

## For Information

# Consolidated Financial Statements of Toronto Coach Terminal Inc. for the Year Ended December 31, 2021

Date: June 23, 2022

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 2021 financial results and financial position as of December 31, 2021.

## 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 23, 2022.

## Comments

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TCTI generated a net surplus of \$3.9 million in 2021, of which \$0.6 million was associated with the lease of the 610 Bay Street and 130 Elizabeth Street properties (the "Properties") to Greyhound and Coach Canada Operations Ltd., which expired on July 7, 2021. The remaining \$3.3 million was related to the net gain recognized upon the transfer of operational management of the Properties to the City of Toronto as of July 8, 2021.

Consistent with the terms of the operational management transfer of the Properties to the City of Toronto approved by the TCTI Board, TCTI will receive \$4.2 million upon the sale, redevelopment, or rezoning of the Properties. The ultimate receipt of the \$4.2 million, which was recognized as a receivable due from the City of Toronto is a key condition of the property transfer and is required to facilitate the repayment of TCTI's remaining loan balance to TTC. With the transfer of operational management of the Properties to the City of Toronto, TCTI's real property remaining historical net book value of \$0.9 million was derecognized, resulting in the net gain of \$3.3 million recorded in the financial statements.

**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, 2021

(Unaudited)  
Consolidated Financial Statements of

**TORONTO COACH TERMINAL INC.**

Year ended December 31, 2021

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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 2021	Dec 31 2020
	(\$000s)	(\$000s)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (note 8)	5,145	4,231
Accounts receivable	2	679
Due from City of Toronto (note 12a)	4,200	-
Indemnity receivable from the TTC (note 10)	126,048	133,532
<b>Total Financial Assets</b>	<b>135,395</b>	<b>138,442</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	116	329
Unsettled accident claims liabilities (note 11)	126,048	133,532
Loan payable to TTC (note 4)	4,201	4,445
<b>Total Liabilities</b>	<b>130,365</b>	<b>138,306</b>
<b>NET ASSET</b>	<b>5,030</b>	<b>136</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 3)	-	1,021
	-	1,021
Less: Capital stock (note 9)	1,000	1,000
<b>Accumulated Surplus</b>	<b>4,030</b>	<b>157</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

	2021 BUDGET	2021 ACTUAL	2020 ACTUAL
	(\$000s) (Note 5)	(\$000s)	(\$000s)
<b>REVENUE</b>			
Lease revenue	697	723	1,393
Miscellaneous (note 12a)	27	3,369	42
<b>Total revenue</b>	<b>724</b>	<b>4,092</b>	<b>1,435</b>
<b>EXPENSES</b>			
Terminal and building management (note 6b)	280	196	396
Insurance company management	27	23	33
<b>Total expenses</b>	<b>307</b>	<b>219</b>	<b>429</b>
<b>Annual Surplus</b>	<b>417</b>	<b>3,873</b>	<b>1,006</b>
<b>Accumulated Surplus/ (Deficit), Beginning of year</b>	<b>157</b>	<b>157</b>	<b>(849)</b>
<b>Accumulated Surplus, End of year</b>	<b>574</b>	<b>4,030</b>	<b>157</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 Years ended December 31

	2021 BUDGET	2021 ACTUAL	2020 ACTUAL
	(\$000s)	(\$000s)	(\$000s)
<b>Annual Surplus</b>	417	3,873	1,006
Change in tangible capital assets			
Amortization	136	135	271
Disposal/ transfer of tangible capital assets		886	-
<b>Change due to tangible capital assets</b>	136	1,021	271
<b>Increase in net asset</b>	553	4,894	1,277
<b>Net asset/(debt) - Beginning of year</b>	136	136	(1,141)
<b>Net asset - End of year</b>	689	5,030	136

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

	2021	2020
	(\$000s)	(\$000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	3,873	1,006
Add non-cash expenses/(revenues):		
Depreciation	135	271
Interest expense	56	120
Gain on transfer of tangible capital assets (note 12a)	(3,314)	-
Decrease/(increase) in accounts receivable	677	(670)
(Decrease)/increase in accounts payable	(213)	78
<b>Cash provided by operating activities</b>	<b>1,214</b>	<b>805</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan repayment to parent	(300)	-
<b>Cash used in financing activities</b>	<b>(300)</b>	<b>-</b>
Increase in cash and cash equivalents during the year	914	805
Cash and cash equivalents, beginning of year	4,231	3,426
<b>Cash and cash equivalents, end of year</b>	<b>5,145</b>	<b>4,231</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, 2021

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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").

