

Financial Statements of

CASA LOMA CORPORATION

Year ended December 31, 2014



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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, 2014, 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, 2014, 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

April 7, 2015
Toronto, Canada

CASA LOMA CORPORATION

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets		
Cash and short-term investment (note 3)	\$ 2,340,047	\$ 3,679,616
Accounts receivable	10,125	141,906
	<u>2,350,172</u>	<u>3,821,522</u>
Financial liabilities		
Accounts payable and accrued liabilities	399,436	1,136,337
Deferred revenue	—	33,769
Deposits on future functions	—	248,321
	<u>399,436</u>	<u>1,418,427</u>
Net financial assets	1,950,736	2,403,095
Non-financial assets:		
Inventories (note 4)	—	18,235
Prepaid expenses	—	19,946
Tangible capital assets (note 5)	1,607,327	1,590,253
	<u>1,607,327</u>	<u>1,628,434</u>
Accumulated surplus (note 7)	<u>\$ 3,558,063</u>	<u>\$ 4,031,529</u>

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, 2014, with comparative information for 2013

	2014	2014	2013
	Budget	Actual	Actual
	(note 2)		
Revenue:			
Operations	\$ 55,316	\$ 214,135	\$ 4,101,798
Gift shop	4,119	4,119	358,943
Catering and cafeteria	–	–	958,023
Marketing	–	–	9,500
Administration and finance	719,562	718,417	243,590
	<u>778,997</u>	<u>936,671</u>	<u>5,671,854</u>
Expenses:			
Operations	68,626	77,693	2,072,330
Gift shop	4,632	4,919	356,058
Catering and cafeteria	10,000	23,278	463,117
Marketing	14,000	9,667	492,295
Administration and finance	415,225	494,580	946,601
	<u>512,483</u>	<u>610,137</u>	<u>4,330,401</u>
Surplus	<u>\$ 266,514</u>	326,534	1,341,453
Accumulated surplus, beginning of year (note 7)		4,031,529	3,490,076
Distribution to City of Toronto		(800,000)	(800,000)
Accumulated surplus, end of year (note 7)		<u>\$ 3,558,063</u>	<u>\$ 4,031,529</u>

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Surplus	\$ 326,534	\$ 1,341,453
Distribution to City of Toronto	(800,000)	(800,000)
	(473,466)	541,453
Acquisition of tangible capital assets	(68,800)	(140,457)
Acquisition of inventories	–	(146,075)
Acquisition of prepaid expenses	–	(47,020)
Amortization of tangible capital assets	51,726	62,739
Consumption of inventories	18,235	150,702
Use of prepaid expenses	19,946	50,596
	21,107	(69,515)
Net change in net financial assets	(452,359)	471,938
Net financial assets, beginning of year	2,403,095	1,931,157
Net financial assets, end of year	\$ 1,950,736	\$ 2,403,095

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from (used in) operating activities:		
Surplus	\$ 326,534	\$ 1,341,453
Item not involving cash:		
Amortization of tangible capital assets	51,726	62,739
Change in non-cash operating items:		
Decrease in accounts receivable	131,781	23,040
Decrease in inventories	18,235	4,627
Decrease in prepaid expenses	19,946	3,576
Increase (decrease) in accounts payable and accrued liabilities	(736,901)	267,534
Decrease in deferred revenue	(33,769)	(357)
Decrease in deposits on future functions	(248,321)	(8,458)
	(470,769)	1,694,154
Cash flows used in financing activities:		
Distribution to City of Toronto	(800,000)	(800,000)
Cash flows used in investing activities:		
Purchase of tangible capital assets	(68,800)	(140,457)
Increase (decrease) in cash and short-term investment	(1,339,569)	753,697
Cash and short-term investment, beginning of year	3,679,616	2,925,919
Cash and short-term investment, end of year	\$ 2,340,047	\$ 3,679,616
Cash and short-term investment comprised of:		
Cash, unrestricted	\$ 1,488,268	\$ 2,245,527
Cash, Casa Loma Improvement Fund and capital reserve fund	851,779	1,434,089
	\$ 2,340,047	\$ 3,679,616

See accompanying notes to financial statements.

CASA LOMA CORPORATION

Notes to Financial Statements

Year ended December 31, 2014

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 venue at Casa Loma.

Both the Operating Agreement and Lease have terms commencing on January 14, 2014 to January 13, 2034.

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, gift shop sales and other 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.

Rental revenue from the Operating Agreement and Lease is calculated on a monthly basis and is included in administration and finance revenue.

(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, 2014

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 October 8, 2014. The budget includes an additional \$85,000 allocated for capital assets purchases.

CASA LOMA CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Cash and short-term investment:

At year end, the Corporation held a short-term investment of \$506,989 (2013 - \$504,411) in a money market account and an investment with City of Toronto in the amount of \$1,000,000 (2013 - nil) maturing on November 5, 2015, earning an interest rate of 1.35%.

4. Inventories:

On January 13, 2014, inventories were sold to 1309320 Ontario Inc. (o/a Liberty Entertainment Group) as part of the agreement to assume operations at the Corporation.

5. Tangible capital assets:

2014	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 10,545	\$ 5,458	\$ 5,087
Computer software	14,419	7,382	7,037
Furniture and equipment	244,863	108,786	136,077
Improvements to property	174,929	48,659	126,270
Arts and antiques	1,260,976	–	1,260,976
Furniture refurbishing	7,300	4,220	3,080
Assets under construction	68,800	–	68,800
	<u>\$ 1,781,832</u>	<u>\$ 174,505</u>	<u>\$ 1,607,327</u>

2013	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 10,545	\$ 4,186	\$ 6,359
Computer software	14,419	5,623	8,796
Furniture and equipment	244,862	75,146	169,716
Improvements to property	174,929	34,629	140,300
Arts and antiques	1,260,976	–	1,260,976
Furniture refurbishing	7,300	3,194	4,106
	<u>\$ 1,713,031</u>	<u>\$ 122,778</u>	<u>\$ 1,590,253</u>

CASA LOMA CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. 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 \$2,317 (2013 - \$20,918) to the plan during the year.

7. Accumulated surplus:

Accumulated surplus consists of individual funds as follows:

	2014	2013
Invested in tangible capital assets	\$ 1,607,327	\$ 1,590,253
Unrestricted fund	1,098,957	1,007,187
Reserve set aside by the Board of Directors:		
Casa Loma Improvement Fund	—	578,346
Capital fund	851,779	855,743
	851,779	1,434,089
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	\$ 3,558,063	\$ 4,031,529