Financial statements of

Toronto Lands Corporation

August 31, 2019

Deloitte.

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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, 2019, 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, 2019 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 12, 2019

Toronto Lands Corporation

Statement of financial position

As at August 31, 2019

	Notes	2019 $	2018 $
Financial assets			
Cash		**368,523**	419,745
Accounts receivable		**46,273**	3,684
Due from Toronto District School Board	3(g)	**667,441**	520,934
		1,082,237	944,363
Liabilities			
Accounts payable and accrued liabilities	6	**463,352**	392,964
Due to Toronto District School Board	3(h)	**90,263**	55,084
Loan payable to Toronto District School Board	3(h)	**545,319**	506,948
		1,098,934	954,996
Net debt		**(16,697)**	(10,633)
Non-financial asset			
Prepaid expenses		**16,698**	10,634
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, 2019

	Notes	Budget $	2019 Actual $	2018 Actual $
Revenue				
Contributions from Toronto District School Board	3(a)	**2,476,000**	**3,628,372**	2,060,470
Other revenue		**—**	**23,000**	27,942
Interest		**—**	**6,284**	7,876
		2,476,000	**3,657,656**	2,096,288
Expenses				
Realty staff and services expenses				
Facility services		**131,000**	**147,349**	130,453
Business services		**102,000**	**134,440**	94,144
Administrative support allocation	3(f)	**60,000**	**60,000**	60,000
		293,000	**341,789**	284,597
Administration expenses				
Board remuneration		**70,000**	**38,833**	43,000
Management salary		**940,000**	**1,891,895**	873,959
Professional development		**6,000**	**2,854**	3,384
Supply and services		**48,000**	**71,970**	25,923
Legal fees		**420,000**	**579,752**	353,999
Fees and contractual services		**632,000**	**625,334**	418,923
Office rental		**62,000**	**98,627**	88,368
Other		**5,000**	**6,602**	4,135
		2,183,000	**3,315,867**	1,811,691
		2,476,000	**3,657,656**	2,096,288
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, 2019

	Budget $	2019 Actual $	2018 Actual $
Annual surplus	—	—	—
Acquisition of prepaid expense	—	**(16,698)**	(10,634)
Use of prepaid expense	—	**10,634**	9,173
	—	**(6,064)**	(1,461)
Increase in net debt	—	**(6,064)**	(1,461)
Net debt, beginning of year	—	**(10,633)**	(9,172)
Net debt, end of year	—	**(16,697)**	(10,633)

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

Toronto Lands Corporation
Statement of cash flows
Year ended August 31, 2019

	2019	2018
	$	$
Operating activities		
Annual surplus	**—**	—
Change in non cash items		
Increase in prepaid expenses	**(6,064)**	(1,461)
Increase in accounts receivable	**(42,589)**	(3,220)
Increase in due from Toronto District School Board	**(146,507)**	(26,076)
Increase in accounts payable and accrued liabilities	**70,388**	116,599
Increase (decrease) in deferred revenue	**—**	(2,628)
Increase (decrease) in due to Toronto District School Board	**73,550**	(5,282)
(Decrease) increase in cash	**(51,222)**	77,932
Cash, beginning of year	**419,745**	341,813
Cash, end of year	**368,523**	419,745

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

1. Description of business

The Toronto District School Board ("TDSB") established the 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 and 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 *Income Tax Act, Canada*.

2. Significant accounting policies

The financial statements of the 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.

(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 multi-employer defined benefit plan, are recorded in the period in which they become payable.

2. Significant accounting policies (continued)

(d) Management estimates

The preparation of these 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 contributions from TDSB for the cost of services provided by TLC related to the management of the leased properties and properties held for sale was $3,628,372 ($2,060,470 in 2018).

(b) TDSB purchased $78,639 ($49,288 in 2018) 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 funded the office renovation totaling $246,410 ($nil in 2018) due to the expansion of the Corporation's office space, which are recorded as leasehold improvements in the consolidated financial statements of TDSB.

(d) TDSB seconded 5 full-time equivalent staff to provide services to the Corporation from September 1, 2018 to December 31, 2018 and 2 full-time equivalent staff from January 1, 2019 to August 31, 2019 (2 in 2018). The salaries and benefits of these employees were paid by TDSB and invoiced to the Corporation at a cost of $369,378 ($225,896 in 2018). The seconded staff are employed directly by TDSB and TDSB is responsible for the payment of these employee future benefit costs. No inter-entity charges were made for these employee future benefit costs as TDSB is ultimately responsible for the benefits. During 2019 there were no payments of retirement gratuities as a retirement benefit ($nil in 2018).

(e) TLC seconded 1 (nil in 2018) full-time equivalent staff to provide services to TDSB from September 1, 2018 to December 31, 2018. The salaries and benefits of the employee were paid by the Corporation and invoiced to TDSB at a cost of $28,351 ($nil in 2018).

(f) TDSB provides administrative services to the Corporation according to the Service Level Agreement at an annual cost of $60,000 ($60,000 in 2018) which is reflected in the financial statements of the Corporation.

(g) The amount due from TDSB of $667,441 ($520,934 in 2018) represents the August management fee paid in September of the following year, and an amount of $1,217 ($10,760 in 2018) receivable as of August 31, 2019.

(h) The amount due to TDSB of $90,263 ($55,084 in 2018) represents seconded staff expenses invoiced and not paid as of August 31, 2019. The loan payable to TDSB of $545,319 ($506,948 in 2018) represents an interest free loan that has accumulated for 10 years, from August 31, 2009 to August 31, 2019. 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 2019, gross proceeds from the sale of TDSB properties totalled $80,190,500 ($50,268,000 in 2018) as reported 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 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, 2019, the Corporation contributed $126,850 ($41,297 in 2018) 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.

6. Accounts payable and accrued liabilities

The following amounts have been recorded in accounts payable and accrued liabilities as at August 31, 2019:

	2019	2018
	$	$
Payroll deductions and other government liability	**110,944**	42,998
Accrued wages	**62,294**	42,762
Professional and other fees	**159,311**	246,059
Accrued vacation	**130,803**	61,145
	463,352	392,964

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, 2019.

8. Commitments

The Corporation negotiated an operating lease agreement for office equipment in September 2015 for a 5-year term. The estimated annual commitment under this contract is $1,806.

The Corporation expanded the office space during the current year and negotiated a new operating lease agreement premises in January 2019 for a 7-year term on the expanded space commencing on March 1, 2019. The estimated annual commitments under this lease for the next 5 years are as follows:

	Amount $
Year	
2020	114,999
2021	118,621
2022	124,054
2023	127,676
2024	129,487
Thereafter	196,946
	811,783

9. Contingent liabilities

In the 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.

10. Comparative figures

Certain prior year comparative figures have been reclassified to conform to the current year presentation. Amounts reclassified include Due to and Due from TDSB.

11. Subsequent event

In September 2019, TDSB sold real property located at Baycrest Public School to the Toronto Catholic District School Board. Proceeds of $23,710,000 were received on September 25, 2019.