Up until July 7, 2012, the Company directly operated the coach terminal located at 610 Bay Street and 130 Elizabeth Street (the "Properties") in the City of Toronto (the "City"). On July 8, 2012, the Company leased the coach terminal to Greyhound and Coach Canada Toronto Operations Ltd. (GACCTO) which continued to operate the terminal until the lease expired on July 7, 2021. On June 16, 2021, the Company approved the transfer of operational management of the Properties to the City and, effective July 8, 2021, the City took over management of the Properties.

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

The land and buildings were derecognized on July 7, 2021 as part of the transfer of operational management of Properties to the City. Until then, the capital assets were recorded at cost less accumulated depreciation. Depreciation was calculated using the straight-line method at rates based on the estimated useful lives of the assets, which was estimated at 30 years for the Buildings. The expected life of the assets was extended to the lease expiry date of July 7, 2021.



## TORONTO COACH TERMINAL INC.

Notes to the Consolidated Financial Statements (Unaudited) Page 2

Year ended December 31, 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. 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 (FSRAO).

**(g) Lease revenue**

The Company earned lease revenue for the use of the entire coach terminal including the retail space, lockers and parking facilities until the lease expired on July 7, 2021.

**(h) Miscellaneous revenue**

Miscellaneous revenue is comprised mainly of the gain on transfer of the Properties (see note 12a) and 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 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, 2021			
	Beginning	Additions	Disposals <sup>1</sup>	Ending
Land	886	-	(886)	-
Buildings	15,114	-	(15,114)	-
<b>Total</b>	<b>16,000</b>	<b>-</b>	<b>(16,000)</b>	<b>-</b>

  

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

## TORONTO COACH TERMINAL INC.

Notes to the Consolidated Financial Statements (Unaudited) Page 3

Year ended December 31, 2021

The accumulated amortization for tangible capital assets is as follows:

(in \$000s)	Accumulated Amortization Dec 31, 2021			Ending
	Beginning	Depreciation	Disposals <sup>1</sup>	
Land	-	-	-	-
Buildings	14,979	135	(15,114)	-
<b>Total</b>	<b>14,979</b>	<b>135</b>	<b>(15,114)</b>	<b>-</b>

(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>

Based on above, net book value is as follows:

(in \$000s)	Net Book Value	Net Book Value
	Dec 31, 2021 <sup>1</sup>	Dec 31, 2020
Land	-	886
Buildings	-	135
<b>Total</b>	<b>-</b>	<b>1,021</b>

<sup>1</sup>The operational management of the Company's land and buildings was transferred to the City through CreateTO effective July 8, 2021. As a result, land and buildings with a remaining net book value of \$886,000 (2020 - \$886,000) were derecognized resulting in a net gain of \$3,314,000 (2020 - \$0). See note 12a.

#### 4. LOAN PAYABLE TO TTC

The loan payable to TTC consists of the following:

(in \$000s)	Dec 31, 2021	Dec 31, 2020
Accrued interest	3,101	3,266
Demand loan, at prime	1,100	1,179
<b>Total loan payable</b>	<b>4,201</b>	<b>4,445</b>

Interest expense on the demand loan which was incurred for the period of January 1 to July 7, 2021 at the average prime rate of 2.45% (2020 - 2.78%) amounted to \$56,000 (2020 - \$120,000). Interest payable on the remaining loan balance with the Toronto Transit Commission was waived effective July 8, 2021.

#### 5. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2021 operating budget approved by the Board of Directors of the Toronto Coach Terminal Inc. and Toronto Transit Commission Insurance Company Limited on June 16, 2021.

**TORONTO COACH TERMINAL INC.**

Notes to the Consolidated Financial Statements (Unaudited) Page 4

Year ended December 31, 2021

**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 (2020 - \$100,000) in TTCIC and TCTI's advance to TTCIC of \$2.6 million (2020 - \$2.6 million), as they are eliminated upon consolidation.

