



Financial Statements

Toronto Organizing Committee for the 2015 Pan
American and Parapan American Games

March 31, 2014

(in thousands of dollars)

Independent auditor's report

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To the Audit Committee of the
Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

We have audited the accompanying financial statements of the Toronto Organizing Committee for the 2015 Pan American and Parapan American Games ("Toronto 2015"), which comprise the statements of financial position as at March 31, 2014, March 31, 2013 and April 1, 2012, and the statement of activities and changes in net assets, statement of remeasurement gains and cash flows for the years ended March 31, 2014 and March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the fund financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto 2015 as at March 31, 2014, March 31, 2013 and April 1, 2012, and the results of its activities and its cash flows for the years ended March 31, 2014 and March 31, 2013 in accordance with Canadian public sector accounting standards for government not-for-profit organizations.



Toronto, Canada
June 26, 2014

Chartered accountants
Licensed Public Accountants

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Management's Report

Management's Responsibility for the Financial Statements

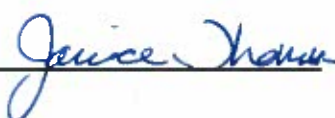

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly.

The external auditors, Grant Thornton LLP, conduct an independent examination in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Toronto Organizing Committee for the 2015 Pan American and Parapan American Games and meet when required.

On behalf of the Board

 Director  Director

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Statements of Financial Position

(In thousands of dollars)

March 31, 2014

	Operating Fund			Venue Development Fund			Total		
	March 31, 2014	March 31, 2013	April 1, 2012	March 31, 2014	March 31, 2013	April 1, 2012	March 31, 2014	March 31, 2013	April 1, 2012
Assets									
Current									
Cash and cash equivalents	\$ 16,218	\$ 14,355	\$ 4,960	\$ 43,444	\$ 11,647	\$ 6,144	\$ 59,662	\$ 26,002	\$ 11,104
Contributions receivable									
- Government of Canada	-	-	-	77,966	39,974	3,881	77,966	39,974	3,881
- Province of Ontario	2,208	-	-	-	-	-	2,208	-	-
- Municipalities	-	-	-	76,189	34,026	10,431	76,189	34,026	10,431
Prepaid expenses and other assets	5,595	1,111	658	783	1,101	1,427	6,377	2,212	2,085
Inter-fund receivable/(payable)	565	522	-	(565)	(522)	-	-	-	-
	<u>\$ 24,586</u>	<u>\$ 15,988</u>	<u>\$ 5,618</u>	<u>\$ 197,817</u>	<u>\$ 86,226</u>	<u>\$ 21,883</u>	<u>\$ 222,403</u>	<u>\$ 102,214</u>	<u>\$ 27,501</u>
Liabilities and net assets									
Current									
Accounts payable and accrued liabilities	\$ 18,695	\$ 5,009	\$ 2,850	\$ 171,710	\$ 84,327	\$ 15,901	\$ 190,405	\$ 89,336	\$ 18,751
Deferred contribution									
- Government of Canada	-	-	-	25,941	1,899	5,982	25,941	1,899	5,982
- Province of Ontario	-	7,414	434	-	-	-	-	7,414	434
Deferred revenue (Note 4)	3,544	2,034	1,941	-	-	-	3,544	2,034	1,941
Accrued liability – Ministry of Citizenship And Immigration (Note 8)	-	-	393	-	-	-	-	-	393
	<u>22,239</u>	<u>14,457</u>	<u>5,618</u>	<u>197,651</u>	<u>86,226</u>	<u>21,883</u>	<u>219,890</u>	<u>100,683</u>	<u>27,501</u>
Accrued employee completion incentive (Note 5)	<u>1,731</u>	<u>1,531</u>	<u>-</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>1,897</u>	<u>1,531</u>	<u>-</u>
	<u>23,970</u>	<u>15,988</u>	<u>5,618</u>	<u>197,817</u>	<u>86,226</u>	<u>21,883</u>	<u>221,787</u>	<u>102,214</u>	<u>27,501</u>
Net assets – operating and venue	-	-	-	-	-	-	-	-	-
Accumulated remeasurement gains	616	-	-	-	-	-	616	-	-
Total net assets – operating and venue	<u>616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,586</u>	<u>\$ 15,988</u>	<u>\$ 5,618</u>	<u>\$ 197,817</u>	<u>\$ 86,226</u>	<u>\$ 21,883</u>	<u>\$ 222,403</u>	<u>\$ 102,214</u>	<u>\$ 27,501</u>

