

Financial Statements of

CASA LOMA CORPORATION

Year ended December 31, 2013



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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, 2013, 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, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2014
Toronto, Canada

CASA LOMA CORPORATION

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial assets		
Cash and short-term investment (note 3)	\$ 3,679,616	\$ 2,925,919
Accounts receivable	141,906	164,946
	<u>3,821,522</u>	<u>3,090,865</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,136,337	868,803
Deferred revenue	33,769	34,126
Deposits on future functions	248,321	256,779
	<u>1,418,427</u>	<u>1,159,708</u>
Net financial assets	2,403,095	1,931,157
Non-financial assets:		
Inventories (note 4)	18,235	22,862
Prepaid expenses	19,946	23,522
Tangible capital assets (note 5)	1,590,253	1,512,535
	<u>1,628,434</u>	<u>1,558,919</u>
Accumulated surplus	<u>\$ 4,031,529</u>	<u>\$ 3,490,076</u>

Commitments (note 8)
Subsequent event (note 10)

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, 2013, with comparative information for 2012

	2013	2013	2012
	Budget	Actual	Actual
	(note 2)		
Revenue:			
Operations	\$ 3,610,699	\$ 4,101,798	\$ 3,953,195
Gift shop	363,934	358,943	350,572
Catering and cafeteria	829,100	958,023	794,224
Marketing	—	9,500	5,929
Administration and finance	218,608	243,590	208,810
	5,022,341	5,671,854	5,312,730
Expenses:			
Operations	1,785,126	2,072,330	1,891,523
Gift shop	296,837	356,058	294,585
Catering and cafeteria	255,457	463,117	297,612
Marketing	559,074	492,295	387,154
Administration and finance	943,165	946,601	934,527
	3,839,659	4,330,401	3,805,401
Surplus	<u>\$ 1,182,682</u>	1,341,453	1,507,329
Accumulated surplus, beginning of year		3,490,076	1,982,747
Distribution to City of Toronto		(800,000)	—
Accumulated surplus, end of year		\$ 4,031,529	\$ 3,490,076

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Surplus	\$ 1,341,453	\$ 1,507,329
Distribution to City of Toronto	(800,000)	—
	541,453	1,507,329
Acquisition of tangible capital assets	(140,457)	(69,878)
Loss on disposal of intangible assets (note 6)	—	89,391
Acquisition of inventories	(146,075)	(157,254)
Acquisition of prepaid expenses	(47,020)	(23,522)
Amortization of tangible capital assets	62,739	45,666
Consumption of inventories	150,702	183,414
Use of prepaid expenses	50,596	21,410
	(69,515)	89,227
Net change in net financial assets	471,938	1,596,556
Net financial assets, beginning of year	1,931,157	334,601
Net financial assets, end of year	\$ 2,403,095	\$ 1,931,157

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash flows from (used in) operating activities:		
Surplus	\$ 1,341,453	\$ 1,507,329
Items not involving cash:		
Amortization of tangible capital assets	62,739	45,666
Loss on disposal of intangible assets	—	89,391
Change in non-cash operating items:		
Decrease in accounts receivable	23,040	31,861
Decrease in inventories	4,627	26,160
Decrease (increase) in prepaid expenses	3,576	(2,112)
Increase in accounts payable and accrued liabilities	267,534	129,119
Increase (decrease) in deferred revenue	(357)	18,155
Increase (decrease) in deposits on future functions	(8,458)	50,883
	1,694,154	1,896,452
Cash flows used in financing activities:		
Distribution to City of Toronto	(800,000)	—
Cash flows used in investing activities:		
Purchase of tangible capital assets	(140,457)	(69,878)
Increase in cash and short-term investment	753,697	1,826,574
Cash and short-term investment, beginning of year	2,925,919	1,099,345
Cash and short-term investment, end of year	\$ 3,679,616	\$ 2,925,919
Cash and short-term investment comprised of:		
Cash, unrestricted	\$ 2,245,527	\$ 1,851,373
Cash, Casa Loma Improvement Fund ("CLIF") and capital reserve fund	1,434,089	1,074,546
	\$ 3,679,616	\$ 2,925,919

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Notes to Financial Statements

Year ended December 31, 2013

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 Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

(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.

CASA LOMA CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

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 in conformity with Canadian public sector accounting principles 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.

2. Budget:

The budgeted figures have been derived from the budget approved by the Board of Directors on December 13, 2012.

CASA LOMA CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

3. Cash and short-term investment:

At year end, the Corporation held a short-term investment of \$504,411 in a money market account.

4. Inventories:

Inventories consist of gift shop merchandise. During the year, an inventory write down of nil (2012 - \$1,266) was recorded.

5. Tangible capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 10,545	\$ 4,186	\$ 6,359	\$ 7,949
Computer software	14,419	5,623	8,796	10,995
Furniture and equipment	244,862	75,146	169,716	107,704
Improvements to property	174,929	34,629	140,300	119,436
Arts and antiquities	1,260,976	—	1,260,976	1,260,976
Furniture refurbishing	7,300	3,194	4,106	5,475
	\$ 1,713,031	\$ 122,778	\$ 1,590,253	\$ 1,512,535

6. Intangible assets:

In fiscal 2012, intangible assets of \$89,391 were written off by management to ensure compliance with the Canadian public sector accounting standards.

7. 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 \$20,918 (2012 - \$18,584) to the plan during the year.

CASA LOMA CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

8. 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:

2014	\$	426,043
2015		113,514
2016		56,757
	\$	596,314

9. Accumulated surplus:

Accumulated surplus consists of individual funds as follows:

	2013	2012
Invested in tangible capital assets	\$ 1,590,253	\$ 1,512,535
Unrestricted fund	1,007,187	902,995
Reserve set aside by the Board:		
CLIF capital fund	578,346	323,993
Capital fund	855,743	750,553
	1,434,089	1,074,546
	\$ 4,031,529	\$ 3,490,076

CASA LOMA CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

10. Subsequent event:

The City of Toronto is the owner of the lands, building, and improvements of Casa Loma, which is currently managed by the Casa Loma Corporation. On January 14, 2014, Casa Loma Corporation, City of Toronto, 1906823 Ontario Inc. ("Tenant") and 1309320 Ontario Inc. (o/a "Liberty Entertainment Group") entered into the Casa Loma Operating Agreement and Lease of Casa Loma whereby the Tenant assumes responsibilities to lease, improve and operate a heritage attraction and special event venue at Casa Loma.

Both the Operating Agreement and the Lease have terms commencing on January 14, 2014 to January 13, 2034. After the transfer of operational responsibilities, Casa Loma Corporation will have no further responsibility for, nor liability for operational matters at Casa Loma. The Corporation will continue to oversee the lease and seek options for future uses for the property north of Austin Terrace. The Corporation has been given this authority by City of Toronto Council.

Included in these financial statements are several accruals related to the transfer of operation noted above.