

## For Information

# Consolidated Financial Statements of Toronto Coach Terminal Inc. for the year ended December 31, 2020

Date: June 16, 2021

To: Toronto Coach Terminal Inc. Meeting of the Shareholders

From: Treasurer, Toronto Coach Terminal Inc.

## Summary

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The Toronto Coach Terminal Inc.'s (TCTI) consolidated financial statements present TCTI's 2020 financial results and financial position as of December 31, 2020.

## Financial Summary

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

## Equity/Accessibility Matters

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This report has no accessibility/equity issues or impact.

## Decision History

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TCTI's Audit Committee and Board reviewed and approved the consolidated financial statements on June 16, 2021.

## Comments

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TCTI generated a net profit of \$1 million, which has reduced its accumulated deficit from \$0.9 million to a surplus of \$0.2 million. In 2020, no repayment of loan to TTC was made. The loan balance from TTC remained at \$4.3 million as of December 31, 2020.

Further comments on financial results as of December 31, 2020 can be found in the February 10, 2021 Meeting of Directors in the following link:

[http://www.ttc.ca/About the TTC/Subsidiaries/Toronto Coach Terminal Inc/2021/Feb 10 2021/Meeting of Directors/Reports/1 Financial Report for TCTI for the Accounting Period Ended .pdf](http://www.ttc.ca/About%20the%20TTC/Subsidiaries/Toronto%20Coach%20Terminal%20Inc/2021/Feb%2010%202021/Meeting%20of%20Directors/Reports/1%20Financial%20Report%20for%20TCTI%20for%20the%20Accounting%20Period%20Ended%20.pdf)

## **Contact**

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Alex Cassar, Treasurer, Toronto Coach Terminal Inc.  
416-393-3647  
Alex.Cassar@ttc.ca

## **Signature**

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

## **Attachments**

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Attachment 1 - Consolidated Financial Statements of Toronto Coach Terminal Inc. for the year ended December 31, 2020

(Unaudited)  
Consolidated Financial Statements of

**TORONTO COACH TERMINAL INC.**

Year ended December 31, 2020

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# 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 2020	Dec 31 2019
	(\$000s)	(\$000s)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (note 8)	4,231	3,426
Accounts receivable	679	13
Indemnity receivable from the TTC (note 10)	133,532	128,036
<b>Total Financial Assets</b>	<b>138,442</b>	<b>131,475</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	329	255
Unsettled accident claims liabilities (note 11)	133,532	128,036
Loan payable to TTC (note 4)	4,445	4,325
<b>Total Liabilities</b>	<b>138,306</b>	<b>132,616</b>
<b>NET FINANCIAL ASSETS / (DEBT)</b>	<b>136</b>	<b>(1,141)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 3)	1,021	1,292
	1,021	1,292
Less: Capital stock (note 9)	1,000	1,000
<b>Accumulated Surplus/ (Deficit)</b>	<b>157</b>	<b>(849)</b>

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

	2020 BUDGET	2020 ACTUAL	2019 ACTUAL
	(\$000s) (Note 5)	(\$000s)	(\$000s)
<b>REVENUE</b>			
Lease revenue	1,394	1,393	1,358
Miscellaneous	65	42	97
<b>Total revenue</b>	<b>1,459</b>	<b>1,435</b>	<b>1,455</b>
<b>EXPENSES</b>			
Terminal and building management (note 6b)	360	396	544
Insurance company management	54	33	72
<b>Total expenses</b>	<b>414</b>	<b>429</b>	<b>616</b>
<b>Annual Surplus</b>	<b>1,045</b>	<b>1,006</b>	<b>839</b>
<b>Accumulated Deficit, Beginning of year</b>	<b>(849)</b>	<b>(849)</b>	<b>(1,688)</b>
<b>Accumulated Surplus/ (Deficit), End of year</b>	<b>196</b>	<b>157</b>	<b>(849)</b>

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 Asset / Debt Years ended December 31

	2020 BUDGET	2020 ACTUAL	2019 ACTUAL
	(\$000s)	(\$000s)	(\$000s)
<b>Annual Surplus</b>	1,045	1,006	839
Amortization of tangible capital assets	206	271	321
<b>Change due to tangible capital assets</b>	206	271	321
<b>Decrease in net debt</b>	1,251	1,277	1,160
<b>Net debt - Beginning of year</b>	(1,141)	(1,141)	(2,301)
<b>Net asset / (debt) - End of year</b>	110	136	(1,141)

