PROTECTED B

Financial Statements of

MULTISPORT CENTRE OF EXCELLENCE FOUNDATION

Year ended September 30, 2011

[redacted]

[redacted]

INDEPENDENT AUDITORS' REPORT

To the Members of Multisport Centre of Excellence Foundation

We have audited the accompanying financial statements of Multisport Centre of Excellence Foundation, which comprise the statement of financial position as at September 30, 2011, the statements of operations and deficiency in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Multisport Centre of Excellence as at September 30, 2011 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[redacted]

Chartered Accountants

[redacted]

Burnaby, Canada

[redacted]

MULTISPORT CENTRE OF EXCELLENCE FOUNDATION

Statement of Financial Position

September 30, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 1,321,556	$ 27,863
Short-term investments and marketable securities	42,723	20,928
Deposits	1,210,588	1,442,594
Accounts receivable	273,101	25,689
Prepaids	35,737	11,766
	2,883,705	1,526,840
Prepaid land lease	1,156,903	1,224,956
Capital assets (note 3)	19,888,544	17,249,291
	$ 23,929,152	$ 20,003,087
Liabilities and Deficiency in Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,209,544	$ 160,281
Deferred revenue	6,300	13,325
	1,215,844	173,606
Asset retirement obligation (note 4)	511,724	489,688
Notes payable to related parties (note 5)	27,363,570	29,973,585
Deficiency in net assets	(5,161,986)	(10,633,792)
	$ 23,929,152	$ 20,003,087

See accompanying notes to financial statements.

Approved on behalf of the Board:

[redacted] Director [redacted] Director

MULTISPORT CENTRE OF EXCELLENCE FOUNDATION

Statement of Operations and Deficiency in Net Assets

Year ended September 30, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Contributions	$ 1,067,134	$ -
Rental income	36,711	41,686
Investment income	257	1,831
	1,104,102	43,516
Expenses:		
Accounting and legal	73,128	33,472
Accretion of asset retirement obligation	22,036	21,087
Administration	45,852	19,998
Amortization	93,772	89,421
Banking and loan commitment fee	85,910	1,809
Brokerage fees	7,401	-
Contract consulting	346,741	120,957
Donations	-	25,340
Field lease	68,053	68,053
Insurance	81,881	53,105
Interest on note payable (note 5)	1,111,653	4,132,091
Property taxes	175,703	180,057
Rent	51,644	21,700
Salaries and benefits	280,500	203,247
Fair value losses on investments	16,153	-
	2,460,427	4,970,337
	(1,356,325)	(4,926,821)
Forgiveness of interest on notes payable (note 6)	6,828,131	-
Excess (deficiency) of revenue over expenses	5,471,806	(4,926,821)
Deficiency in net assets, beginning of year	(10,633,792)	(5,706,971)
Deficiency in net assets, end of year	$ (5,161,986)	$ (10,633,792)

See accompanying notes to financial statements.

MULTISPORT CENTRE OF EXCELLENCE FOUNDATION

Statement of Cash Flows

Year ended September 30, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 5,471,806	$ (4,926,821)
Items not involving cash:		
Field lease	68,053	68,053
Amortization	93,772	89,421
Accretion of asset retirement obligation	22,036	21,087
Fair value adjustment on marketable securities	16,153	(1,824)
Receipt of donated securities	(37,948)	-
Interest accrued on notes payable	1,111,653	4,132,091
Interest forgiven on notes payable	(6,828,131)	-
Changes in non-cash operating working capital:		
Deposits	232,006	576,693
Accounts receivable	(247,412)	72,356
Prepaids	(23,971)	5,148
Accounts payable and accrued liabilities	1,049,263	(23,646)
Deferred revenue and contributions	(7,025)	12,125
	920,255	24,683
Investments:		
Additions to capital assets	(2,733,025)	(294,948)
	(2,733,025)	(294,948)
Financing:		
Increase in notes payable	3,106,463	2,324,977
Decrease in lease payable	-	(2,031,062)
Decrease in due to related party	-	(11,000)
	3,106,463	282,915
Increase in cash	1,293,693	12,650
Cash, beginning of year	27,863	15,213
Cash, end of year	$ 1,321,556	$ 27,863

See accompanying notes to financial statements.

