For Information

Receipt of Consolidated Financial Statements of Toronto Coach Terminal Inc. for the year ended December 31, 2017

Date: June 12, 2018
To: Toronto Coach Terminal Inc. Meeting of the Shareholders
From: Treasurer of TCTI

Summary

The Toronto Coach Terminal Inc.'s (TCTI) consolidated financial statements present TCTI's 2017 financial results and financial position as of December 31, 2017.

Financial Summary

There are no financial implications resulting from the receipt of this report.

Equity/Accessibility Matters

This report has no accessibility/equity issues or impact.

Decision History

TCTI's Audit Committee and Board reviewed and approved the consolidated financial statements on June 12, 2018.

Contact

Stephen Conforti, Treasurer of TCTI
Tel: (416) 393-3654
Email: Stephen.Conforti@ttc.ca

Signature

Stephen Conforti
Treasurer of TCTI

Attachments

Attachment 1 - Consolidated Financial Statements of Toronto Coach Terminal Inc. for the year ended December 31, 2017

Attachment 1

(Unaudited)
Consolidated Financial Statements of

TORONTO COACH TERMINAL INC.

Year ended December 31, 2017

TORONTO COACH TERMINAL INC.
(incorporated under the laws of the Province of Ontario)

Consolidated Statement of Financial Position (Unaudited)
As at December 31

	2017	2016
	($000s)	($000s)
FINANCIAL ASSETS		
Cash and cash equivalents (note 8)	3,432	3,420
Accounts receivable	7	155
Indemnity receivable from the TTC (note 10)	141,416	174,546
Total financial assets	**144,855**	**178,121**
LIABILITIES		
Accounts payable and accrued liabilities	269	272
Insurance liabilities (note 11)	141,416	174,546
Loan payable to TTC (note 4)	6,571	7,747
Total liabilities	**148,256**	**182,565**
NET DEBT	(3,401)	(4,444)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	2,171	2,729
	2,171	2,729
Less: Capital stock (note 9)	1,000	1,000
Accumulated deficit	**(2,230)**	**(2,715)**

See accompanying notes to the consolidated financial statements

On behalf of the Board:

________________________ Director

________________________ Director

TORONTO COACH TERMINAL INC.
(incorporated under the laws of the Province of Ontario)

Consolidated Statement of Operations and Accumulated Deficit
(Unaudited)
Years ended December 31

	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
	($000s) (Note 5)	($000s)	($000s)
REVENUE			
Lease revenue	1,254	1,261	1,200
Miscellaneous	40	49	40
Total revenue	**1,294**	**1,310**	**1,240**
EXPENSES			
Terminal and building management (note 6b)	772	787	794
Insurance company management	32	38	31
Total expenses	**804**	**825**	**825**
Annual surplus	**490**	**485**	**415**
Accumulated deficit, beginning of year	**(2,715)**	**(2,715)**	**(3,130)**
Accumulated deficit, end of year	**(2,225)**	**(2,230)**	**(2,715)**

See accompanying notes to the consolidated financial statements

TORONTO COACH TERMINAL INC.

(incorporated under the laws of the Province of Ontario)

Consolidated Statement of Change in Net Debt
(Unaudited)
Years ended December 31

	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
	($000s) (Note 5)	($000s)	($000s)
Annual surplus	**490**	**485**	**415**
Amortization of tangible capital assets	558	558	558
Change due to tangible capital assets	**558**	**558**	**558**
Decrease in net debt	**1,048**	**1,043**	**973**
Net debt - beginning of year	**(4,444)**	**(4,444)**	**(5,417)**
Net debt - end of year	**(3,396)**	**(3,401)**	**(4,444)**

See accompanying notes to the consolidated financial statements

TORONTO COACH TERMINAL INC.

(incorporated under the laws of the Province of Ontario)

Consolidated Statement of Cash Flows (Unaudited)
Years ended December 31

	2017	2016
	($000s)	($000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	485	415
Add non-cash expenses		
Depreciation expense	558	558
Interest expense	224	231
Decrease/(increase) in receivables	33,278	7,670
(Decrease)/increase in accounts payable, accrued liabilities and insurance liabilities	(33,133)	(7,673)
Cash provided by operating activities	**1,412**	**1,201**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayment to parent	(1,400)	(1,000)
Cash used in financing activities	**(1,400)**	**(1,000)**
Increase/(decrease) in cash and cash equivalents during the year	12	201
Cash and cash equivalents, beginning of year	3,420	3,219
Cash and cash equivalents, end of year	**3,432**	**3,420**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Toronto Coach Terminal Inc. (the "Company"), formerly known as Gray Coach Lines Ltd. was incorporated in Ontario by Letters Patent dated June 28, 1927. The Company is wholly owned by the Toronto Transit Commission (the "TTC"). The Company owns and, up until July 7, 2012, directly operated a coach terminal located in the City of Toronto (the "City"). Effective July 8, 2012, the Company entered into a lease agreement with Greyhound and Coach Canada Toronto Operations Ltd. (GACCTO) for the use of the entire coach terminal including the retail space, lockers, and parking facilities. The coach terminal is now operated by GACCTO.