See accompanying notes to the consolidated financial statements

# TORONTO COACH TERMINAL INC.

(incorporated under the laws of the Province of Ontario)

## Consolidated Statements of Cash Flows Years ended December 31

	2020	2019
	(\$000s)	(\$000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	1,006	839
Add non-cash expenses:		
Depreciation	271	321
Interest expense	120	218
Decrease/(increase) in receivables	(6,162)	3,745
(Decrease)/increase in liabilities	5,570	(3,757)
<b>Cash provided by operating activities</b>	<b>805</b>	<b>1,366</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan repayment to parent	-	(1,400)
<b>Cash used in financing activities</b>	<b>-</b>	<b>(1,400)</b>
Increase/(Decrease) in cash and cash equivalents during the year	805	(34)
Cash and cash equivalents, beginning of year	3,426	3,460
<b>Cash and cash equivalents, end of year</b>	<b>4,231</b>	<b>3,426</b>

See accompanying notes to the consolidated financial statements

## **TORONTO COACH TERMINAL INC.**

Notes to the Consolidated Financial Statements (Unaudited) Page 1

Year ended December 31, 2020

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### **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 lease agreement with GACCTO is expected to end on July 7, 2021 and will not be extended past this date. Upon lease expiry, the management of property is expected to be transferred to the City with the Company continuing as the parent company of Insurance Co.

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 Standard (PSAS). In accordance with PS 1150 Generally Accepted Accounting Principles, and in the absence of specific guidance under PSAS, relevant guidance from other primary sources of generally accepted accounting principles were referenced for the measurement and presentation of unsettled accident claims 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 unsettled accident claims 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. The expected life of the assets was extended to the lease expiry date of July 2021.

**(f) Unsettled accident claims liabilities**

Unsettled accident claims 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) Related Parties**

Related party transactions are defined, disclosed and recorded at the exchange amount in accordance with Public Sector Accounting Standards 2200 – Related Party Disclosures and 3420 – Inter-entity Transactions.

**(j) 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

**TORONTO COACH TERMINAL INC.**

Notes to the Consolidated Financial Statements (Unaudited) Page 3

Year ended December 31, 2020

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)				
	Beginning	Cost Dec 31, 2020		Ending
		Additions	Disposals	
Land	886	-	-	886
Buildings	15,114	-	-	15,114
<b>Total</b>	<b>16,000</b>	<b>-</b>	<b>-</b>	<b>16,000</b>

(in \$000s)				
	Beginning	Cost Dec 31, 2019		Ending
		Additions	Disposals	
Land	886	-	-	886
Buildings	15,114	-	-	15,114
<b>Total</b>	<b>16,000</b>	<b>-</b>	<b>-</b>	<b>16,000</b>

The accumulated amortization for tangible capital assets is as follows:

(in \$000s)				
	Accumulated Amortization Dec 31, 2020			Ending
	Beginning	Depreciation	Disposals	
Land	-	-	-	-
Buildings	14,708	271	-	14,979
<b>Total</b>	<b>14,708</b>	<b>271</b>	<b>-</b>	<b>14,979</b>

(in \$000s)				
	Accumulated Amortization Dec 31, 2019			Ending
	Beginning	Depreciation	Disposals	
Land	-	-	-	-
Buildings	14,387	321	-	14,708
<b>Total</b>	<b>14,387</b>	<b>321</b>	<b>-</b>	<b>14,708</b>

**TORONTO COACH TERMINAL INC.**

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Year ended December 31, 2020

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Based on above, net book value is as follows:

(in \$000s)	Net Book Value Dec 31, 2020	Net Book Value Dec 31, 2019
Land	886	886
Buildings	136	406
<b>Total</b>	<b>1,021</b>	<b>1,292</b>

**4. LOAN PAYABLE TO TTC**

The loan payable to TTC consists of the following:

(in \$000s)	Dec 31, 2020	Dec 31, 2019
Accrued interest	3,266	3,146
Demand loan, at prime	1,179	1,179
<b>Total loan payable</b>	<b>4,445</b>	<b>4,325</b>

Interest expense on the demand loan, at the average prime rate of 2.78% (2019 – 3.95%), amounted to \$120,000 (2019 - \$218,000).

**5. BUDGET DATA**

Budget data presented in these consolidated financial statements is based upon the 2020 operating budget approved by the Board of Directors of the Toronto Coach Terminal Inc. and Toronto Transit Commission Insurance Company Limited on June 17, 2020.

**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 (2019 - \$100,000) in TTCIC and TCTI’s advance to TTCIC of \$2.6 million (2019 - \$3.1 million), as they are eliminated upon consolidation.

