
Financial statements of MLSE Foundation

June 30, 2021

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Independent Auditor's Report

To the Board of Directors of
MLSE Foundation

We have audited the financial statements of MLSE Foundation (the "Foundation"), which comprise the statement of financial position as at June 30, 2021, 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, 2021, 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 14, 2021

MLSE Foundation
Statement of financial position
As at June 30, 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|------------------|------------|
| Assets | | | |
| Current assets | | | |
| Cash | | | |
| Restricted | 3 | 1,001,934 | 1,732,154 |
| Unrestricted | 3 | 4,737,348 | 2,067,184 |
| Accounts receivable | | 255,000 | 517,072 |
| Due from related parties | 4 | 252,199 | 1,026,599 |
| Harmonized Sales Tax recoverable | | 210,271 | 132,625 |
| Prepaid expenses and other assets | | 70,966 | 73,521 |
| | | 6,527,718 | 5,549,155 |
| Capital assets | 5 | 28,989 | 46,715 |
| | | 6,556,707 | 5,595,870 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 11 | 102,262 | 782,328 |
| Deferred contributions | 6 | 960,919 | 1,019,054 |
| | | 1,063,181 | 1,801,382 |
| Commitments and contingencies | 8 | | |
| Net assets | | | |
| Invested in capital assets | | 28,989 | 46,715 |
| Unrestricted | | 5,464,537 | 3,747,773 |
| | | 5,493,526 | 3,794,488 |
| | | 6,556,707 | 5,595,870 |

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

Approved by Board

 Director



Aris Kaplanis, Director

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

Year ended June 30, 2021

| | Notes | 2021 | 2020 |
|--|---------|-------------------|------------|
| | | \$ | \$ |
| | | | (Note 12) |
| Revenue | | | |
| Donations | | | |
| Cash | 4 | 3,292,762 | 3,088,229 |
| Gifts-in-kind | | 120,368 | 231,141 |
| Sponsorships | | 325,000 | 275,000 |
| Fundraising | | | |
| 50/50 programs | 7 | 5,360,228 | 7,313,209 |
| Events and activities | | 1,612,942 | 2,408,129 |
| | | 10,711,300 | 13,315,708 |
| Grant - Maple Leaf Sports & Entertainment Partnership | 4 | 95,344 | 10,441 |
| Interest income | | 9,694 | 31,446 |
| | | 10,816,338 | 13,357,595 |
| Expenses | | | |
| Fundraising | | | |
| 50/50 programs | 7 | 3,260,955 | 2,813,359 |
| Other | | 503,619 | 1,089,665 |
| Gifts-in-kind | | 120,368 | 213,168 |
| Administration | | 245,526 | 182,943 |
| | | 4,130,468 | 4,299,135 |
| Excess of revenue over expenses before charitable activities | | 6,685,870 | 9,058,460 |
| Charitable activities | | | |
| Youth Centre for Sports Development | | | |
| Refurbishment grants | 4 | 500,500 | 333,500 |
| Other grants and sponsorships | 4 and 7 | 2,719,055 | 6,501,439 |
| Refurbishment grants | | — | 250,000 |
| Other grants and sponsorships | 7 | 1,624,933 | 1,552,794 |
| Gifts-in-kind | | — | 17,973 |
| Other | | 142,344 | 113,536 |
| | | 4,986,832 | 8,769,242 |
| Excess of revenue over expenses for the year | | 1,699,038 | 289,218 |
| Net assets, beginning of year | | 3,794,488 | 3,505,270 |
| Net assets, end of year | | 5,493,526 | 3,794,488 |

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

MLSE Foundation
Statement of cash flows
Year ended June 30, 2021

| | 2021 | 2020 |
|--|------------------|-------------|
| | \$ | \$ |
| | | (Note 12) |
| Operating activities | | |
| Excess of revenue over expenses for the year | 1,699,038 | 289,218 |
| Items not affecting cash | | |
| Gifts-in-kind - donation revenue | (120,368) | (231,141) |
| Gifts-in-kind - expenses | 120,368 | 213,168 |
| Gifts-in-kind - charitable activities expenses | — | 17,973 |
| Amortization of capital assets | 17,726 | 14,922 |
| | 1,716,764 | 304,140 |
| Changes in non-cash working capital items | | |
| Accounts receivable | 262,072 | 182,845 |
| Due from related parties | 774,400 | (368,612) |
| Harmonized Sales Tax recoverable | (77,646) | 46,168 |
| Prepaid expenses and other assets | 2,555 | (66,021) |
| Accounts payable and accrued liabilities | (680,066) | (502,480) |
| Deferred contributions | (58,135) | (3,924,890) |
| | 1,939,944 | (4,328,850) |
| Investing activities | | |
| Due from related parties | — | 400,500 |
| Capital asset additions | — | (33,647) |
| | — | 366,853 |
| Increase (decrease) in cash during the year | 1,939,944 | (3,961,997) |
| Cash, beginning of year | 3,799,338 | 7,761,335 |
| Cash, end of year | 5,739,282 | 3,799,338 |
| Cash consists of | | |
| Restricted | 1,001,934 | 1,732,154 |
| Unrestricted | 4,737,348 | 2,067,184 |
| | 5,739,282 | 3,799,338 |

