

Casa Loma Corporation - Annual General Meeting and 2020 Audited Financial Statements

Date: June 21, 2021

To: Executive Committee

From: City Manager and Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report transmits materials submitted by the Board of Directors of Casa Loma to the City and recommends actions necessary to comply with the requirements of the Business Corporations Act, Ontario (OBCA) for holding the Annual General Meeting of the Shareholder Casa Loma Corporation, including receipt of its Annual Report and Audited Financial Statements (Statements) for 2020 and appointment of the auditor for 2021.

Casa Loma's 2020 Statements were audited by Welch LPP and received an unqualified opinion stating that the financial statements present fairly, in all material respects, the financial position of Casa Loma as at December 31, 2020, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards. Limited review and analysis was performed by City staff.

The report also responds to City Council's request to report the impact of COVID19 on the 2020 financial statements as well as any modifications to programs and initiatives to address the pandemic.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council treat that portion of the City Council meeting at which this Report is considered as the Annual General Meeting of the Shareholder for Casa Loma Corporation by:

- a. receiving the "Casa Loma Corporation 2020 Annual Report, and the "Casa Loma Corporation 2020 Audited Financial Statements", forming Attachment 1 and 2 to this Report; and

b. appointing Welch LLP as the Auditor of Casa Loma Corporation for fiscal year 2021 and authorizing the Board of Directors of Casa Loma Corporation to fix the remuneration of the Auditor.

2. City Council receive the "Casa Loma Corporation 2020 Financial Impacts of COVID-19 ", forming Attachment 3 to this Report.

3. City Council direct the City Clerk to forward a copy of the "Casa Loma 2020 Audited Annual Financial Statements", forming Attachment 2 to this Report, to the Audit Committee for information.

FINANCIAL IMPACT

Casa Loma's 2020 Statements recognize a net operating surplus of \$0.3 million (a decrease of \$1.5 million over 2019), total assets of \$5.4 million (an increase of \$0.3 million over 2019), and total liabilities of \$0.01 million (a decrease of \$0.02 million over 2019). The accumulated surplus increased by \$0.3 million in 2020 to \$5.4 million. The entity recognized a bad debt expense of \$1.5 million, as it was unable to collect 75% of the 2020 rental income due from its tenant, given suspension of operations.

Casa Loma does not pay dividends to the City of Toronto. In lieu of dividends, contributions are made to the Casa Loma Capital Maintenance Reserve Fund, held by the City of Toronto. Due to the uncertainty of revenues in 2020, no contribution was made to the Reserve, which may impact Phase 11 of Casa Loma's Restoration Plan. The City will include the Phase 11 capital project with its application for federal infrastructure funding. If this grant is not awarded, Phase 11 will be suspended until rent revenues replenish the capital reserve or alternate funding is identified.

For 2021, the tenant continues to follow public health guidelines and provincial reopening instructions, resuming full operations when safe to do so. At this time, there are no going concern considerations.

DECISION HISTORY

On February 18, 2021, City Council adopted EX21.2 Capital and Operating Budgets and requested the Board of Directors of Build Toronto, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Toronto Community Housing Corporation and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meetings.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

On September 30, 2020, that portion of the City Council meeting where EX16.15 Casa Loma Corporation - Annual General Meeting and 2019 Audited Financial Statements

was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Casa Loma

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.15>

On July 11, 2012, City Council approved a requirement that Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from executives.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19>

ISSUE BACKGROUND

City Council authorized the establishment of Casa Loma Corporation on June 14, 2011, pursuant to section 148 of the City of Toronto Act, 2006, and Ontario Regulation 609/06. Casa Loma Corporation was incorporated under the Business Corporations Act (Ontario) (OBCA) on June 20, 2011. The City is the sole shareholder.

Subsection 94(1) of the OBCA requires that the directors of a corporation call an annual meeting of the Shareholder not later than fifteen months after holding the last preceding annual meeting. The last annual meeting was held by City Council on September 30, 2020. Subsection 154(1) of the OBCA requires the directors to place before each annual meeting of Shareholders, audited financial statements for the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting, and for the Shareholders to receive Casa Loma Corporation's audited annual financial statements and the report of the auditor at the annual meeting of the Shareholder.

Section 149(2) of the OBCA requires that the Casa Loma Shareholder, at each annual meeting, appoint one or more auditors to hold office until the close of the next annual meeting, and allows the Shareholder to authorize the directors to fix the auditor's remuneration.

Section 3 of the Unanimous Shareholder Declaration to Casa Loma Corporation requires Casa Loma Corporation to provide an annual report on its progress to City Council, in addition to the requirement of the OBCA to hold an annual general meeting.