**TORONTO COACH TERMINAL INC.**

Notes to the Consolidated Financial Statements (Unaudited) Page 5

Year ended December 31, 2020

<b>(in \$000s)</b>	<b>Dec 31, 2020</b>	<b>TCTI</b>	<b>TTCIC</b>	<b>Total</b>
<b>Financial Assets</b>				
Cash		1,531	2,700	4,231
Accounts receivable		677	2	679
Indemnity receivable from the TTC		-	133,532	133,532
<b>Total Financial Assets</b>		<b>2,208</b>	<b>136,234</b>	<b>138,442</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities		327	2	329
Insurance liabilities		-	133,532	133,532
Loan payable to TTC		4,445	-	4,445
<b>Total Liabilities</b>		<b>4,772</b>	<b>133,534</b>	<b>138,306</b>
<b>Non-Financial Assets</b>				
Tangible capital assets		1,021	-	1,021
<b>Total Non-Financial Assets</b>		<b>1,021</b>	<b>-</b>	<b>1,021</b>
Capital stock		1,000	-	1,000
Accumulated Surplus		157	-	157
<b>(in \$000s)</b>				
	<b>Dec 31, 2019</b>	<b>TCTI</b>	<b>TTCIC</b>	<b>Total</b>
<b>Financial Assets</b>				
Cash		226	3,200	3,426
Accounts receivable		7	6	13
Indemnity receivable from the TTC		-	128,036	128,036
<b>Total Financial Assets</b>		<b>233</b>	<b>131,242</b>	<b>131,475</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities		249	6	255
Insurance liabilities		-	128,036	128,036
Loan payable to TTC		4,325	-	4,325
<b>Total Liabilities</b>		<b>4,574</b>	<b>128,042</b>	<b>132,616</b>
<b>Non-Financial Assets</b>				
Tangible capital assets		1,292	-	1,292
<b>Total Non-Financial Assets</b>		<b>1,292</b>	<b>-</b>	<b>1,292</b>
Capital stock		1,000	-	1,000
Accumulated (Deficit)		(849)	-	(849)

**TORONTO COACH TERMINAL INC.**

Notes to the Consolidated Financial Statements (Unaudited) Page 6

Year ended December 31, 2020

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

<b>2020</b> (in \$000s)	<b>TCTI</b> <b>Total</b>	<b>TTCIC</b> <b>Total</b>	<b>Consolidated</b> <b>Total</b>
<b>Revenues</b>			
Lease revenue	1,393	-	1,393
Miscellaneous	9	33	42
<b>Total Revenue</b>	<b>1,402</b>	<b>33</b>	<b>1,435</b>
<b>Expenses</b>			
Wages, salaries and benefits	5	-	5
Materials, services and supplies	-	33	33
Depreciation	271	-	271
Interest expense	120	-	120
<b>Total Expenses</b>	<b>396</b>	<b>33</b>	<b>429</b>
<b>Annual Surplus</b>	<b>1,006</b>	<b>-</b>	<b>1,006</b>
<b>Accumulated Surplus</b>	<b>157</b>	<b>-</b>	<b>157</b>

<b>2019</b> (in \$000s)	<b>TCTI</b> <b>Total</b>	<b>TTCIC</b> <b>Total</b>	<b>Consolidated</b> <b>Total</b>
<b>Revenues</b>			
Lease revenue	1,358	-	1,358
Miscellaneous	25	72	97
<b>Total Revenue</b>	<b>1,383</b>	<b>72</b>	<b>1,455</b>
<b>Expenses</b>			
Wages, salaries and benefits	5	-	5
Materials, services and supplies	-	72	72
Depreciation	321	-	321
Interest expense	218	-	218
<b>Total Expenses</b>	<b>544</b>	<b>72</b>	<b>616</b>
<b>Annual Surplus</b>	<b>839</b>	<b>-</b>	<b>839</b>
<b>Accumulated (Deficit)</b>	<b>(849)</b>	<b>-</b>	<b>(849)</b>

## **TORONTO COACH TERMINAL INC.**

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Year ended December 31, 2020

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### **7. FINANCIAL INSTRUMENTS**

The financial instruments held by the Company include cash and cash equivalents, indemnity receivable from the TTC, accounts receivable, unsettled accident claims 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, 2020 is approximately \$1,600,000 (2019 - \$2,100,000).