The Company wholly owns the TTC Insurance Company Ltd. ("Insurance Co."). The Insurance Company was incorporated on March 9, 1994 under the Ontario Corporations Act and provides insurance coverage for compulsory automobile personal injury and accident benefit claims for the TTC.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation
These financial statements are prepared by the Toronto Coach Terminal Inc. in accordance with the Public Sector Accounting Handbook. In accordance with PS 1150 Generally Accepted Accounting Principles, and in the absence of specific guidance under PSAS, the guidance from IFRS 4, Insurance Contracts, is used for the measurement and presentation of insurance liabilities. Since the company holds all investments in the form of cash and cash equivalents, a Statement of Remeasurement Gains and Losses has not been presented.

(b) Basis of consolidation
The consolidated financial statements include the financial results of the Company's subsidiary, TTC Insurance Company Limited.

(c) Measurement uncertainty
The preparation of the consolidated financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Specifically, the recognized amounts of insurance liabilities are based on the Company's best information and judgment. These estimates and other judgments are continuously evaluated based on management's experience and expectations about future events. Any variation in the ultimate insurance liability incurred will be offset by a corresponding change in the indemnity receivable and recognized in the current period. In addition, depreciation expense is based on the asset lives described in note 2e.

(d) Cash and cash equivalents
Cash and cash equivalents consist of funds on deposit with a chartered bank.

(e) Tangible capital assets and depreciation
Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method at rates based on the estimated useful lives of the assets, which has been estimated at 30 years for the Buildings.

(f) Lease revenue
The Company earns lease revenue for the use of the entire coach terminal including the retail space, lockers and parking facilities.

(g) Miscellaneous revenue
Miscellaneous Revenue is comprised mainly of bank interest.

(h) Insurance liabilities
Insurance liabilities reflect an actuarial assessment of the automobile claims liability on the basis mandated by the Financial Services Commission of Ontario. When a claim is reported, a case reserve is established by adjusters and lawyers employed by the TTC. The liability includes an actuarially estimated provision for claims incurred but not yet reported and internal and external adjustment expenses. Claims provisions are first discounted to reflect the time value of money and provisions for adverse deviations are added in accordance with accepted actuarial practice and the requirements of the Financial Services Commission of Ontario.

3. TANGIBLE CAPITAL ASSETS

The cost of tangible capital assets is as follows:

(in $000s)		Cost December 31, 2017		
	Beginning	**Additions**	**Disposals**	**Ending**
Land	886	-	-	886
Buildings	15,114	-	-	15,114
Total	**16,000**	**-**	**-**	**16,000**

(in $000s)		Cost December 31, 2016		
	Beginning	**Additions**	**Disposals**	**Ending**
Land	886	-	-	886
Buildings	15,114	-	-	15,114
Total	**16,000**	**-**	**-**	**16,000**

The accumulated amortization for tangible capital assets is as follows:

(in $000s)		Accumulated Amortization December 31, 2017		
	Beginning	**Depreciation**	**Disposals**	**Ending**
Land	-	-	-	-
Buildings	13,271	558	-	13,829
Total	**13,271**	**558**	**-**	**13,829**

(in $000s)		Accumulated Amortization December 31, 2016		
	Beginning	**Depreciation**	**Disposals**	**Ending**
Land	-	-	-	-
Buildings	12,713	558	-	13,271
Total	**12,713**	**558**	**-**	**13,271**

Based on above, net book value is as follows:

(in $000s)	Net Book Value 2017	Net Book Value 2016
Land	886	886
Buildings	1,285	1,843
Total	**2,171**	**2,729**

4. LOAN PAYABLE TO TTC

The loan payable to TTC consists of the following:

(in $000s)	2017	2016
Accrued interest	4,643	5,408
Demand loan, at prime	1,928	2,339
Total loan payable	**6,571**	**7,747**

Interest expense on the demand loan, at the prime rate of 2.90% (2016 – 2.71%), amounted to $224,000 (2016 - $231,000).

5. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2017 operating budget approved by the Board of Directors of the Toronto Coach Terminal Inc.

6. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT

(a) The following tables provide a breakdown of the consolidated statement of financial position, based upon the two segments of the Company, the Coach Terminal ("TCTI") and the Insurance Company ("TTCIC"). The figures exclude TCTI's investment of $100,000 (2016 - $100,000) in TTCIC and TCTI's advance to TTCIC of $3.1 million (2016 - $3.1 million), as they are eliminated upon consolidation.

As at December 31, 2017 (in $000s)	**TCTI**	**TTCIC**	**Total**
Financial Assets			
Cash	232	3,200	3,432
Accounts receivable	3	4	7
Indemnity receivable from the TTC	-	141,416	141,416
Total financial assets	**235**	**144,620**	**144,855**
Liabilities			
Accounts payable and accrued liabilities	265	4	269
Insurance liabilities	-	141,416	141,416
Loan payable to TTC	6,571	-	6,571
Total liabilities	**6,836**	**141,420**	**148,256**

Non-Financial Assets			
Tangible capital assets	2,171	-	2,171
Total non-financial assets	**2,171**	**-**	**2,171**
Capital stock	1,000	-	1,000
Accumulated deficit	**(2,230)**	**-**	**(2,230)**

As at December 31, 2016 (in $000s)	**TCTI**	**TTCIC**	**Total**
Financial Assets			
Cash	220	3,200	3,420
Accounts receivable	152	3	155
Indemnity receivable from the TTC	-	174,546	174,546
Total financial assets	**372**	**177,749**	**178,121**
Liabilities			
Accounts payable and accrued liabilities	269	3	272
Insurance liabilities	-	174,546	174,546
Loan payable to TTC	7,747	-	7,747
Total liabilities	**8,016**	**174,549**	**182,565**
Non-Financial Assets			
Tangible capital assets	2,729	-	2,729
Total non-financial assets	**2,729**	**-**	**2,729**
Capital stock	1,000	-	1,000
Accumulate deficit	**(2,715)**	**-**	**(2,715)**

(b) The following tables provide a breakdown of the consolidated statement of operations and deficit by function and by expenditure object:

For the period ending December 31, 2017 (in $000s)	**TCTI Total**	**TTCIC Total**	**Consolidated Total**
Revenues			
Lease revenue	1,261	-	1,261
Miscellaneous	11	38	49
Total revenue	**1,272**	**38**	**1,310**

Expenses			
Wages, salaries and benefits	5	-	5
Materials, services and supplies	-	38	38
Depreciation	558	-	558
Interest expense	224	-	224
Total expenses	**787**	**38**	**825**
Annual surplus	**485**	**-**	**485**
Accumulated deficit	**(2,230)**	**-**	**(2,230)**

For the period ending December 31, 2016 (in $000s)	**TCTI Total**	**TTCIC Total**	**Consolidated Total**
Revenues			
Lease revenue	1,200	-	1,200
Miscellaneous	9	31	40
Total revenue	**1,209**	**31**	**1,240**
Expenses			
Wages, salaries and benefits	5	-	5
Materials, services and supplies	-	31	31
Depreciation	558	-	558
Interest expense	231	-	231
Total expenses	**794**	**31**	**825**
Annual surplus	**415**	**-**	**415**
Accumulated deficit	**(2,715)**	**-**	**(2,715)**

7. FINANCIAL INSTRUMENTS

The financial instruments held by the Company include cash and cash equivalents, indemnity receivable from the TTC, accounts receivable, advances from parent, insurance liabilities and accounts payable.

The indemnity receivable from the TTC corresponds with the insurance liabilities. This receivable arose from the indemnity agreement described in note 10(c). The payment of this receivable by the TTC is also covered by a separate guarantee agreement issued by the City. The Company considers the carrying value of the indemnity receivable to be approximately equivalent to their fair value. The maturity of the Indemnity Receivable from the TTC is directly linked to the maturity of the Company's insurance liabilities, resulting in the Company having negligible liquidity and interest risk. The Company has low credit risk due to the guarantee agreement between the City and the Company and does not face market risk, or currency risk.

The carrying value of the loan payable approximates its fair value as interest is accrued at the prime rate and compounded annually. The carrying values of accounts receivable and cash and cash equivalents approximate their fair values. The liquidity risks on these are considered negligible as they are readily convertible to cash on short notice. The company's accounts payable and accrued liabilities are all due for payment within 12 months of the consolidated balance sheet dates and approximate their fair value. (The liquidity risk on accounts payable and accrued liabilities is managed through maintaining sufficient cash and cash equivalents).