COMMENTS

1. Appointment of Auditor

Under the OBCA, the auditor must be appointed annually by the Shareholder at the Annual General Meeting of the corporation. The auditor so appointed holds office until the close of the next Annual General Meeting of the Shareholder, or until a successor is appointed.

The Board of Directors of Casa Loma has recommended that Welch LLP be appointed as the Auditor for Casa Loma Corporation for fiscal year 2021. The Board will fix the annual remuneration of the Auditor.

2. Key Casa Loma Achievements in 2020

The letter to the Shareholder from Casa Loma Corporation, Chair of the Board transmits the 2020 Annual Report, forming Attachment 1 to this report, which highlights key Casa Loma Corporation achievements in 2020.

3. Summary – Casa Loma Corporation 2020 Audited Financial Statements

Highlights of Financial Results

This report provides a summary of Casa Loma's 2020 Statements, forming attachment 2 to this report. For the year ended December 31, 2020, Casa Loma recorded an operating surplus of \$0.3 million.

Statement of Financial Position

The following table summarizes the Statement of Financial Position for Casa Loma Corporation as at December 31, 2020, with comparative figures for 2019:

	2020	2019	Increase/ (Decrease)	%
Financial Assets				
Cash	2,942,731	2,688,880	253,851	9%
Investments	1,000,000	1,000,000	-	0%
Due from the City of Toronto	19,957	4,961	14,996	302%
Total Financial Assets	3,962,688	3,693,841	268,847	7%
Liabilities				
Accounts Payable and Accrued Liabilities	10,364	6,400	3,964	62%
Government Remittances payable	-	21,125	(21,125)	100%
Total Liabilities	10,364	27,525	(17,161)	62%
Net Financial Assets	3,952,324	3,666,316	286,008	8%
Non-Financial Assets				
Tangible capital assets	1,411,057	1,434,247	(23,190)	2%
Accumulated Surplus	5,363,381	5,100,563	262,818	5%

Casa Loma Corporation's total assets and liabilities remained fairly consistent with prior year. Accumulated Surplus increase is directly attributable to the entity's net surplus of \$0.3 million.

Statement of Operations

The table below summarizes and compares the operating results for the year ended December 31, 2020, with comparative figures for 2019:

	2020	2019	Increase/ (Decrease)	%
Revenues				
Rental income	2,000,000	1,950,000	50,000	3%
Interest Income	23,333	68,920	(45,587)	-66%
Sub-total	2,023,333	2,018,920	4,413	0%
Expenses				
Property Taxes	195,785	180,608	15,177	8%
Insurance	34,163	30,446	3,717	12%
Amortization of tangible capital assets	23,190	27,421	(4,231)	-15%
Professional fees	6,600	6,400	200	3%
Other	777	866	(89)	10%
Bad Debt Expense	1,500,000	-	1,500,000	
Sub-total	1,760,515	245,741	1,514,774	616%
Annual Surplus	262,818	1,773,179	(1,510,361)	-85%
Accumulated Surplus, beginning of year	5,100,563	6,327,384	(1,226,821)	-19%
Subtotal	5,363,381	8,100,563	(2,737,182)	-34%
Distribution to City of Toronto	-	(3,000,000)	3,000,000	-100%
Accumulated, surplus end of year	5,363,381	5,100,563	262,818	5%

Casa Loma's total revenues were \$2.0 million and remained fairly consistent with prior year. The additional \$0.05 million received for the annual basic rent increase was fully offset by lower interest earned on the investments.

Total expenses in 2020 were \$1.8 million, an increase of \$1.5 million (or 616%) over the previous year and is directly attributable to the \$1.5 million for Bad Debt expense for uncollected rent. Due to the provincial closures, the tenant was unable to operate Casa Loma and the entity was unable to collect 75% of the 2020 rental income due.

4. 2020 Executive Compensation

The compensation paid to the corporation's executive officers is required to be disclosed pursuant to the Province of Ontario's public disclosure of the salary and benefits paid in respect of employment in the public sector under the Public Sector Salary Disclosure Act, 1996. Casa Loma is managed by City staff.

Liberty Entertainment Group, which operates Casa Loma through a management agreement with the City, is not required to disclose executive compensation.

5. Impact of COVID-19

As part of the City of Toronto 2021 Budget process, City Council requested the Board of Directors of Build Toronto, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Toronto Community Housing Corporation and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meeting.

Casa Loma provided this information in Attachment 3. Management has provided additional commentary on the impact of COVID-19 in Note 11, in the Notes to the Financial Statements Attachment 2.

6. Other Information

Staff are currently exploring opportunities to streamline the reporting requirements and the annual general meetings of all City corporations in future years.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

Attachment 1: Casa Loma Corporation 2020 Annual Report

Attachment 2: Casa Loma Corporation 2020 Audited Financial Statements

Attachment 3: Casa Loma Corporation 2020 Financial Impacts of COVID-19