMO Field on game nights, with the combined amount prized to the winner. Online tickets are only available for purchase within Ontario. 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 7.

#### *(iii) Other fundraising expenses*

Other fundraising expenses are expenses directly attributable to donations, sponsorships and specific fundraising events and activities.

#### *(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) Other grants and sponsorships*

Other grants and sponsorships are recognized as charitable activities on the statement of revenue and expenses and changes in net assets in the fiscal year that the grants and sponsorships are approved by the Foundation.

**2. Significant accounting policies (continued)**

*Activities and expenses (continued)*

*(vi) 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.

*(vii) Other charitable activities*

Other charitable activities include the direct 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 in 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. The account balance that requires a significant estimate is deferred contributions.

**3. Cash**

Cash consists of the following:

	<b>2020</b>	2019
	<b>\$</b>	\$
Restricted		
Deferred contributions (Note 6)	<b>1,019,054</b>	4,943,944
Unclaimed 50/50 prizes (Note 11)	<b>53,100</b>	1,116,853
Grants payable (Note 11)	<b>660,000</b>	—
Total	<b>1,732,154</b>	6,060,797
Unrestricted	<b>2,067,184</b>	1,700,538
	<b>3,799,338</b>	7,761,335

**4. Related party transactions**

*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 2019) to the Foundation and purchased tickets to Foundation events of \$216,250 (\$256,250 in 2019). In addition, MLSE directly incurred salaries and related operating costs on behalf of the Foundation of approximately \$748,000 (\$647,000 in 2019) for which MLSE did not seek reimbursement and therefore no amounts have been recorded in these financial statements.

*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 Private Charitable 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 costs of \$7,368,627 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. During 2020, capital contributions of \$333,500 (\$693,500 in 2019) were received, and the remaining balance of \$500,500 (\$834,000 in 2019) has been set up as a loan receivable from the Agent to be repaid over the next year. The loan receivable is unsecured and interest free. Changes in the loan receivable balance are as follows:

	<b>Total leasehold improvements</b>	<b>Total deferred capital contributions</b>	<b>2020 Ending balance</b>	2019 Ending balance
	\$	\$	\$	\$
Loan receivable	<b>7,368,627</b>	<b>6,868,127</b>	<b>500,500</b>	834,000

The deferred capital contributions of \$333,500 (\$693,500 in 2019) have been recognized as revenue by the Foundation and as an off-setting refurbishment grant to the Agent.

**4. Related party transactions (continued)**

*Youth Centre for Sports Development (Operating as MLSE LaunchPad) (continued)*

The due from related parties balance consists of the following:

	<b>2020</b>	2019
	\$	\$
Current portion		
Due from MLSE	<b>511,400</b>	294,127
Due from/(due to) Youth Centre for Sports Development		
Loan receivable	<b>500,500</b>	433,500
Operating costs	<b>14,699</b>	(69,640)
	<b>1,026,599</b>	657,987
	<b>2020</b>	2019
	\$	\$
Long-term portion		
Due from Youth Centre for Sports Development		
Loan receivable	—	400,500

During the year, the Foundation also made charitable disbursements of \$6,501,439 (\$2,916,963 in 2019) included in other grants and sponsorships and an additional \$nil (\$500,000 in 2019) included in refurbishment grants to the Youth Centre for Sports Development.

**5. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2020 Net book value</b>	2019 Net book value
	\$	\$	\$	\$
Office furniture and equipment	<b>82,264</b>	<b>35,549</b>	<b>46,715</b>	27,990

**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:

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year	<b>4,943,944</b>	325,783
Amounts received during the year	<b>5,832,643</b>	10,256,439
Amounts recognized as revenue during the year	<b>(9,757,533)</b>	(5,638,278)
Balance, end of year	<b>1,019,054</b>	4,943,944

**6. Deferred contributions (continued)**

The balance relates to the following programs:

	<b>2020</b>	2019
	<b>\$</b>	\$
Youth Centre for Sports Development	<b>477,577</b>	3,547,114
Approved contributions and sponsorships	<b>541,477</b>	1,396,830
	<b>1,019,054</b>	4,943,944

The Foundation has complied with the requirements of these restricted resources. Deferred contributions to Youth Centre for Sports Development consists of event proceeds along with individual contributions that were in excess of the 2020 funding requirement. Amounts related to deferred contributions of \$1,019,054 (\$4,943,944 in 2019) are included in the restricted cash balance.

**7. 50/50 Programs**

	<b>2020</b>	2019
	<b>\$</b>	\$
Revenue		
Ticket sales	<b>7,123,363</b>	7,858,560
Sponsorship revenue	<b>129,263</b>	63,283
Interest income	<b>60,583</b>	24,323
	<b>7,313,209</b>	7,946,166
Expenses		
Prizes	<b>2,176,012</b>	5,327,415
Other	<b>637,346</b>	941,866
	<b>2,813,358</b>	6,269,281
Excess of revenue over expenses before charitable activities	<b>4,499,851</b>	1,676,885
Charitable activities - other grants and sponsorships	<b>4,382,952</b>	1,651,870
Excess of revenue over expenses	<b>116,899</b>	25,015

Ticket sales includes prior period balances for unclaimed prizes and partnership grants of \$2,946,593 (\$88,172 in 2019), while excluding unclaimed prizes and partnership grants not disbursed in 2020 of \$92,148 (\$2,917,793 in 2019). 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. Charitable activities - other grants and sponsorships are split between Youth Centre for Sports Development \$3,770,439 (\$1,426,667 in 2019) and other charitable organizations \$612,513 (\$225,203 in 2019).

**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
	\$	\$	\$
2021	2,500,000	325,000	2,825,000
2022	2,500,000	175,000	2,675,000
2023	2,500,000	100,000	2,600,000
2024	2,500,000	100,000	2,600,000
2025	2,500,000	—	2,500,000
Thereafter to 2035	25,000,000	—	25,000,000
	<u>37,500,000</u>	<u>700,000</u>	<u>38,200,000</u>

*(ii) Contingencies*

At June 30, 2020, the Foundation has an outstanding letter of credit to The City of Toronto for \$34,445 for 50/50 Lottery Licenses (\$34,445 as at June 30, 2019).

At June 30, 2020, the Foundation has outstanding letters of credit to the Ministry of Finance for \$205,600 (\$180,000 as at June 30, 2019).

**9. Overdraft facility**

The Foundation has an overdraft facility of \$500,000 as at June 30, 2020 (\$500,000 as at June 30, 2019) with a chartered bank, of which \$nil has been utilized (\$nil in 2019). 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, 2020, 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 as at June 30, 2019) with respect to amounts owing to the Government.