MULTISPORT CENTRE OF EXCELLENCE FOUNDATION

Notes to Financial Statements

Year ended September 30, 2011

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1. Operations:

The Multisport Centre of Excellence Foundation (the "Foundation") was incorporated under Part II of the Canada Corporations Act by Letters Patent on October 18, 2007. As a registered public foundation, the Foundation is exempt from tax under the Income Tax Act. The Foundation is in the process of constructing an integrated sports medicine, science and athlete training and development facility (the "Athlete Development Facility") located in Burnaby, B.C., which will be held to generate ongoing passive investment income which will be used by the Foundation to support other registered charities and qualified donees.

These financial statements have been prepared on a going concern basis, which assumes the assets will be realized and used and liabilities discharged in the normal course of operations. The Foundation has deficiencies of revenue over expenses and in net assets for two of the past three years, with the positive results in the current year result of the forgiveness of interest on notes payable (note 6). The ability of the Foundation to continue as a going concern is dependent upon the continued support of the holders of the notes payable and the ability of the Foundation to obtain alternate sources of financing and revenue. The Foundation has been approved by a third party lender for a $20 million dollar loan subsequent to year end, in addition to ongoing dialogue with a number of qualified donors to provide funding to complete construction of the Athlete Development Facility. The holders of the notes payable aggregating $27,363,570 have provided written confirmation that they will not demand payment during the year ending September 30, 2012. Should this commitment not extend past that date, and additional sources of funding are not secured, the going concern assumption may no longer be appropriate. Should the going concern assumption not be appropriate, stated amounts of assets and liabilities may not be valid.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are initially deferred and recognized as revenue in the year in which the related expenses are incurred or the restrictions are met. Unspent amounts are included in deferred revenue and contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on account and short-term investments with maturity dates of less than 90 days from the date of acquisition.

2. **Significant accounting policies (continued):**

(c) Deposits:

Deposits primarily consist of amounts paid to local government for land planning and construction bonds.

(d) Prepaid land lease:

The prepaid land lease is the portion of a lease with the City of Burnaby related to land and land improvements, and is amortized on a straight-line basis over the term of the lease, being 20 years.

(e) Capital assets:

Land is recorded at its historical cost at the date of its acquisition. Depreciable capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives, commencing the date they are available for use:

Field Turf	10 years straight-line
Equipment	20-50% declining balance

No amortization has been charged to date on the project under development as these assets are not yet available for use. The Foundation does not capitalize interest on debt related to construction.

(f) Asset retirement obligations:

The Foundation recognizes asset retirement obligations where a reasonably definitive estimate of the fair value of the obligation can be determined. The Foundation estimates fair value by determining the current market cost required to settle the asset retirement obligation, adjusted for inflation through to the expected date of settlement, which is discounted to its present value. The resulting annual expense is referred to as accretion expense. The Foundation reviews changes in estimated future cash flows and timing underlying the fair value measurement on an annual basis.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Areas subject to significant estimates include valuation of accounts receivable, the useful life and amortization of capital assets and asset retirement obligations and related assets. Actual results could differ from these estimates.

2. **Significant accounting policies (continued):**

(h) Financial instruments:

The Foundation accounts for its financial instruments in accordance with Section 3855 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, "*Financial Instruments - Recognition and Measurement*". This section requires that all non-derivative financial assets and liabilities be measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price in an active market, which should be measured at cost, other than such instruments that are classified as held for trading. This section also requires that gains and losses on financial instruments measured at fair value be recognized in the statement of operations in the periods in which they arise, with the exception of (i) unrealized gains and losses on financial assets classified as available-for-sale, which are recognized directly in net assets until the financial asset is derecognized or becomes impaired.

The Foundation classifies its accounts receivable as loans and receivables and has measured these instruments at amortized cost. Impairment losses are recorded in the period they arise. Accounts payable and notes payable are classified as other liabilities and measured at amortized cost.

Cash and cash equivalents and short-term investments and marketable securities have been designated as held for trading and measured at fair value. Changes in fair value are recorded in the statement of operations in the period they arise.