8. CASH AND CASH EQUIVALENTS

Pursuant to the guarantee agreement with the City described in note 10(d), the Insurance Co. is required to maintain cash or securities available for payment of current liabilities equal to the greater of $350,000 or one month's claims and operating expenses (all self-insured retention payments are processed through the TTC). The cash and cash equivalents amount restricted for this purpose at December 31, 2017 is approximately $1,900,000 (2016 - $3,100,000).

9. CAPITAL STOCK

The capital stock includes 10,000 common shares with a par value of $100 each.

10. LICENCE AND INDEMNITY RECEIVABLE

Insurance Co. received a license on July 12, 1994 from the Ontario Insurance Commission, now incorporated into the Financial Services Commission of Ontario, in order to transact the business of automobile insurance in the Province of Ontario. Insurance Co. initiated such transactions on July 30, 1994. By Provincial Order in Council dated July 6, 1994, Insurance Co. was granted the said license subject to the following conditions:

(a) Insurance Co. maintain, in aggregate, a paid-up capital and unimpaired surplus of not less than $100,000;

(b) Insurance Co. limit exclusively its underwriting to the automobile insurance risks of the TTC under the Compulsory Automobile Insurance Act or any successor thereto;

(c) the indemnity agreement between the TTC and Insurance Co., whereby Insurance Co. is to be reimbursed by the TTC for all current and future costs and expenditures including all claims under the policies, continue and be in full force and effect; and

(d) the complete and full guarantee of the TTC's liabilities and obligations under the indemnity agreement which Insurance Co. has received from the City remains in full force and effect.

As a result of the indemnity agreement and the City guarantee, Insurance Co. has negligible insurance risk, as any change in Insurance Co.'s insurance liabilities would be offset by a corresponding change in the balance of the indemnity receivable. For this reason, disclosures on specific insurance risks have not been made.

11. INSURANCE LIABILITIES

Insurance liabilities are established to reflect all liabilities associated with the insurance policies at the reporting date. The ultimate cost of these liabilities will vary from the best estimate made by management for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred.

Case reserves

Insurance liabilities are based on the case reserves set by claims adjusters for each individual claim. These specialists apply their knowledge and expertise, after taking available information regarding the circumstances of the claim into account, to set individual case reserve estimates. The Company bases such estimates on the facts available at the time the reserves are established.

Incurred but not reported

An incurred but not reported provision “IBNR” is then added to the case reserves as uncertainty exists on reported claims, because, for example, full information on case files may not be available at the valuation date, or losses have been incurred but are not yet reported. Therefore, the Company relies upon historical information and statistic models, to estimate the IBNR liability. The Company also uses reported claims trends, claims severity, exposure growth and other factors in estimating its IBNR reserve. The time required to learn of and settle claims is an important consideration in establishing the Company’s reserves. The Company revises these reserves as additional information becomes available.

Time value of money and provision for adverse deviation

The provision is discounted to take into account the time value of money and a provision for adverse deviation "PFAD" is added, as recommended by standard actuarial practice. Assumptions regarding the anticipated timing of future payments and an appropriate discount rate are made by management. As uncertainty exists with respect to the determination of these discounted estimates, an explicit PFAD is made for potential claims development. A PFAD is selected based on guidance developed by the Canadian Institute of Actuaries.

The following table summarizes the effects of the time value of money and PFADs on the insurance liabilities and claims adjustment costs.

Unpaid claims and claims adjustment costs ($000s):	Undiscounted	Time value of money	Discounted (before PFAD)	PFAD	Discounted
As at December 31, 2017	135,713	(6,727)	128,986	12,430	141,416
As at December 31, 2016	163,830	(4,745)	159,085	15,461	174,546

As at December 31, 2017, the interest rate used to determine the time value of money was 1.75% (December 31, 2016 – 1.0%) and reflected the market yield, based on the yield of Government of Canada bonds with a similar duration until maturity.

Based on the indemnity agreement described in note 10(c), there is no net impact on the Company as a result of changes in the amount of the insurance liability as any increase would be offset by an increase in the indemnity receivable.

12. RELATED PARTY TRANSACTIONS

The TTC provides all management and administrative services necessary to support the operations of the Insurance Co. Related party transactions are recorded at the exchange amount. The expense incurred for the year for these services was $37,272 (2016 - $29,583) and this has been reflected in the statement of operations and accumulated surplus.

The Company made a loan repayment of $1,400,000 (2016 - $1,000,000) to the TTC. The remaining loan balance and the interest accrued on the loan are detailed in note 4.

In addition, the Insurance Co. did not receive any funds from the Company during the period (2016 – received $300,000) keeping the total advance as of December 31, 2017 at $3,100,000.