For Information

Consolidated Financial Statements of Toronto Coach Terminal Inc. for the Year Ended December 31, 2019

Date: June 17, 2020
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 2019 financial results and financial position as of December 31, 2019.

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 17, 2020.

Comments

TCTI generated a net profit of $0.8 million, which has reduced its accumulated deficit from $1.7 million to $0.9 million. Cash flow generated from operations of $1.4 million, enabled an equivalent repayment of the loan balance to TTC, reducing the remaining balance of the loan to $4.3 million as of December 31, 2019.

Contact

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Signature

Richard Leary
President and General Secretary, Toronto Coach Terminal Inc.

Attachments

Attachment 1 - Consolidated Financial Statements of Toronto Coach Terminal Inc. for the year ended December 31, 2019

Attachment 1

(Unaudited)
Consolidated Financial Statements of

TORONTO COACH TERMINAL INC.

Year ended December 31, 2019

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

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

	Dec 31 2019	Dec 31 2018
	($000s)	($000s)
FINANCIAL ASSETS		
Cash and cash equivalents (note 8)	3,426	3,460
Accounts receivable	13	41
Indemnity receivable from the TTC (note 10)	128,036	131,759
Total Financial Assets	131,475	135,260
LIABILITIES		
Accounts payable and accrued liabilities	255	295
Insurance liabilities (note 11)	128,036	131,759
Loan payable to TTC (note 4)	4,325	5,507
Total Liabilities	132,616	137,561
NET DEBT	(1,141)	(2,301)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	1,292	1,613
	1,292	1,613
Less: Capital stock (note 9)	1,000	1,000
Accumulated Deficit	(849)	(1,688)

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

	2019 BUDGET ($000s) (Note 5)	2019 ACTUAL ($000s)	2018 ACTUAL ($000s)
REVENUE			
Lease revenue	1,336	1,358	1,323
Miscellaneous	81	97	77
Total revenue	1,417	1,455	1,400
EXPENSES			
Terminal and building management (note 6b)	552	544	797
Insurance company management	59	72	61
Total expenses	611	616	858
Annual Surplus	806	839	542
Accumulated Deficit, Beginning of year	(1,688)	(1,688)	(2,230)
Accumulated Deficit, End of year	(882)	(849)	(1,688)

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

	2019 BUDGET	2019 ACTUAL	2018 ACTUAL
	($000s)	($000s)	($000s)
Annual Surplus	806	839	542
Amortization of tangible capital assets	321	321	558
Change due to tangible capital assets	321	321	558
Decrease in net debt	1,127	1,160	1,100
Net debt - Beginning of year	(2,301)	(2,301)	(3,401)
Net debt - End of year	(1,174)	(1,141)	(2,301)

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

	2019	2018
	($000s)	($000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	839	542
Add non-cash expenses		
Depreciation	321	558
Interest expense	218	236
Decrease/(increase) in accounts and indemnity receivables	3,745	9,623
(Decrease)/increase in accounts payable, accrued liabilities and insurance liabilities	(3,757)	(9,631)
Cash provided by operating activities	1,366	1,328
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayment to parent	(1,400)	(1,300)
Cash used in financing activities	(1,400)	(1,300)
Increase/(decrease) in cash and cash equivalents during the year	(34)	28
Cash and cash equivalents, beginning of year	3,460	3,432
Cash and cash equivalents, end of year	3,426	3,460

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 2(e).

(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. Due to the extension of the lease from GACCTO in 2019, the expected life of the assets has been extended to 2021.

(f) Insurance liabilities
Insurance liabilities reflect an actuarial assessment of the automobile claims liability on the basis mandated by the Financial Services Regulatory Authority of Ontario (formerly 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 Regulatory Authority of Ontario.

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

(h) Miscellaneous revenue
Miscellaneous revenue is comprised mainly of bank interest.

(i) Contingencies
In the normal course of its operations the Company is subject to various litigations and claims. Where the potential economic outflow is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional or potential changes to claims will be disclosed in the period during which the receipt of economic outflow is probable. Where the potential economic inflow exists, the nature, and where practicable, the amount of the transaction is disclosed if the inflow of economic benefits is probable. No gain is recognized during the financial year unless the receipt of consideration is virtually certain.

3. TANGIBLE CAPITAL ASSETS

The cost of tangible capital assets is as follows:

(in $000s)				
		Cost Dec 31, 2019		
	Beginning	**Additions**	**Disposals**	**Ending**
Land	886	-	-	886
Buildings	15,114	-	-	15,114
Total	16,000	-	-	16,000

(in $000s)				
		Cost Dec 31, 2018		
	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 Dec 31, 2019			
	Beginning	**Depreciation**	**Disposals**	**Ending**
Land	-	-	-	-
Buildings	14,387	321	-	14,708
Total	14,387	321	-	14,708

(in $000s)				
	Accumulated Amortization Dec 31, 2018			
	Beginning	**Depreciation**	**Disposals**	**Ending**
Land	-	-	-	-
Buildings	13,829	558	-	14,387
Total	13,829	558	-	14,387

Based on above, net book value is as follows:

(in $000s)		
	Net Book Value Dec 31, 2019	**Net Book Value Dec 31, 2018**
Land	886	886
Buildings	406	727
Total	1,292	1,613

4. LOAN PAYABLE TO TTC

The loan payable to TTC consists of the following:

(in $000s)	Dec 31, 2019	Dec 31, 2018
Accrued interest	3,146	3,947
Demand loan, at prime	1,179	1,560
Total loan payable	4,325	5,507

Interest expense on the demand loan, at the prime rate of 3.95% (2018 – 3.6%), amounted to $218,000 (2018 - $236,000).

5. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2019 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 (2018 - $100,000) in TTCIC and TCTI’s advance to TTCIC of $3.1 million (2018 - $3.1 million), as they are eliminated upon consolidation.

(in $000s)	**Dec 31, 2019**	**TCTI**	**TTCIC**	**Total**
Financial Assets				
Cash		226	3,200	3,426
Accounts receivable		7	6	13
Indemnity receivable from the TTC		-	128,036	128,036
Total Financial Assets		233	131,242	131,475
Liabilities				
Accounts payable and accrued liabilities		249	6	255
Insurance liabilities		-	128,036	128,036
Loan payable to TTC		4,325	-	4,325
Total Liabilities		4,574	128,042	132,616
Non-Financial Assets				
Tangible capital assets		1,292	-	1,292
Total Non-Financial Assets		1,292	-	1,292
Capital stock		1,000	-	1,000
Accumulated (Deficit)		(849)	-	(849)

(in $000s)	**Dec 31, 2018**	**TCTI**	**TTCIC**	**Total**
Financial Assets				
Cash		260	3,200	3,460
Accounts receivable		35	6	41
Indemnity receivable from the TTC		-	131,759	131,759
Total Financial Assets		295	134,965	135,260
Liabilities				
Accounts payable and accrued liabilities		289	6	295
Insurance liabilities		-	131,759	131,759
Loan payable to TTC		5,507	-	5,507
Total Liabilities		5.796	131,765	137,561
Non-Financial Assets				
Tangible capital assets		1,613	-	1,613
Total Non-Financial Assets		1,613	-	1,613
Capital stock		1,000	-	1,000
Accumulated (Deficit)		(1,688)	-	(1,688)

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

2019 (in $000s)	**TCTI Total**	**TTCIC Total**	**Consolidated Total**
Revenues			
Lease revenue	1,358	-	1,358
Miscellaneous	25	72	97
Total Revenue	**1,383**	**72**	**1,455**

Expenses			
Wages, salaries and benefits	5	-	5
Materials, services and supplies	-	72	72
Depreciation	321	-	321
Interest expense	218	-	218
Total Expenses	**544**	**72**	**616**
Annual surplus	**839**	**-**	**839**
Accumulated (Deficit)	**(849)**	**-**	**(849)**

2018 (in $000s)	**TCTI Total**	**TTCIC Total**	**Consolidated Total**
Revenues			
Lease revenue	1,323	-	1,323
Miscellaneous	16	61	77
Total Revenue	**1,339**	**61**	**1,400**
Expenses			
Wages, salaries and benefits	3	-	3
Materials, services and supplies	-	61	61
Depreciation	558	-	558
Interest expense	236	-	236
Total Expenses	**797**	**61**	**858**
Annual surplus	**542**	**-**	**542**
Accumulated (Deficit)	**(1,688)**	**-**	**(1,688)**

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, 2019 is approximately $2,100,000 (2018 - $2,300,000).

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 Financial Services Regulatory Authority of Ontario (formerly 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 theses 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, 2019	124,130	(7,381)	116,749	11,287	128,036
As at December 31, 2018	127,108	(6,893)	120,215	11,544	131,759

As at December 31, 2019, the interest rate used to determine the time value of money was 1.69% (December 31, 2018 – 1.85%) 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 $70,935 (2018 - $59,978) and this has been reflected in the statement of operations and accumulated surplus.

The Company made a loan repayment of $1,400,000 (2018 - $1,300,000) to the TTC. The remaining loan balance and the interest accrued on the loan are detailed in note 4.

13. COMMITMENTS AND CONTINGENCIES

The Company is a party to a number of legal proceedings in the ordinary course of its business. While there exists an inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, management does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse impact on the Company's financial position. In management's opinion, the Company has made adequate provision for all claims and legal proceedings.

14. CONTRACTUAL OBLIGATIONS

In June 15, 2019, the Insurance Co. entered into a Memorandum of Understanding ("MOU") with the City of Toronto ("City") with the intent of insuring the automobile risks of the City. The MOU will be executed upon the amendment of the Company's insurance license, pending approval by the Ministry of Finance ("MOF") and associated Order-In-Council ("OIC"), both of which are outstanding as of financial statement date.

Upon execution of the MOU, the impact to the Company's statement of financial position will be a gradual increase in the insurance liabilities as the City's automobile risks are assumed, offset by an equal increase in a new indemnity receivable provided to the Company by the City. There will be no impact to the Company's statement of operations.

15. SUBSEQUENT EVENTS

In March 2020, the Company was named as a defendant in legal claim relating to a recently discovered environmental contamination of a historical piece of property that was owned by the Company. The outcome of this claim and the likelihood of loss are not yet determinable and therefore, no amount relating to this matter has been recorded in the accounts.

In April 2020, due to the immediate and ongoing significant decline in ridership and passenger revenue in regional bus travel caused by the COVID-19 pandemic, the Greyhound and Coach Canada (GACCTO) requested the Company grant it a rent abatement. The request will be reviewed by the Board. The outcome of the request and the continued impact of COVID-19 pandemic on the Company's financial position is not yet determinable.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the consolidated financial position and consolidated results of operations as of and for the year ended December 31, 2019 have not been adjusted.