

# RE: EX16.7

## FINANCIAL STATEMENTS

For

CASA LOMA CORPORATION

For year ended

DECEMBER 31, 2015

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of

**CASA LOMA CORPORATION**

We have audited the accompanying financial statements of Casa Loma Corporation, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and accumulated surplus, changes in financial assets, and cash flows for the year then ended, and 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 public sector accounting standards, 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.

*Auditor's 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 the 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 the auditor's 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 Casa Loma Corporation as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matter*

The financial statements of Casa Loma Corporation for the year ended December 31, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on April 7, 2015.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
March 21, 2016.

**CASA LOMA CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>FINANCIAL ASSETS</b>		
Cash and short-term investment (note 3)	\$ 3,121,233	\$ 2,340,047
Accounts receivable	<u>8,990</u>	<u>10,125</u>
	<u>3,130,223</u>	<u>2,350,172</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities (note 5)	<u>2,035,077</u>	<u>399,436</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,095,146</u>	<u>1,950,736</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 4)	<u>1,579,409</u>	<u>1,607,327</u>
<b>ACCUMULATED SURPLUS (note 6)</b>	<u>\$ 2,674,555</u>	<u>\$ 3,558,063</u>

Approved by the Board:

  
..... Director

  
..... Director

(See accompanying notes)

**CASA LOMA CORPORATION**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**YEAR ENDED DECEMBER 31, 2015**

	Budget <u>2015</u> (Unaudited)	Actual <u>2015</u>	Actual <u>2014</u>
<b>Revenue</b>			
Rental income (note 1)	\$ 1,500,000	\$ 1,500,000	\$ 709,147
Operations and administration	-	-	209,170
Other income	-	<u>19,343</u>	<u>18,354</u>
	<u>1,500,000</u>	<u>1,519,343</u>	<u>936,671</u>
<b>Expenses</b>			
Salaries and wages	205,000	208,888	293,483
Property taxes	-	58,567	97,785
General administration	25,000	7,016	84,034
Amortization of tangible assets	-	55,738	51,728
Consultants	100,000	25,546	41,792
Insurance	-	27,847	27,847
Professional fees	<u>10,000</u>	<u>6,275</u>	<u>13,468</u>
	<u>340,000</u>	<u>389,877</u>	<u>610,137</u>
<b>Annual surplus</b>	<u>\$ 1,160,000</u>	1,129,466	326,534
<b>Accumulated surplus, beginning of year</b> (note 6)		<u>3,558,063</u>	<u>4,031,529</u>
		4,687,529	4,358,063
<b>Distribution to City of Toronto</b> (note 5)		<u>(2,012,974)</u>	<u>(800,000)</u>
<b>Accumulated surplus, end of year</b> (note 6)		<u>\$ 2,674,555</u>	<u>\$ 3,558,063</u>

(See accompanying notes)

**CASA LOMA CORPORATION**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 1,129,466	\$ 326,534
Distribution to City of Toronto	<u>(2,012,974)</u>	<u>(800,000)</u>
	<u>(883,508)</u>	<u>(473,466)</u>
Acquisition of tangible capital assets	(27,820)	(68,800)
Amortization of tangible assets	55,738	51,728
Consumption of inventories	-	18,233
Use of prepaid expenses	<u>-</u>	<u>19,946</u>
	<u>27,918</u>	<u>21,107</u>
Change in net financial assets	(855,590)	(452,359)
Net financial assets, beginning of year	<u>1,950,736</u>	<u>2,403,095</u>
Net financial assets, end of year	<u>\$ 1,095,146</u>	<u>\$ 1,950,736</u>

(See accompanying notes)