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.

For 2020-2021 season, the NHL and the NBA shortened their respective regular seasons due to the COVID-19 pandemic ("COVID-19"), 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, 2021 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.

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 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 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. This program was non-operational for the year ended June 31, 2021 due to government regulated COVID-19 restrictions on fan capacity.

(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 balances that requires significant estimate are accrued liabilities, deferred contributions, gift-in-kind donations and gift-in-kind expenses and amortization of capital assets.

3. Cash

Cash consists of the following:

| | 2021 | 2020 |
|---------------------------------|------------------|-----------|
| | \$ | \$ |
| Restricted | | |
| Deferred contributions (Note 6) | 960,919 | 1,019,054 |
| Unclaimed 50/50 prizes | 1,015 | 53,100 |
| Grants payable (Note 11) | 40,000 | 660,000 |
| Total | 1,001,934 | 1,732,154 |
| Unrestricted | 4,737,348 | 2,067,184 |
| | 5,739,282 | 3,799,338 |

4. Related party transactions

Maple Leaf Sports & Entertainment Partnership ("MLSE")

The Foundation works in conjunction with 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 \$250,000 (\$500,000 in 2020) to the Foundation and purchased tickets to Foundation events of \$270,683 (\$216,250 in 2020).

In addition, MLSE directly incurred salaries and related operating costs on behalf of the Foundation of approximately \$685,000 (\$748,000 in 2020) for which MLSE did not seek reimbursement and therefore no amounts have been recorded in these financial statements.

MLSE grant

During the year, MLSE applied for the Canadian Emergency Wage Subsidy offered by the Federal government and subsequently transferred \$95,344 (\$10,441 in 2020) to the Foundation. This amount is presented in the Statement of revenue and expenses and changes in net assets as Grant – MLSE.

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 and obtained its registration as a Private Charitable Foundation on February 8, 2017.

The Foundation entered into an agency agreement with MLSE LaunchPad on September 1, 2015 (the "Agency Agreement"), under which MLSE LaunchPad agreed to perform certain charitable programming activities on behalf of the Foundation, using funds (the "Charitable Funds") provided by the Foundation.

MLSE LaunchPad 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.

In accordance with an agreement dated December 20, 2016, the Foundation and MLSE LaunchPad agreed to terminate the Agency Agreement upon the granting of registered charity status to MLSE LaunchPad by Canada Revenue Agency. The Foundation further agreed to convey to MLSE LaunchPad, all beneficial title and interest in the Property and the Charitable Funds held by MLSE LaunchPad as of that date.

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 capital assets over a six-year period. During 2021, capital contributions of \$500,500 (\$333,500 in 2020) were received by the Foundation and transferred to MLSE LaunchPad. Total contributions to date amount \$7,368,627 (\$6,868,127 in 2020) and therefore the remaining balance is \$nil (\$500,500 in 2020). The prior year's balance of \$500,500 was previously set up as a loan receivable from MLSE Launchpad. The loan receivable was unsecured and interest free.

4. Related party transactions (continued)

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

Changes in the loan receivable balance are as follows:

| | Total leasehold improvements | Total deferred capital contributions | 2021 Ending balance | 2020 Ending balance |
|-----------------|---|---|------------------------------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Loan receivable | 7,368,627 | 7,368,627 | — | 500,500 |

The deferred capital contributions of \$500,500 (\$333,500 in 2020) have been recognized as revenue by the Foundation and as an off-setting refurbishment grant to MLSE LaunchPad.