<b>(in \$000s)</b>	<b>Dec 31, 2021</b>	<b>TCTI</b>	<b>TTCIC</b>	<b>Total</b>
<b>Financial Assets</b>				
Cash		2,445	2,700	5,145
Accounts receivable		-	2	2
Due from City of Toronto (note 12a)		4,200	-	4,200
Indemnity receivable from the TTC		-	126,048	126,048
<b>Total Financial Assets</b>		<b>6,647</b>	<b>128,750</b>	<b>135,395</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities		114	2	116
Insurance liabilities		-	126,048	126,048
Loan payable to TTC		4,201	-	4,201
<b>Total Liabilities</b>		<b>4,317</b>	<b>126,050</b>	<b>130,365</b>
<b>Non-Financial Assets</b>				
Tangible capital assets		-	-	-
<b>Total Non-Financial Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
Capital stock		1,000	-	1,000
Accumulated Surplus		4,030	-	4,030

<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

**TORONTO COACH TERMINAL INC.**

Notes to the Consolidated Financial Statements (Unaudited) Page 5

Year ended December 31, 2021

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

<b>2021</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	723	-	723
Miscellaneous (note 12a)	3,346	23	3,369
<b>Total Revenue</b>	<b>4,069</b>	<b>23</b>	<b>4,092</b>
<b>Expenses</b>			
Wages, salaries and benefits	5	-	5
Materials, services and supplies	-	23	23
Depreciation	135	-	135
Interest expense	56	-	56
<b>Total Expenses</b>	<b>196</b>	<b>23</b>	<b>219</b>
<b>Annual surplus</b>	<b>3,873</b>	<b>-</b>	<b>3,873</b>
<b>Accumulated Surplus</b>	<b>4,030</b>	<b>-</b>	<b>4,030</b>
<b>2020</b> (in \$000s)			
<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>

**7. FINANCIAL INSTRUMENTS**

The financial instruments held by the Company include cash and cash equivalents, indemnity receivable from the TTC, accounts receivable, due from the City 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 Insurance Co. 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 Insurance Co.'s insurance liabilities, resulting in the Insurance Co. having negligible liquidity and interest risk. The Company has low credit risk due to the guarantee agreement between the City and the Insurance Co.

## **TORONTO COACH TERMINAL INC.**

Notes to the Consolidated Financial Statements (Unaudited) Page 6

Year ended December 31, 2021

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The carrying values of and cash and cash equivalents, accounts receivable, due from the City and the loan payable to TTC approximate their fair values due to the relatively short time period to maturity of these instruments. The credit risk on these financial assets is assessed as low as they are either on deposit with a major financial institution or are receivable from the Company's parent or ultimate parent, the TTC and the City.

Liquidity risk is assessed as low as the Company has sufficient financial assets to satisfy its obligations. The Company does not face market risk or currency risk.

### **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, 2021 is approximately \$1,700,000 (2020 - \$1,600,000).

### **9. CAPITAL STOCK**

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

### **10. LICENCE AND INDEMNITY RECEIVABLE**

The Insurance Co. received a licence on July 12, 1994 from the Financial Services Commission of Ontario (currently Financial Services Regulatory Authority of Ontario) subject to the conditions outlined in the Provincial Order in Council dated July 6, 1994.

On March 11, 2021, the Provincial Order in Council was amended to allow the Insurance Co. to also underwrite automobile insurance risks of the City of Toronto, subject to the following amended 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 City of Toronto, excluding all of the boards, commissions and special purpose entities of the City of Toronto, except for the Toronto Transit Commission;
- (c) the 1994 indemnity agreement between the TTC and the Insurance Co., whereby the 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;
- (d) the complete and full guarantee to the Insurance Co. from the City of TTC's liabilities and obligations under the indemnity agreement remains in full force and effect in full force and effect; and
- (e) the indemnity agreement between the City and the Insurance Co., whereby the Insurance Co. is to be reimbursed by the City for all current and future costs and expenditures including all claims under the policies, continue and be in full force and effect.