(i) Future accounting standards:

In December 2010, the Accounting Standards Board of the CICA released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. Under these new accounting standards, not-for-profit organizations that are not controlled by a government, such as the Foundation, will apply the Accounting Standards for Not-for-profit Organizations contained in Part III of the CICA Handbook, or International Financial Reporting Standards. The Foundation has decided to adopt the new Accounting Standards for Not-for-profit Organizations.

These standards are effective for years beginning on or after January 1, 2012, with an option for early adoption. The new standards will be applicable for the Foundation's fiscal year ending September 30, 2013. The Foundation is currently evaluating the impact of the new accounting framework on its future financial statements.

MULTISPORT CENTRE OF EXCELLENCE FOUNDATION

Notes to Financial Statements (continued)

Year ended September 30, 2011

3. Capital assets:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land	$ 3,098,439	$ -	$ 3,098,439	$ 3,098,439
Project under development	15,930,430	-	15,930,430	13,211,272
Field turf	1,118,422	268,263	850,159	939,580
Equipment	13,867	4,351	9,516	-
	$ 20,161,158	$ 272,614	$ 19,888,544	$ 17,249,291

The project under development relates to the Athlete Development Facility. No amortization has been charged in the year as the facility was not complete or available for use.

4. Asset retirement obligation:

The Foundation has recognized an asset retirement obligation for future activities and costs related to restoration of a turf field facility leased from the City of Bumaby. As at September 30, 2011, the total undiscounted amount of estimated future cash flows required to settle the obligation was approximately $1,100,000 (2010 - $1,100,000), of which $511,724 (2010 - $489,688) has been recorded as a liability at year end.

5. Notes payable to related parties:

Notes payable	Elysium	Director	Total 2011	Total 2010
Opening balance	$ 28,688,585	$ 1,285,000	$ 29,973,585	$ 23,527,574
Repaid	-	(1,285,000)	(1,285,000)	-
Issued	4,291,463	100,000	4,391,463	2,313,920
Interest forgiven	(6,780,076)	(48,055)	(6,828,131)	-
Interest accrued	1,063,598	48,055	1,111,653	4,132,091
Closing Balance	$ 27,263,570	$ 100,000	$ 27,363,570	$ 29,973,585

5. **Notes payable to related parties (continued):**

(a) Elysium Foundation:

Notes payable totaling $24,090,865 plus accrued interest of $3,172,705 is due to Elysium Foundation ("Elysium"), a party related by virtue of common control and board membership.

One note for $23,000,000 is interest bearing at 5% per annum and is currently secured by a first charge mortgage on the land and buildings of the Foundation and a general security agreement. During the year, the interest rate on this note was reduced retroactively to the date of inception from 20% per annum to 5% per annum. The reduction in accrued interest payable has been recorded as a forgiveness of interest in the current year.

The second note for $1,090,865 and is non interest bearing and is unsecured.

The notes are repayable on demand, with 90 days notice.

(b) Note payable to director:

At September 30, 2011, the Foundation had an outstanding note to a director of the Foundation bearing interest at 5% per annum, with a principal of $100,000 with no interest. During the year, the interest rate on this note was reduced retroactively to the date of inception from 20% per annum to 5% per annum. The reduction in accrued interest payable has been recorded as a forgiveness of interest in the current year.

The note is unsecured and is repayable on demand, with 90-days notice.

The related parties to whom both notes are due have confirmed in writing that they have waived the right to demand repayment of the notes, at a minimum until October 1, 2012, and consequently the notes have been presented as non-current liabilities.

In addition, the related parties have agreed to move to a second charge mortgage on the land and buildings of the Foundation along with other assurances in favor of a senior lending institution advancing loan amounts to complete the construction of the Athlete Development Facility. Subsequent to year end, $3,000,000 out of the $20,000,000 in approved financing has been approved and received.

6. **Financial Instruments:**

The carrying amounts of accounts receivable, accounts payable and notes payable approximate their fair values.

7. **Capital disclosures:**

The Foundation defines its capital to be net assets and notes payable to related parties. There are no external restrictions on the Foundation's capital.