Commitments (Note 10)

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Statements of Activities and Changes in Net Assets

(In thousands of dollars)

For the Period Ending March 31, 2014

	Operating Fund		Venue Development Fund		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Contributions						
- Government of Canada	\$ -	\$ -	\$ 138,191	\$ 55,635	\$ 138,191	\$ 55,635
- Province of Ontario (Note 9)	53,683	23,320	-	-	53,683	23,320
- Municipalities	-	-	120,389	48,409	120,389	48,409
Sponsorship revenue (Note 6)	15,103	5,558	-	-	15,103	5,558
Licensing and merchandising revenue	29	-	-	-	29	-
Realized gains on foreign exchange	32	-	-	-	32	-
Interest income	156	128	378	5	534	133
Total revenues	69,003	29,006	258,958	104,049	327,961	133,055
Expenses						
New builds	-	-	234,568	91,004	234,568	91,004
Renovations	-	-	23,560	11,697	23,560	11,697
Other projects	-	-	830	1,348	830	1,348
Marketing and ceremonies	19,042	10,061	-	-	19,042	10,061
Technology	10,758	1,650	-	-	10,758	1,650
Corporate	10,620	9,259	-	-	10,620	9,259
Sport, venue management and overlay	7,829	1,564	-	-	7,829	1,564
Essential services	7,471	1,013	-	-	7,471	1,013
Administrative services	6,826	4,180	-	-	6,826	4,180
Games services	6,457	1,278	-	-	6,457	1,278
Total expenses	69,003	29,006	258,958	104,049	327,961	133,055
Excess of revenue over expenses	-	-	-	-	-	-
Net assets – operating and venue, beginning of year	-	-	-	-	-	-
Net assets – operating and venue, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games **Statements of Remeasurement Gains**

(In thousands of dollars)

For the Period Ending March 31,

	2014	2013
Accumulated remeasurement gains, beginning of year	\$ -	\$ -
Unrealized gains (losses) attributable to foreign currency translation	<u>616</u>	<u>-</u>
Accumulated remeasurement gains, end of year	\$ <u>616</u>	\$ <u>-</u>

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Statements of Cash Flows

(In thousands of dollars)

March 31,	2014	2013
Increase (decrease) in cash		
Cash received:		
Contributions		
- Government of Canada	\$ 124,242	\$ 15,460
- Province of Ontario	44,093	30,300
- Municipalities	85,458	22,424
Interest and sundry revenue	497	164
Sponsorship and broadcast revenues	<u>6,295</u>	<u>4,100</u>
	<u>260,585</u>	<u>72,448</u>
Cash paid:		
Pan American Sports Organization	3,412	3,273
Salaries, wages and benefits	27,094	12,408
Suppliers of professional services	5,425	2,311
Other suppliers	5,698	7,148
Venue owners	<u>185,296</u>	<u>32,410</u>
	<u>226,925</u>	<u>57,550</u>
Increase in cash and cash equivalents	33,660	14,898
Cash and cash equivalents, beginning of year	<u>26,002</u>	<u>11,104</u>
Cash and cash equivalents, end of year	\$ <u>59,662</u>	\$ <u>26,002</u>

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)

March 31, 2014

1. Organization

On November 6th 2009, the City of Toronto, Ontario ("ON"), Canada, was awarded the right to host the 2015 Pan American and ParaPan American Games (the "Games") by the Pan American Sports Organization ("PASO") based in part upon the efforts of the Toronto 2015 Bid Corporation ("BIDCO"). The Games will be staged in Toronto and the Greater Golden Horseshoe Area from July 10th to July 26th, 2015 and August 7th to August 14th 2015 respectively.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games ("TO2015") was incorporated by Letters Patent pursuant to the Corporations Act (Ontario) on January 21, 2010 and is a corporation without share capital. TO2015 is exempt from income taxes under the Income Tax Act (Canada).

