
Financial statements of MLSE Foundation

June 30, 2023

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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, 2023, the statements of revenue and expenses and 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, 2023, 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 15, 2023

MLSE Foundation
Statement of financial position
As at June 30, 2023

	Notes	2023 \$	2022 \$ (Note 13)
Assets			
Current assets			
Cash	3		
Restricted		3,703,552	1,936,143
Unrestricted		3,012,651	5,459,298
Investments	4	3,044,432	—
Accounts receivable		827,485	241,586
Due from related parties	5	248,406	221,591
Harmonized Sales Tax recoverable		195,431	167,005
Prepaid expenses and other assets		49,810	62,712
		11,081,767	8,088,335
Capital assets	6	15,209	23,684
		11,096,976	8,112,019
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	862,738	450,503
Due to related parties	5	2,161	156,469
Deferred contributions	7	3,275,584	1,367,063
		4,140,483	1,974,035
Commitments and contingencies	9		
Net assets			
Invested in capital assets		15,209	23,684
Unrestricted		6,941,284	6,114,300
		6,956,493	6,137,984
		11,096,976	8,112,019

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, 2023

	Notes	2023 \$	2022 \$
			(Note 13)
Revenue			
Donations			
Contributions	5	4,110,968	4,452,939
Government Grants		705,000	—
Gifts-in-kind		292,085	255,625
Sponsorships		810,000	150,000
Fundraising			
50/50 programs	8	5,018,675	4,344,946
Events and activities		2,528,253	1,582,351
		13,464,981	10,785,861
Grant - Maple Leaf Sports & Entertainment Partnership	5	—	29,198
Interest income		261,754	30,082
		13,726,735	10,845,141
Expenses			
Fundraising			
50/50 programs	8	3,110,614	2,796,272
Other		1,430,492	656,368
Gifts-in-kind		262,890	255,625
Administration		92,807	127,811
		4,896,803	3,836,076
Excess of revenue over expenses before charitable activities		8,829,932	7,009,065
Charitable activities			
Youth Centre for Sports Development			
Grants and sponsorships	5 and 8	3,597,000	3,595,750
Other grants and sponsorships	8	3,608,017	2,392,453
Other		777,211	376,404
Gifts-in-kind		29,195	—
		8,011,423	6,364,607
Excess of revenue over expenses for the year		818,509	644,458
Net assets, beginning of year		6,137,984	5,493,526
Net assets, end of year		6,956,493	6,137,984

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

MLSE Foundation
Statement of cash flows
Year ended June 30, 2023

	2023 \$	2022 \$
		(Note 13)
Operating activities		
Excess of revenue over expenses for the year	818,509	644,458
Items not affecting cash		
Gifts-in-kind - donation revenue	(292,085)	(255,625)
Gifts-in-kind - expenses	292,085	255,625
Amortization of capital assets	8,475	14,037
Interest income on investments	(36,375)	—
Accrued interest income on investments	(44,432)	—
	746,177	658,495
Changes in non-cash working capital items		
Accounts receivable	(585,899)	13,414
Due to/from related parties, net	(181,123)	77,077
Harmonized Sales Tax recoverable	(28,426)	43,266
Prepaid expenses and other assets	12,902	8,254
Accounts payable and accrued liabilities	412,235	458,241
Deferred contributions	1,908,521	406,144
	2,284,387	1,664,891
Investing activities		
Capital asset additions	—	(8,732)
Acquisition of investments	(5,000,000)	—
Proceeds from maturity of investments	2,036,375	—
	(2,963,625)	(8,732)
(Decrease) increase in cash during the year	(679,238)	1,656,159
Cash, beginning of year	7,395,441	5,739,282
Cash, end of year	6,716,203	7,395,441
Cash consists of		
Restricted	3,703,552	1,936,143
Unrestricted	3,012,651	5,459,298
	6,716,203	7,395,441

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 aim of the Foundation is 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.

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. Interest income is recognized as revenue when received or receivable.

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 office 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 as Fundraising – Events and activities revenue in the Statement of revenue and expenses and changes in net assets.

Gifts-in-kind donations and expenses

Gifts-in-kind donations and expenses are recognized in these financial statements if the Foundation would have purchased the goods or services in the ordinary course of business and are recorded at fair market value when received.

