Financial Statements of

CASA LOMA CORPORATION

Year ended December 31, 2012

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' 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, 2012, the statements of operations and accumulated surplus, changes in net financial 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 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.

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 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 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, we consider 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, 2012, and its results of 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 as at December 31, 2011 and for the period from June 20, 2011 (date of incorporation) to December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on April 27, 2012.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 1, 2013
Toronto, Canada

CASA LOMA CORPORATION

Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets		
Cash	$ 2,925,919	$ 1,099,345
Accounts receivable	164,946	196,807
	3,090,865	1,296,152
Financial liabilities		
Accounts payable and accrued liabilities	868,803	739,684
Deferred revenue	34,126	15,971
Deposits on future functions	256,779	205,896
	1,159,708	961,551
Net financial assets	1,931,157	334,601
Non-financial assets:		
Inventories (note 2)	22,862	49,022
Prepaid expenses	23,522	21,410
Tangible capital assets (note 3)	1,512,535	1,488,323
Intangible assets (note 4)	–	89,391
	1,558,919	1,648,146
Accumulated surplus	$ 3,490,076	$ 1,982,747

Commitments (note 6)

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CASA LOMA CORPORATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative figures for the period from June 20, 2011 (date of incorporation) to December 31, 2011

	2012 Budget (Unaudited)	2012 Actual	Actual for the period from June 20, 2011 to December 31, 2011
Revenue:			
Operations	$ 3,404,722	$ 3,953,195	$ 1,668,799
Gift shop	363,351	350,572	167,910
Catering and cafeteria	758,750	794,224	397,089
Marketing	20,500	5,929	4,934
Administration and finance	186,682	208,810	102,380
	4,734,005	5,312,730	2,341,112
Expenses:			
Operations	1,812,404	1,891,523	758,081
Gift shop	306,426	294,585	160,535
Catering and cafeteria	277,098	297,612	180,466
Marketing	543,025	387,154	200,261
Administration and finance	820,105	934,527	534,222
	3,759,058	3,805,401	1,833,565
Surplus	974,947	1,507,329	507,547
Accumulated surplus, beginning of period	1,982,747	1,982,747	–
Equity contribution from the City of Toronto	–	–	1,475,200
Accumulated surplus, end of period	$ 2,957,694	$ 3,490,076	$ 1,982,747

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2012, with comparative figures for the period from June 20, 2011 (date of incorporation) to December 31, 2011

	2012	For the period from June 20, 2011 to December 31, 2011
Surplus	$ 1,507,329	$ 507,547
Equity contribution from the City of Toronto	–	1,475,200
	1,507,329	1,982,747
Acquisition of tangible capital assets	(69,878)	(1,502,696)
Acquisition of intangible assets	–	(91,293)
Loss on disposal of intangible assets (note 4)	89,391	–
Acquisition of inventories	(157,254)	(132,367)
Acquisition of prepaid expenses	(23,522)	(22,725)
Amortization of tangible capital assets	45,666	14,373
Amortization of intangible assets	–	1,902
Consumption of inventories	183,414	83,345
Use of prepaid expenses	21,410	1,315
	89,227	(1,648,146)
Net change in net financial assets	1,596,556	334,601
Net financial assets, beginning of period	334,601	–
Net financial assets, end of period	$ 1,931,157	$ 334,601

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for the period from June 20, 2011 (date of incorporation) to December 31, 2011

	2012	For the period from June 20, 2011 to December 31, 2011
Cash flows from (used in) operating activities:		
Surplus	$ 1,507,329	$ 507,547
Items not involving cash:		
Amortization of tangible capital assets	45,666	14,373
Amortization of intangible assets	–	1,902
Loss on disposal of intangible assets	89,391	–
Change in non-cash operating items:		
Decrease (increase) in accounts receivable	31,861	(196,807)
Decrease (increase) in inventories	26,160	(49,022)
Increase in prepaid expenses	(2,112)	(21,410)
Increase in accounts payable and accrued liabilities	129,119	739,684
Increase in deferred revenue	18,155	15,971
Increase in deposits on future functions	50,883	205,896
	1,896,452	1,218,134
Cash flows from financing activities:		
Equity contribution from the City of Toronto	–	1,475,200
Cash flows used in investing activities:		
Purchase of tangible capital assets	(69,878)	(1,502,696)
Purchase of intangible assets	–	(91,293)
	(69,878)	(1,593,989)
Increase in cash	1,826,574	1,099,345
Cash, beginning of period	1,099,345	–
Cash, end of period	$ 2,925,919	$ 1,099,345
Cash is comprised of:		
Cash, unrestricted	$ 1,851,373	$ 604,921
Cash, CLIF and capital reserve fund	1,074,546	494,424
	$ 2,925,919	$ 1,099,345

See accompanying notes to financial statements.

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 operates Casa Loma, a tourist attraction. The Corporation acquired the net assets and began operations of Casa Loma effective July 20, 2011.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian public sector accounting principles as recommended in the Public Sector Accounting Handbook of The Canadian Institute of Chartered Accountants.

(a) Revenue recognition:

Revenue from admission and gift shop sales is recorded at time of sale.

Revenue from catering, special events and programs is recognized when events or programs are held.

Revenue from rental, parking and cafeteria operations is calculated on a monthly basis under licence/lease agreements.

(b) Financial instruments:

The carrying amounts of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments.

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.

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost. The Corporation provides for amortization using the straight-line method, at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Computer hardware	5 years
Computer software	5 years
Furniture and equipment	5 years
Improvements to property	10 years
Furniture refurbishing	3 years

No amortization is provided on arts and antiquities.

(d) Inventories:

Inventories are recorded at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

(e) Management estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

Key areas where management has made estimates are the valuation of arts and antiquities. Actual results could differ from those estimates, the impact of which would be recorded in future years.

2. Inventories:

Inventories consist of gift shop merchandise. During the year, an inventory write down of $1,266 (2011 - $6,436) was recorded.

3. Tangible capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	$ 10,545	$ 2,596	$ 7,949	$ 6,698
Computer software	14,419	3,424	10,995	7,432
Furniture and equipment	140,858	33,154	107,704	80,511
Improvements to property	138,476	19,040	119,436	132,706
Arts and antiquities	1,260,976	–	1,260,976	1,260,976
Furniture refurbishing	7,300	1,825	5,475	–
	$ 1,572,574	$ 60,039	$ 1,512,535	$ 1,488,323

4. Intangible assets:

Intangible assets were written off by management during the year to ensure compliance with the Canadian public sector accounting standards. The net book value of the intangible assets were $89,391 as at December 31, 2011.

5. Registered Retirement Savings Plan:

The Corporation sponsors a money purchase pension plan, which requires a matching contribution of up to 3% of the gross salary of full-time employees. The Corporation contributed $18,584 (2011 - $13,613) to the plan during the year.

6. Commitments:

The Corporation is committed to lease certain audio and office equipment and has entered into long-term service contracts for maintenance and security.

The minimum payments under these agreements are as follows:

2013	$ 428,930
2014	421,516
2015	113,514
2016	56,757
2017	–
	$ 1,020,717

7. Accumulated surplus:

Accumulated surplus consist of individual funds as follows:

	2012	2011
Invested in tangible capital assets	$ 1,512,535	$ 1,488,323
Unrestricted fund	902,995	–
Reserve set aside by the board:		
CLIF capital fund	323,993	87,222
Capital fund	750,553	407,202
	1,074,546	494,424
	$ 3,490,076	$ 1,982,747

8. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.