## TORONTO COACH TERMINAL INC.

Notes to the Consolidated Financial Statements (Unaudited) Page 7

Year ended December 31, 2021

The Insurance Co.'s licence was amended on June 1, 2021, and the related policy forms and endorsements were approved by FSRAO on November 19, 2021 with an effective date of January 1, 2022.

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 Insurance Co. 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 Insurance Co. relies upon historical information and statistic models, to estimate the IBNR liability. The Insurance Co. 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 Insurance Co.'s reserves. The Insurance Co. 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.

Unpaid claims and claims adjustment costs (\$000s):	Undiscounted	Time Value of Money	Discounted (before PFAD)	PFAD	Discounted
As at December 31, 2021	120,117	(5,145)	114,972	11,076	126,048
As at December 31, 2020	123,871	(2,136)	121,735	11,797	133,532

## TORONTO COACH TERMINAL INC.

Notes to the Consolidated Financial Statements (Unaudited) Page 8

Year ended December 31, 2021

As at December 31, 2021, the interest rate used to determine the time value of money was 1.28% (December 31, 2020 – 0.49%) 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 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 Insurance Co.'s unsettled accident claims is impractical.

### Claims Development

The Insurance Co. 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, 2021 and 2020 were as follows:

	2021	2020
Unsettled accident claims, beginning of year	133,532,000	128,036,000
<b>Net claims and claims adjustment costs</b>		
Incurred related to current year	19,583,000	22,083,000
Incurred related to prior years	(13,699,000)	(4,764,000)
Settled related to current year	(466,000)	(586,000)
Settled related to prior years	(12,902,000)	(11,237,000)
<b>Unsettled accident claims, end of year</b>	<b>126,048,000</b>	<b>133,532,000</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 and continuing in 2021. The reduced number of TTC passengers had a continuing favourable impact of the total expected costs of claims incurred in 2021. The change in unsettled accident claims resulted in a corresponding change in the balance of the indemnity receivable.

## 12. RELATED PARTY TRANSACTIONS

- a. Effective July 8, 2021 and following the conclusion of the TCTI-GACCTO lease, the operational management of the Company's tangible capitals assets was transferred to the City through CreateTO. With this transfer, the City became responsible for their operation, related obligations and rewards. As a result, the Company's land and buildings were derecognized.

## TORONTO COACH TERMINAL INC.

Notes to the Consolidated Financial Statements (Unaudited) Page 9

Year ended December 31, 2021

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The transfer of the properties, 610 Bay Street and 130 Elizabeth Street, to the City is recorded at the exchange value of \$4,200,000 (2020 - \$0). The land and buildings, with a remaining net book value of \$886,000 (2020 - \$886,000) were derecognized, resulting in a net gain of \$3,314,000 (2020 - \$0).

The net gain of \$3,314,000 (2020 - \$0) is included in Miscellaneous Revenue and transfer amount of \$4,200,000 is due from the City. The cash settlement from the City will occur upon the earlier of:

- (a) the sale of one or both of the properties; or
  - (b) the execution of any agreement between the City of Toronto and a third party in respect of the development of one or both of the properties; or,
  - (c) the approval by City of Toronto Council of an application by the City of Toronto to rezone one or both of the properties
- b. 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 \$22,021 (2020 - \$31,774) and this has been reflected in the statement of operations and accumulated surplus.
- c. The Company made a loan repayment of \$300,000 to the TTC in 2021 (2020 - \$0). 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

On 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 Insurance Co.'s licence was amended on June 1, 2021, and the related policy forms and endorsements were approved by FSRAO on November 19, 2021 with an effective date of January 1, 2022. Automobile claims of the City with accident dates of December 31, 2021 or earlier will not be assumed by the Insurance Co.

The impact to the Insurance Co.'s statement of financial position will be a gradual increase in new accident claims as the City's automobile risks are assumed prospectively, offset by an equal increase in a new indemnity receivable provided to the Insurance Co. by the City. There will be no impact to the Company's statement of operations. The Insurance Co.'s restricted cash disclosed in note 3 is anticipated to increase pursuant to the terms of its operating licence described in note 10.

### 15. COMPARATIVE INFORMATION

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2021.