Activities and expenses

(i) Allocation of expenses

The Foundation engages in fundraising and charitable programs. When appropriate, the cost of each program includes the allocation of costs of personnel and other expenses that are directly related to the program. No allocations were required during 2023 or 2022.

(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 at the Scotiabank Arena and BMO Field. The Foundation sells 50/50 tickets online and in person at Scotiabank Arena and BMO Field on game nights, with the combined amount reported as gross ticket sales. Online tickets are only available for purchase within Ontario. As the Foundation holds the lottery license for the draw and is responsible for paying the prize winners, gross ticket sales are recorded as revenue, and costs of the draws including prizes for the winners, lottery licenses, ticket printing and other direct costs related to the administration of the program are recorded as expenses. Winners’ prizes are 50% of gross ticket sales but in some instances additional funds are included in the jackpot amount 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 expenses in the Statement of revenue and expenses and changes in net assets.

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 8.

(iii) Other fundraising expenses

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

2. Significant accounting policies (continued)

Activities and expenses (continued)

(iv) Other grants and sponsorships expenses

Other grants and sponsorships expenses 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.

(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 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 balances that require significant estimate are accrued liabilities, deferred contributions, gift-in-kind donations and gift-in-kind expenses.

3. Cash

Cash consists of the following:

	2023	2022
	\$	\$
Restricted		(Note 13)
Deferred contributions (Note 7)	3,275,584	1,367,063
Unclaimed 50/50 prizes (Note 12)	96,523	189,635
Grants payable (Note 12)	117,000	165,000
50/50 funds held for outstanding letters of credit (Note 9)	214,445	214,445
Total	3,703,552	1,936,143
Unrestricted	3,012,651	5,459,298
	6,716,203	7,395,441

4. Investments

Investments are comprised of unrestricted non-redeemable short-term guaranteed investment certificates with a Canadian Chartered Bank with an interest rate of between 4.98% and 5.80% per annum maturing between December 2023 and June 2024.

5. Related party transactions

Maple Leaf Sports & Entertainment Ltd. ("MLSE")

The Foundation works in conjunction with MLSE, as its sole member, in utilizing the promotional benefits of the trademarks of the Toronto Maple Leafs, Toronto Raptors, Toronto FC and Toronto Argonauts, and additional resources for its charitable activities. The amounts due from MLSE are unsecured, interest free and due on demand.

During the year, MLSE donated \$500,000 (\$500,000 in 2022) to the Foundation and purchased tickets to Foundation events of \$246,250 (\$182,000 in 2022).

In addition, MLSE directly incurred salaries and related operating costs on behalf of the Foundation of approximately \$890,000 (\$700,000 in 2022) for which MLSE did not seek reimbursement and therefore no amounts have been recorded in these financial statements.

MLSE grant

In 2022, MLSE applied for the Canadian Emergency Wage Subsidy offered by the Federal government and subsequently transferred \$29,198 to the Foundation. This amount is presented in the Statement of revenue and expenses and changes in net assets as Grant – MLSE revenue. There were no transactions related to the Canadian Emergency Wage Subsidy in 2023.

Youth Centre for Sports Development (Operating as MLSE LaunchPad) ("MLSE LaunchPad")

MLSE LaunchPad was incorporated under the Canada Not-for-Profit Corporation Act on March 16, 2015 as a not-for-profit corporation without share capital. MLSE LaunchPad obtained its Registered Charity status under Section 149.1 of the Income Tax Act on February 8, 2017 and commenced operations on that date. MLSE LaunchPad is not subject to income tax provided certain conditions are complied with.

The Foundation, at the direction of MLSE, has committed to provide on-going funding to MLSE LaunchPad, whose sole member is also MLSE (see Note 9(i)).

During the year, the Foundation made charitable disbursements to MLSE LaunchPad of \$3,707,000 (\$3,485,750 in 2022), of which \$3,597,000 (\$3,485,750 in 2022) are included in Grants and sponsorships expenses in the Statement of revenue and expenses and changes in net assets, and \$110,000 (nil in 2022) was recognized as a reduction in the due to related parties payable. In addition, during the year, the Foundation accrued charitable disbursements of nil (\$110,000 in 2022) which are included in Grants and sponsorships expenses in the Statement of revenue and expenses and changes in net assets.