TO2015 is governed by a Board of Directors consisting of twelve members. Three of these members are appointed by the Government of Canada; three are appointed by the Province of Ontario; one is appointed by the City of Toronto; four are appointed by the Canadian Olympic Committee ("COC"), and one by the Canadian Paralympic Committee ("CPC").

TO2015's primary purpose is to plan, organize, finance, promote and stage the Games. The Multi-Party agreement (MPA) which is between the Government of Canada, the Province of Ontario, the City of Toronto, the COC, the CPC, and TO2015, outlines the rights and obligations of each party to the agreement with respect to the funding and staging of the Games. TO2015 will execute its purpose through the terms of the following key agreements:

- The Host City agreement establishes the rights and obligations of PASO, COC and TO2015.
- The Joint Marketing Programme Agreement, between the COC, the Province of Ontario and TO2015 establishes the rights and obligations pertaining to marketing and sponsorship activities.
- The 2015 Pan Parapan American Games Ontario Support Agreement between the Province of Ontario, the City of Toronto and TO2015 establishes the rights and obligations pertaining to operational funding.
- The Transfer Payment Agreement ("TPA") between the Province of Ontario and TO2015 establishes the rights and obligations pertaining to the Operating Fund.
- The Hosting Program Contribution Agreement between the Government of Canada and TO2015 establishes the rights and obligations pertaining to the Venue Development Fund.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

2. Conversion to Public Sector Accounting Standards

Effective April 1, 2012, TO2015 adopted the requirements of the accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAS for NPOs). These are TO2015's first financial statements prepared in accordance with this framework and the transitional provisions of Section PS 2125 First-time Adoption by Government Organizations have been applied. Section PS 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies, with the exception of financial instruments, have been applied in preparing the financial statements for the year ended March 31, 2014, the comparative information presented in these financial statements for the year ended March 31, 2013 and in the preparation of the opening PSAS for NPOs statement of financial position at the date of transition of April 1, 2012. As described below, the accounting policies for financial instruments and foreign currency translation have only been applied prospectively.

TO2015 issued financial statements for the year ended March 31, 2013 using generally accepted accounting principles prescribed by the CPA Canada Handbook – Accounting Part III – Accounting Standards for Not-for Profit Organizations. The adoption of PSAS for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses, and cash flows of the organization.

Section PS 2125 First-time Adoption by Government Organizations contains optional exemptions from full retroactive application of PSAS for NPOs which the TO2015 may use upon transition. TO2015 did not elect to use any of the exemptions at the date of transition.

Financial Instruments and foreign currency translation

On April 1, 2013, TO2015 adopted Sections PS 3450 Financial Instruments and PS 2601 Foreign Currency Translation. These new standards address the classification, recognition and measurement of financial instruments and accounting and reporting transactions that are denominated in a foreign currency, respectively, and are effective for years beginning on or after April 1, 2013, however they may only be prospectively applied in the year of transition for those entities transitioning from the CPA Canada Handbook – Accounting Part III – Accounting Standards for Not-for Profit Organizations. This accounting change resulted in no adjustments to net assets upon adoption.

3. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared by management in Canadian dollars in accordance with Canadian public sector accounting standards for government not-for-profit organizations, which includes the 4200 series of not-for-profit accounting standards, as issued by the Canadian Public Sector Accounting Board (PSAB).

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

Use of estimates

The preparation of TO2015's financial statements, in accordance with PSAS for NPOs, requires management to make estimates and assumptions. These estimates and assumptions 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 revenues and expenses during the reporting period. The significant estimates made by management are the assessment of fair value of value-in-kind goods and services received and the probability of achievement of organizational performance goals related to the employee completion incentive. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of less than one year. TO2015 does not have any bank borrowings.