**CASA LOMA CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual surplus	\$ 1,129,466	\$ 326,534
Adjustments for:		
Amortization of tangible assets	<u>55,738</u>	<u>51,728</u>
	1,185,204	378,262
Changes in non-cash operating items:		
Accounts receivable	1,135	131,781
Inventories	-	18,235
Prepaid expenses	-	19,944
Accounts payable and accrued liabilities	1,635,641	(736,901)
Deferred revenue	-	(33,769)
Deposits on future functions	<u>-</u>	<u>(248,321)</u>
<b>Cash flows from (used in) operating activities</b>	<u>2,821,980</u>	<u>(470,769)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	<u>(27,820)</u>	<u>(68,800)</u>
<b>Cash flows used in investing activities</b>	<u>(27,820)</u>	<u>(68,800)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distribution to City of Toronto	<u>(2,012,974)</u>	<u>(800,000)</u>
<b>Cash flows used in financing activities</b>	<u>(2,012,974)</u>	<u>(800,000)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	781,186	(1,339,569)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,340,047</u>	<u>3,679,616</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 3,121,233</u>	<u>\$ 2,340,047</u>
<hr/>		
Cash and short-term investment are comprised of:		
Cash, unrestricted	\$ 2,269,454	\$ 1,488,268
Cash, Capital reserve fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 3,121,233</u>	<u>\$ 2,340,047</u>

(See accompanying notes)

**CASA LOMA CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**1. NATURE OF OPERATIONS**

Casa Loma Corporation (the "Corporation") was incorporated on June 20, 2011 under the Ontario Business Corporations Act. The City of Toronto is the sole shareholder and the number of shares is restricted to one share. The Corporation acquired the net assets and began operations of Casa Loma effective July 20, 2011. On January 13, 2014, the Corporation, City of Toronto, 1906823 Ontario Inc. (the "Tenant") and 1309320 Ontario Inc. (o/a Liberty Entertainment Group) entered into the Casa Loma Agreement and Lease ("Operating Agreement and Lease") of Casa Loma whereby the Tenant assumes responsibilities to lease, improve and operate a heritage attraction and special event at Casa Loma.

Both the Operating Agreement and Lease have terms commencing on January 14, 2014 to January 13, 2034. All rental income is realized through this agreement.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB).

*Revenue recognition*

The Corporation recognizes rental revenue from the Operating Agreement and Lease on a monthly basis.

*Financial instruments*

The Corporation initially measures its financial assets and financial liabilities at fair value.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

It is management's opinion that, unless otherwise noted, the Corporation is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. There have been no changes in the Corporation's risk exposures from the prior year.

*Tangible capital assets*

Tangible capital assets are recorded at acquisition cost. Amortization is provided using the declining balance method at the following annual rates:

Computer hardware	- 20 %
Computer software	- 20 %
Furniture and equipment	- 20 %
Improvements to rental property	- 10 %
Furniture refurbishing	- 33 %

Arts and antiques are not subject to amortization.

*Use of estimates*

The preparation of financial statements in conformity with Canadian 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining useful life of its capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and in any future years affected.

**CASA LOMA CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2015**

**3. CASH AND SHORT-TERM INVESTMENT**

Cash and short-term investments includes an investment with the City of Toronto in the amount of \$1,000,000 (2014 - \$1,000,000) maturing November 13, 2016 earning an interest rate of 1.14%.

**4. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer hardware	\$ 10,545	\$ 6,475	\$ 10,545	\$ 5,458
Computer software	14,419	8,790	14,419	7,382
Furniture and equipment	341,483	148,445	313,663	108,786
Improvements to rental property	174,929	61,286	174,929	48,659
Furniture refurbishing	7,300	5,247	7,300	4,220
Arts and antiques	<u>1,260,976</u>	-	<u>1,260,976</u>	-
	<u>1,809,652</u>	<u>\$ 230,243</u>	<u>1,781,832</u>	<u>\$ 174,505</u>
Accumulated amortization		<u>230,243</u>		<u>174,505</u>
	<u>\$ 1,579,409</u>		<u>\$ 1,607,327</u>	

**5. ACCOUNTS PAYABLE**

Accounts payable includes the distribution to the City of Toronto in the amount of \$2,012,974.

**6. ACCUMULATED SURPLUS**

Accumulated surplus consists of individual funds as follows:

	<u>2015</u>	<u>2014</u>
Invested in tangible capital assets	\$ 1,579,409	\$ 1,607,327
Unrestricted fund	243,367	1,098,957
Reserve set aside by the Board of Directors:		
Capital fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 2,674,555</u>	<u>\$ 3,558,063</u>

**7. COMPARATIVE FIGURES**

Comparative figures have been audited by another auditor and have been reclassified where necessary to conform to the presentation adopted in the current year.