5. Related party transactions (continued)

Due from related parties

The due from related parties balance consists of the following:

	2023	2022
	\$	\$
		(Note 13)
Due from/(due to)		
MLSE	248,406	221,591
MLSE LaunchPad	(2,161)	(156,469)
	246,245	65,122

6. Capital assets

	2023	2022		
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	90,996	75,787	15,209	23,684

7. Deferred contributions

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

	2023	2022
	\$	\$
Balance, beginning of year	1,367,063	960,919
Amounts received during the year	9,571,553	7,556,002
Amounts recognized as revenue during the year	(7,663,032)	(7,149,858)
Balance, end of year	3,275,584	1,367,063

7. Deferred contributions (continued)

The balance is comprised of the following:

	2023	2022
	\$	\$
MLSE LaunchPad	1,518,348	298,612
Approved grants and sponsorships	1,757,236	1,068,451
	3,275,584	1,367,063

Amounts related to deferred contributions of \$3,275,584 (\$1,367,063 in 2022) are included in the restricted cash balance in Note 3.

8. 50/50 Programs

	2023	2022
	\$	\$
Revenue		
Ticket sales	4,870,089	4,310,511
Sponsorship revenue	40,406	21,500
Interest income	108,180	12,935
	5,018,675	4,344,946
Expenses		
Prizes	2,280,286	2,213,824
Other	830,328	582,448
	3,110,614	2,796,272
Excess of revenue over expenses before charitable activities	1,908,061	1,548,674
Charitable activities – other grants and sponsorships	1,827,454	1,965,000
Excess (deficiency) of revenue over expenses	80,607	(416,326)

Ticket sales revenue includes prior period balances for unclaimed prizes and partnership grants of \$150,000 (nil in 2022), while excluding unclaimed prizes and partnership grants not disbursed in 2023 of \$195,413 (nil in 2022). 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 expenses are split between MLSE LaunchPad \$1,646,000 (\$1,500,000 in 2022) and other charitable organizations \$181,454 (\$465,000 in 2022).

9. Commitments and contingencies

(i) *Commitments*

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

	Youth Centre for Sports Development \$	Other charitable organizations \$	Total \$
2024	2,500,000	725,000	3,225,000
2025	2,500,000	475,000	2,975,000
2026	2,500,000	—	2,500,000
2027	2,500,000	—	2,500,000
2028	2,500,000	—	2,500,000
Thereafter to 2035	17,500,000	—	17,500,000
	<u>30,000,000</u>	<u>1,200,000</u>	<u>31,200,000</u>

(ii) *Contingencies*

At June 30, 2023, the Foundation has an outstanding letter of credit to The City of Toronto of \$34,445 (\$34,445 as at June 30, 2022) for 50/50 Lottery Licenses.

At June 30, 2023, the Foundation has outstanding letters of credit to the Ministry of Finance of \$180,000 (\$180,000 as at June 30, 2022).

10. Overdraft facility

The Foundation has an available \$500,000 overdraft facility with a Canadian chartered bank. The balance was undrawn as at June 30, 2023 and 2022. The overdraft facility bears interest at the Canadian 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, 2023, 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 with respect to government remittances as at June 30, 2023 and 2022.

In addition, grants payable of \$117,000 (\$165,000 in 2022) and unclaimed 50/50 prizes of \$96,523 (\$189,635 in 2022) are included in accounts payable and accrued liabilities as at June 30, 2023.

13. Comparative amounts

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

	2022
	As previously presented
	As amended
	\$
	\$
Statement of financial position	
Current assets	
Restricted cash	1,936,143
Unrestricted cash	5,459,298
	<u>7,395,441</u>
Current liabilities	
Accounts payable	450,503
Due to related parties	156,469
	<u>606,972</u>
Statement of revenue and expenses and changes in net assets	
Charitable activities	
Youth Centre for Sports Development	
Grants and sponsorships	3,595,750
Other grants and sponsorships	2,392,453
	<u>5,988,203</u>

The Statement of cash flows was amended accordingly.