Fund accounting and contribution revenue recognition

The financial statements have been prepared in accordance with the principles of fund accounting using the deferral method of accounting for contributions. The accounts are classified into the following two funds:

Venue development fund

TO2015's responsibility is to ensure that the Pan American and Parapan American venues ("Games Venues") are available and meet specified standards for use during the Games. TO2015 has entered into various agreements regarding the development and use of the required Games Venues. TO2015 has no ownership interest in these Games Venues.

The Venue Development Fund is established to record the receipt and use of resources that are designated for the development of the Games Venues.

Contributions related to venue development activities are restricted and are recognized in the period they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. These restricted contributions are recognized as a deferred contribution until the related expenditure is incurred, upon which, it is recognized as revenue in the period.

Operating fund

Revenues and expenses of TO2015 not related to venue development activity are recorded in the Operating Fund.

Unrestricted contributions are recognized as revenue in the period that they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to operating activities are recognized in the period that they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. These restricted contributions are recognized as a deferred contribution until the related expenditure is incurred, upon which, it is recognized as revenue in the period.

Interest revenue is recognized in the period earned.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

3. Summary of significant accounting policies (continued)

Direct sponsorship revenue

Direct sponsorship revenue is cash received by TO2015 under domestic sponsorship arrangements in exchange for value awarded to a sponsor (e.g. venue naming rights, brand partnering). Management has assumed that value provided in exchange for cash is awarded over the term of the contract. Therefore, revenue recognition of cash sponsorship is spread evenly over the term of the contract to match the value provided, when the amounts can be reasonably estimated and collection is reasonably assured.

Licensing and merchandising revenue

TO2015 enters into licensing arrangements for the supply and sale of licensed merchandise bearing Toronto 2015 and Pan American and Parapan American marks in exchange for royalties on merchandise sold. TO2015 recognizes licensing revenue upon sale of the merchandise.

Value in Kind ("VIK") goods and services

VIK goods and services are received by TO2015 under international or domestic sponsorship arrangements or are donated to TO2015 for no consideration. VIK is recognized in the financial statements when the goods and services are consumed by TO2015 in the normal course of operations and would otherwise have been purchased, and when a fair value can be reasonably estimated. VIK is recorded at fair market value.

Employee completion incentive plan

TO2015 established an Employee Completion Incentive Plan ("Completion Incentive") to support the retention of eligible employees through to the end of the term of their employment agreements and reward achievement of organizational performance results. The employee completion incentive payable is accrued over the period of service provided by the employee and is calculated using an actuarial cost method which includes management's best estimate of salary escalation, employee turnover and discount rates. Any actuarial gains and losses are amortized over the estimated average remaining service life of the employee group.

Financial instruments

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

At each reporting date, the TO2015 measures its financial assets and liabilities at cost or amortized cost. The Organization uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of activities. The financial instruments measured at amortized cost are cash and cash equivalents, contributions receivable, accounts payable and long-term liabilities. The Organization regularly assesses whether there is any objective evidence of impairment of its financial assets, and records any impairment required.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

3. Summary of significant accounting policies (continued)

Foreign currency translations

At the transaction date, each asset, liability and amount reported in the statement of activities arising from a foreign currency transaction is translated into Canadian dollars by applying the exchange rate in effect at that date. Prior to settlement, monetary assets and liabilities and non-monetary financial instruments in the fair value category that are denominated in foreign currencies are translated into Canadian dollars on the balance sheet date at the exchange rate in effect at that date, and the resulting foreign exchange gains and losses are recorded in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses related to the item are reversed in the statement of remeasurement gains and losses and an exchange gain or loss is recognized in the statement of activities.

4. Deferred revenue

Deferred revenue is comprised of unearned sponsorship and broadcast licensing revenue.

