
Financial statements of Toronto Lands Corporation

August 31, 2020

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of change in net debt	5
Statement of cash flows	6
Notes to the financial statements	7-10

Independent Auditor's Report

To the Shareholder of
Toronto Lands Corporation

Opinion

We have audited the financial statements of Toronto Lands Corporation (the "Corporation"), which comprise the statement of financial position as at August 31, 2020, the statements of operations, change in net debt and 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 Corporation as at August 31, 2020 and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

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 Corporation 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 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 PSAS, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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

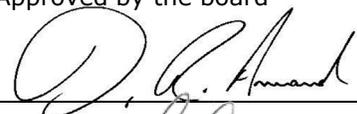
Chartered Professional Accountants
Licensed Public Accountants
November 26, 2020

Toronto Lands Corporation
Statement of financial position
As at August 31, 2020

	Notes	2020 \$	2019 \$
Financial assets			
Cash		236,855	368,523
Accounts receivable		1,901	46,273
Due from Toronto District School Board	3(g)	568,757	667,441
		807,513	1,082,237
Liabilities			
Accounts payable and accrued liabilities	6	468,849	463,352
Due to Toronto District School Board	3(h)	59,887	90,263
Loan payable to Toronto District School Board	3(h)	300,000	545,319
		828,736	1,098,934
Net debt		(21,223)	(16,697)
Non-financial asset			
Prepaid expenses		21,224	16,698
Share capital	7	1	1
Accumulated surplus		—	—
Commitments	8		

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

Approved by the board

 _____, Director

 _____, Director

Toronto Lands Corporation
Statement of operations
Year ended August 31, 2020

	Notes	Budget \$	2020 Actual \$	2019 Actual \$
Revenue				
Contribution from Toronto District				
School Board	3(a)	5,650,103	3,600,273	3,628,372
Other revenue		—	74,530	23,000
Interest		—	4,450	6,284
		5,650,103	3,679,253	3,657,656
Expenses				
Realty staff and services expenses				
Facility services		136,840	140,960	147,349
Business services		100,000	103,704	134,440
Administrative support allocation	3(f)	60,000	60,000	60,000
		296,840	304,664	341,789
Administration expenses				
Board remuneration		70,000	34,842	38,833
Management salary	3(d)	2,323,763	2,186,010	1,891,895
Professional development		3,500	3,462	2,854
Supply and services		58,000	68,349	71,970
Legal fees		970,000	436,505	579,752
Fees and contractual services		1,775,000	523,235	625,334
Office rental		101,500	118,031	98,627
Other		51,500	4,155	6,602
		5,353,263	3,374,589	3,315,867
		5,650,103	3,679,253	3,657,656
Annual surplus		—	—	—
Accumulated surplus, beginning of year		—	—	—
Accumulated surplus, end of year		—	—	—

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

Toronto Lands Corporation
Statement of change in net debt
Year ended August 31, 2020

	Budget	2020	2019
	\$	Actual	Actual
	\$	\$	\$
Annual surplus	—	—	—
Acquisition of prepaid expense	—	(21,224)	(16,698)
Use of prepaid expense	—	16,698	10,634
	—	(4,526)	(6,064)
Increase in net debt	—	(4,526)	(6,064)
Net debt, beginning of year	—	(16,697)	(10,633)
Net debt, end of year	—	(21,223)	(16,697)

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

Toronto Lands Corporation**Statement of cash flows**

Year ended August 31, 2020

	2020	2019
	\$	\$
Operating activities		
Annual surplus	—	—
Change in non cash items		
Increase in prepaid expenses	(4,526)	(6,064)
Decrease (increase) in accounts receivable	44,372	(42,589)
Decrease (increase) in due from Toronto District School Board	98,684	(146,507)
Increase in accounts payable and accrued liabilities	5,497	70,388
(Decrease) increase in due to Toronto District School Board	(30,376)	35,179
(Decrease) increase in loan payable to Toronto District School Board	(245,319)	38,371
Decrease in cash	(131,668)	(51,222)
Cash, beginning of year	368,523	419,745
Cash, end of year	236,855	368,523

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

1. Description of business

The Toronto District School Board ("TDSB") established Toronto Lands Corporation (the "Corporation" or "TLC"), a wholly owned subsidiary. The Corporation was incorporated on April 25, 2008 under the Ontario Business Corporations Act. The Corporation subsequently entered into a Shareholder's Direction with the TDSB.

The Corporation, acting for the TDSB is responsible for providing services relating to the property management of all properties assigned to it by the TDSB, subject to the terms and conditions set out in the Shareholder's Direction and other related agreements.

The Corporation's initial mandate was to manage non-operating TDSB properties and designated real estate holdings to maximize rental income and to dispose of surplus sites. The TDSB Board approved an expansion to this mandate on March 21, 2018 and formally signed an amended Shareholder's Direction dated November 28, 2018. In addition to management of non-operating sites, the amended mandate now includes land use planning, real estate leasing, community planning and partnerships, redevelopment and school modernization opportunities, as well as acquisition and disposal of TDSB surplus sites.

The Corporation is exempt from tax pursuant to paragraph 149 (1) (d.5) of the Canadian Income Tax Act.

2. Significant accounting policies

The financial statements of Toronto Lands Corporation are the representation of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted are as follows:

(a) Basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. This basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as the result of the receipt of goods or services and the creation of a legal obligation to pay.

(b) Revenue recognition

(i) Contributions from TDSB

Contributions from TDSB are recognized when received or receivable to the extent that contributions are needed to cover expenses not funded from other sources.