### **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 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. does not bear insurance risk, as any change in Insurance Co.'s unsettled accident claims 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. UNSETTLED ACCIDENT CLAIMS LIABILITIES**

Unsettled accident claims 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**

Unsettled accident claims 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 unsettled accident claims liabilities and claims adjustment costs.

<b>Unpaid claims and claims adjustment costs (\$000s):</b>	<b>Undiscounted</b>	<b>Time Value of Money</b>	<b>Discounted (before PFAD)</b>	<b>PFAD</b>	<b>Discounted</b>
As at December 31, 2020	123,871	(2,136)	121,735	11,797	133,532
As at December 31, 2019	124,130	(7,381)	116,749	11,287	128,036

As at December 31, 2020, the interest rate used to determine the time value of money was 0.49% (December 31, 2019 – 1.69%) and reflected the market yield, based on the yield of Government of Canada bonds with a similar duration until maturity.

**Measurement Uncertainty and Assumption Sensitivity**

Significant measurement uncertainty exists with respect to the undiscounted and discounted balances as a significant number of assumptions are necessary to determine such estimates as described above. Final claim payments may differ from the computed provisions, particularly when payments may not occur for several years. Any such



## TORONTO COACH TERMINAL INC.

Notes to the Consolidated Financial Statements (Unaudited) Page 10

Year ended December 31, 2020

adjustments to the provision will be reflected in the results for the year during which the adjustments are made.

Given the diversity and number of the assumptions involved, quantifying the individual assumptions that are more likely than others to have a significant impact on the measurement of the Company's unsettled accident claims is impractical.

### Claims Development

The Company completes an annual evaluation of the adequacy of unpaid claims and claims adjustment costs at the end of each financial year. This evaluation includes a re-estimation of the liability for unpaid claims and claims adjustment costs relating to each preceding financial year compared to the liability that was originally established. The results of this comparison and the changes in the unpaid claims and claims adjustment costs for the years ended December 31, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Unsettled accident claims, beginning of year	128,036,000	131,759,000
<b>Net claims and claims adjustment costs</b>		
Incurred related to current year	22,083,000	31,891,000
Incurred related to prior years	(4,764,000)	(16,756,000)
Settled related to current year	(586,000)	(1,727,000)
Settled related to prior years	(11,237,000)	(17,131,000)
<b>Unsettled accident claims, end of year</b>	<b>133,532,000</b>	<b>128,036,000</b>

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.

### Implications of COVID-19 – Unsettled Accident Claims Liabilities

Due to the COVID-19 pandemic, the TTC experienced a significant decline in ridership starting in March 2020. The reduced number of TTC passengers had a favourable impact on the expected costs of claims incurred and paid in 2020. The change in unsettled accident claims resulted in a corresponding change in the balance of 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 \$31,774 (2019 -

## TORONTO COACH TERMINAL INC.

Notes to the Consolidated Financial Statements (Unaudited) Page 11

Year ended December 31, 2020

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\$70,935) and this has been reflected in the statement of operations and accumulated surplus.

In addition, during the year, the Insurance Co. repaid \$500,000 to the Company (2019 - \$0). The repayment reduced the total advance of the Company to Insurance Co. as of December 31, 2020 to \$2,600,000 (2019 - \$3,100,000). This amount is not presented in the consolidated statement of financial position as it is eliminated upon consolidation.

The Company did not make a loan repayment to the TTC in 2020 (2019 - \$1,400,000). 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. SUBSEQUENT EVENTS

- a. On February 10, 2021, the Board was informed that GACCTO will not be seeking a further lease extension. As a result, TCTI will no longer have its primary source of revenue (approximately \$1,394,000 on annual basis) effective July 7, 2021. Upon lease expiry, it is anticipated that the Company will be entering into an agreement with the City for the transfer of the properties subject to the terms and conditions satisfactory to TTC. The Company has determined that this an adjusting subsequent event. Accordingly, the consolidated financial position and consolidated results of operations as of and for the year ended December 31, 2020 have been adjusted, specifically accounting for depreciation expense as a result of the change in estimated useful life of the Company's assets on July 7, 2021 upon lease expiry.
- b. On March 11, 2021, the Insurance Co. obtained approval from the Minister of Finance ("MOF") through an Order-In-Council ("OIC") to amend of the Company's insurance license to include the automobile risks of the City of Toronto ("City"). The amendment was required to effect the Memorandum of Understanding agreement ("MOU") with the City and TTC dated on June 15, 2019. The Company has determined that this is a non-adjusting subsequent event. Upon execution of the MOU, the impact to the Company's statement of financial position will be a gradual increase in the unsettled accident claims 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.