	Year ended March 31, 2014	Year ended March 31, 2013	April 1, 2012
Balance, beginning of period	\$ 2,034	\$ 1,941	\$ 1,941
Received during the period	7,360	4,145	-
Less: amount recognized in revenue in period	<u>(5,850)</u>	<u>(4,052)</u>	<u>-</u>
Balance, end of period	<u>\$ 3,544</u>	<u>\$ 2,034</u>	<u>\$ 1,941</u>

5. Accrued employee completion incentive

TO2015 has accrued the portion of the Employee Completion Incentive Plan ("CIP") that is attributable to the retention of employment to the end of the Games.

	Year ended March 31, 2014	Year ended March 31, 2013	April 1, 2012
Accrued benefit liability			
Operating Fund	\$ 1,731	1,531	-
Venue Fund	<u>166</u>	<u>-</u>	<u>-</u>
Accrued benefit liability, end of period	<u>\$ 1,897</u>	<u>\$ 1,531</u>	<u>\$ -</u>

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

5. Accrued employee completion incentive (continued)

The significant actuarial assumptions adopted in measuring TO2015's accrued benefit obligation for the current period are as follows:

	Year ended March 31, 2014	Year ended March 31, 2013	April 1, 2012
Discount rate	1.99%	1.99%	1.95%
Rate of compensation increase	0%	0%	0%

Other information about the CIP is as follows:

	Year ended March 31, 2014	Year ended March 31, 2013	April 1, 2012
Current period benefit cost	\$ 366	-	-
Benefits paid during the periods	-	-	-

TO2015 has not accrued the portion of the CIP that is based on achievement of organizational performance goals, as the probability of achievement was indeterminable as at March 31, 2014. The maximum potential liability of the organizational performance portion of the CIP is \$3.0M (2013 - \$3.8M). The amount will become payable if TO2015 meets defined organizational performance goals for the Games. This determination will depend on TO2015 results to March 31, 2016.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

6. Sponsorship revenue

As of March 31, 2014, TO2015 has entered into definitive sponsorship agreements with twenty-five sponsors with a total contract value of \$127,952. Once binding term sheets are signed, it is expected that the parties will execute the definitive sponsorship agreement over the term of the contract.

During the year, \$6,106 in direct (cash) sponsorship was received. The sponsorship revenue recognized during the periods presented is as follows:

	<u>2014</u>	<u>2013</u>
Sponsorship revenue		
Direct (cash) sponsorship	\$ 6,106	\$ 4,518
VIK	<u>8,997</u>	<u>1,040</u>
Total sponsorship revenue	<u>\$ 15,103</u>	<u>\$ 5,558</u>

7. Credit facility

TO2015 has a line of credit facility in place with the Ontario Infrastructure Projects Corporation ("OIPC") to provide working capital and for general operating requirements. The maximum available credit under the facility is \$10 million. The term of the facility is for one year from March 17, 2012 with automatic annual renewal up to December 31, 2015. The rate of interest is variable as determined on a monthly basis by OIPC. The facility is unsecured except that the Minister of Finance may deduct from any monies owing to TO2015 any amounts that TO2015 fails to repay to OIPC.

The facility has not been drawn on during the fiscal year.

8. Accrued liability – Ministry of Citizenship and Immigration

The Accrued Liability – Ministry of Citizenship and Immigration of \$nil (2013 - \$nil, 2012 - \$393) is unsecured and non-interest bearing with no fixed terms of repayment.

9. Related party transactions

During the year, TO2015 recognized as revenue on the Statement of Activities and Changes in Net Assets \$53,683 (2013 - \$23,320) in contributions from the Province of Ontario provided to fund operational expenses to plan and execute the Games.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

9. Related party transactions (continued)

During the year, TO2015 incurred \$5,289 (2013 - \$531) in security services provided by the Ontario Provincial Police, which organization is controlled by the Province of Ontario. These expenses are included in Essential Services on the Statement of Activities and Changes in Net Assets.