(ii) Other revenue

Other revenue relates to income earned from legal fees charged to tenants related to lease agreements, and revenue from recovery of payroll costs due to seconded staff.

(iii) Interest income

Interest income is recognized when earned.

(c) Retirement benefits

The Corporation's contributions to the Ontario Municipal Employees Retirement System (OMERS), a multiemployer defined benefit plan, are recorded in the period in which they become payable.

2. Significant accounting policies (continued)

(d) Management estimates

The preparation of periodic financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Accounts subject to estimates primarily relate to accrued liabilities. Actual results could differ from these estimates.

3. Transaction and balances with related parties

The Corporation had substantial transactions with its parent, TDSB. They are as follows:

- (a) The contribution from TDSB for the cost of services provided by the Corporation related to the management of the leased properties and properties held for sale was \$3,600,273 (\$3,628,372 in 2019). In the current year, the total amount invoiced by the Corporation to TDSB was only \$3,450,274 as a result of an adjustment relating to a contribution that had been previously made by TDSB in prior years.
- (b) TDSB has purchased \$21,744 (\$78,639 in 2019) of furniture and equipment for use by the Corporation in carrying out its operations. This furniture and equipment is recorded in the consolidated financial statements of TDSB.
- (c) TDSB has funded the office renovation of nil (\$246,410 in 2019) as leasehold improvements due to the expansion of the office space, which are recorded as leasehold improvements in the consolidated financial statements of TDSB.
- (d) TDSB seconded 2 (2 in 2019) full-time equivalent staff to provide services to the Corporation from September 1, 2019 to August 31, 2020. The salaries and benefits of these employees were paid by TDSB and invoiced to the Corporation at a cost of \$244,664 (\$369,378 in 2019). The seconded staff are employed directly by TDSB and TDSB is responsible for the payment of employees' future benefit costs. No inter-entity charges were made for these employee future benefits costs as TDSB is ultimately responsible for the benefits. During 2020 there were no payments of retirement gratuity as a retirement benefit (nil in 2019).
- (e) The Corporation seconded no (1 in 2019) full-time staff to provide services to TDSB from September 1, 2019 to August 31, 2020. The salaries and benefits of the employee were paid by the Corporation and invoiced to TDSB at a cost of nil (\$28,351 in 2019).
- (f) TDSB provides administrative services to the Corporation according to the Service Level Agreement at an annual cost of \$60,000 (\$60,000 in 2019) which is reflected in the financial statements of the Corporation.
- (g) The amount due from TDSB of \$568,757 (\$667,441 in 2019) represents the August 2020 management fee paid in September of the following year, and an amount of \$9,500 (\$1,217 in 2019) receivable as of August 31, 2020.
- (h) The amount due to TDSB of \$59,887 (\$90,263 in 2019) represents seconded staff expenses invoiced and not paid as of August 31, 2020. The loan payable to TDSB of \$300,000 (\$545,139 in 2019) represents an interest free loan that has accumulated from August 31, 2009 to August 31, 2020. There is no fixed term of repayment for this loan.

4. Management of property and sales

The Corporation, as an agent of TDSB, negotiates leases, oversees the property management of the sites, collects rent, and negotiates sales of specific sites. The lease revenue, property management costs and sales, which the Corporation administered, are included in the consolidated financial statements of TDSB as TDSB is the legal owner of the properties.

During the fiscal year 2020, gross proceeds from the sale of TDSB properties totalled \$45,096,494 (\$80,190,500 in 2019) is reflected in TDSB's consolidated financial statements.

5. Ontario Municipal Employees Retirement System

Non-teaching employees of the TDSB are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan (the "plan"). The plan provides defined pension benefits to employees based on their length of service and rates of pay. Employees of the Corporation are eligible to become members of OMERS by virtue of it being a wholly owned subsidiary of TDSB.

On July 1, 2011, the Corporation became a member of OMERS. During the year ended August 31, 2020, the Corporation contributed \$176,041 (\$126,850 in 2019) to the plan. As this is a multi-employer pension plan, these contributions are the Corporation's pension benefit expenses. No pension liability for this type of plan is included in the Corporation's financial statements.

Each year an independent actuary determines the funding status of the plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial value of the plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107.7 billion in respect of benefits accrued for service with actuarial assets at that date of \$104.3 billion indicating an actuarial deficit of \$3.4 billion. As OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit.

6. Accounts payable and accrued liabilities

The following amounts have been recorded in accounts payable and accrued liabilities as at August 31:

	2020	2019
	\$	\$
Payroll deductions and other government remittances	86,706	110,944
Accrued wages	126,182	62,294
Professional and other fees	125,706	159,311
Accrued vacation	130,254	130,803
	468,849	463,352

7. Share capital

The authorized capital of the Corporation consists of an unlimited number of common shares. The Corporation issued 1 common share to the TDSB and the 1 share is outstanding as at August 31, 2020.

8. Commitments

The Corporation entered into an operating lease agreement for premises in January 2019 for a 7-year term commencing on March 1, 2019. The estimated annual commitments under this lease for the next 5 years and thereafter are as follows:

	Amount \$
Year	
2021	118,621
2022	124,054
2023	127,676
2024	129,487
2025	131,298
Thereafter	<u>65,649</u>
	<u>696,785</u>

9. Contingent liabilities

In normal course of business, the Corporation may be subject, from time to time, to lawsuits in which it is a defendant. Management accrues liabilities for claims against the Corporation when a liability is likely to be incurred and the amount of the claim can be reasonably estimated.