Due from related parties

The due from related parties balance consists of the following:

| | 2021 | 2020 |
|---|----------------|-----------|
| | \$ | \$ |
| Current portion | | |
| Due from MLSE | 256,813 | 511,400 |
| (Due to)/due from Youth Centre for Sports Development | | |
| Loan receivable | — | 500,500 |
| Operating costs | (4,614) | 14,699 |
| | 252,199 | 1,026,599 |

During the year, the Foundation also made charitable disbursements to MLSE LaunchPad of \$2,719,055 (\$6,501,439 in 2020) included in other grants and sponsorships.

5. Capital assets

| | Cost | Accumulated amortization | 2021 Net book value | 2020 Net book value |
|--------------------------------|---------------|-------------------------------------|------------------------------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Office furniture and equipment | 82,264 | 53,275 | 28,989 | 46,715 |

6. 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:

| | 2021 | 2020 |
|---|--------------------|-------------|
| | \$ | \$ |
| Balance, beginning of year | 1,019,054 | 4,943,944 |
| Amounts received during the year | 4,914,103 | 5,832,643 |
| Amounts recognized as revenue during the year | (4,972,238) | (9,757,533) |
| Balance, end of year | 960,919 | 1,019,054 |

The balance is comprised of the following:

| | 2021 | 2020 |
|-------------------------------------|----------------|-----------|
| | \$ | \$ |
| Youth Centre for Sports Development | 510,482 | 477,577 |
| Approved grants and sponsorships | 450,437 | 541,477 |
| | 960,919 | 1,019,054 |

Amounts related to deferred contributions of \$960,919 (\$1,019,054 in 2020) are included in the restricted cash balance.

7. 50/50 Programs

| | 2021 | 2020 |
|--|------------------|-----------|
| | \$ | \$ |
| Revenue | | |
| Ticket sales | 5,329,415 | 7,123,363 |
| Sponsorship revenue | 24,200 | 129,263 |
| Interest income | 6,613 | 60,583 |
| | 5,360,228 | 7,313,209 |
| Expenses | | |
| Prizes | 2,632,735 | 2,176,012 |
| Other | 628,220 | 637,346 |
| | 3,260,955 | 2,813,358 |
| Excess of revenue over expenses before charitable activities | 2,099,273 | 4,499,851 |
| Charitable activities – other grants and sponsorships | 2,090,451 | 4,382,952 |
| Excess of revenue over expenses | 8,822 | 116,899 |

7. 50/50 Programs (continued)

Ticket sales revenue includes prior period balances for unclaimed prizes and partnership grants of \$nil (\$2,946,593 in 2020), while excluding unclaimed prizes and partnership grants not disbursed in 2021 of \$1,528 (\$92,148 in 2020). 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 MLSE LaunchPad \$1,010,451 (\$3,770,439 in 2020) and other charitable organizations \$1,080,000 (\$612,513 in 2020).

8. 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 \$ | Total \$ |
|--------------------|--|----------------|-------------------|
| 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 |
| 2026 | 2,500,000 | — | 2,500,000 |
| Thereafter to 2035 | 25,000,000 | — | 25,000,000 |
| | <u>37,500,000</u> | <u>375,000</u> | <u>37,875,000</u> |

(ii) Contingencies

At June 30, 2021, the Foundation has an outstanding letter of credit to The City of Toronto of \$34,445 (\$34,445 as at June 30, 2020) for 50/50 Lottery Licenses.

At June 30, 2021, the Foundation has outstanding letters of credit to the Ministry of Finance of \$205,600 (\$205,600 as at June 30, 2020).

9. Overdraft facility

The Foundation has an available overdraft facility of \$500,000 as at June 30, 2021 (\$500,000 as at June 30, 2020) with a chartered bank, of which \$nil has been utilized (\$nil as at June 30, 2020). 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, 2021, 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 with respect to amounts owing to the Government as at June 30, 2021 and 2020.

In addition, grants payable of \$40,000 (\$660,000 as at June 30, 2020) are included in accounts payable and accrued liabilities as at June 30, 2021.

12. Comparative amounts

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

| | As amended | 2020 As previously stated |
|--|----------------|---------------------------------|
| | \$ | \$ |
| Statement of revenue and expenses and changes in net assets | | |
| Revenue | | |
| Grant - MLSE | 10,441 | — |
| Expenses | | |
| Administration | 182,943 | 172,502 |
| | <u>172,502</u> | <u>172,502</u> |
| Statement of cash flows | | |
| Items not affecting cash | | |
| Gifts-in-kind - donation revenue | (231,141) | — |
| Gifts-in-kind - expenses | 213,168 | — |
| Gifts-in-kind - charitable activities expenses | 17,973 | — |
| | <u>—</u> | <u>—</u> |