During the year, TO2015 disbursed \$119,460 (2013 – \$91,462) for construction costs related to the Venue Development to Infrastructure Ontario, who are the project managers for the Games large venues. Infrastructure Ontario is an entity controlled by the Province of Ontario. These costs are included in New builds and Renovations on the Statement of Activities and Changes in Net Assets.

10. Commitments and contingencies

PASO Commitment

TO2015 is committed to pay a remaining balance of US\$6,666 to PASO pursuant to the Host City Agreement (“Agreement”). Under the Agreement TO2015 is required to pay US\$20,000 in six equal installments on April 30 of each year in exchange for all rights with respect to the marketing and domestic broadcasting and ticket sales program related to the Games.

The Agreement outlines other requirements and payments that TO2015 will be responsible for including expense reimbursements for costs incurred by PASO officials for the Games and the portion of the ticket sale revenue from the Games.

Operating lease commitment

Future minimum annual obligations under the premises and equipment lease (excluding operating costs) at 25 Dockside Drive, Toronto to December 31, 2015 are estimated as follows:

2015	\$ 3,183
2016	\$ 2,024

Other operating and venue development commitments

TO2015 has entered into various contracts for goods and services related to the planning and staging of the Games and for the development of venue sites during the Games. As of March 31, 2014, TO2015 has outstanding commitments related to the Operating fund of approximately \$42,858, and \$218,426 related to the Venue Development Fund. These commitments will be disbursed at various times leading up to the Games.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2014

11. Financial Instruments

TO2015 established a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The risks that arise from its financial instruments include credit, liquidity, market and foreign currency.

- Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. TO2015 is exposed to credit risk in the event of the non-performance by counterparties in connection with its contributions receivable from the Government of Canada, Province of Ontario, municipalities and sponsors. Given the sources of these receivables, it is management's opinion that it is not exposed to significant credit risk from these contributions receivable.

- Liquidity Risk

Liquidity risk is the risk that TO2015 may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. Management mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting analysis. As at March 31, 2014, all accounts payable balances were aged within six months due.

- Market and Foreign Currency Risk

Market risk is the risk that changes in market interest rates, foreign currency values or other changes in market prices will affect the value of the financial instruments or their related cash flows. TO2015 is exposed to foreign currency risk with respect to its commitment to pay PASO as the commitment is denominated in US dollars, and to Atos (a premier partner of the Games) as this commitment is denominated in Euros.

The impact of a change in value of these currencies is as follows:

<u>Currency</u>	<u>Fair Value</u>	<u>2.5% Decrease</u>	<u>1.0% Decrease</u>	<u>1.0% Increase</u>	<u>2.5% Increase</u>
US Dollar	\$ 4,111,260	\$ 4,008,478	\$ 4,070,147	\$ 4,152,372	\$ 4,214,041
Euro	\$ 1,619,509	\$ 1,579,021	\$ 1,603,314	\$ 1,635,704	\$ 1,659,997

12. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

TO2015

Supplemental Schedule

Statement of Activities – Inception to date

(In thousands of dollars)

For the Period Ending March 31, 2014

	Inception to date (March 31, 2014)		
	Operating	Venue	
	Fund	Development	Total
		Fund	
Revenue			
Contribution			
- Government of Canada	\$ -	\$ 205,943	\$ 205,943
- Province of Ontario	103,770	-	103,770
- Municipalities	-	180,583	180,583
Sponsorship revenue	22,739	-	22,739
Licensing and merchandising revenue	29	-	29
Realized gains on foreign exchange	32	-	32
Interest income	318	383	701
Total revenues	126,888	386,909	513,797
Expenses			
New builds	-	347,277	347,277
Renovations	-	37,225	37,225
Other projects	-	2,407	2,407
Marketing and ceremonies	37,023	-	37,023
Sport and venue management overlay	10,063	-	10,063
Games services	8,402	-	8,402
Corporate	34,585	-	34,585
Technology	12,696	-	12,696
Administrative services	14,563	-	14,563
Essential services	9,556	-	9,556
Total expenses	126,888	386,909	513,797
Excess of revenue over expenses	\$ -	\$ -	\$ -