

FINANCIAL STATEMENTS

For

CASA LOMA CORPORATION

For year ended

DECEMBER 31, 2016

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, 2016 and the statements of operations and accumulated surplus, changes in net 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 5, 2017.

CASA LOMA CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and short-term investments (note 3)	\$ 1,448,230	\$ 3,121,233
Accounts receivable	<u>1,422</u>	<u>8,990</u>
	<u>1,449,652</u>	<u>3,130,223</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	<u>25,944</u>	<u>2,035,077</u>
NET FINANCIAL ASSETS	<u>1,423,708</u>	<u>1,095,146</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>1,533,005</u>	<u>1,579,409</u>
ACCUMULATED SURPLUS (note 5)	<u>\$ 2,956,713</u>	<u>\$ 2,674,555</u>

Approved by the Board:


..... Director


..... Director

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

CASA LOMA CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2016

	Budget 2016 (Unaudited)	Actual 2016	Actual 2015
Revenue			
Rental income (note 1)	\$ 1,800,000	\$ 1,800,000	\$ 1,500,000
Other income	<u>11,500</u>	<u>11,334</u>	<u>19,343</u>
	<u>1,811,500</u>	<u>1,811,334</u>	<u>1,519,343</u>
Expenses			
Property taxes	82,000	83,039	58,567
Amortization of tangible assets	56,000	46,404	55,738
Insurance	28,500	27,847	27,847
Administration and maintenance	14,000	14,511	7,016
Professional fees	20,000	5,975	6,275
Consultants	10,000	1,400	25,546
Salaries and wages	<u>-</u>	<u>-</u>	<u>208,888</u>
	<u>210,500</u>	<u>179,176</u>	<u>389,877</u>
Annual surplus	<u>\$ 1,601,000</u>	1,632,158	1,129,466
Accumulated surplus, beginning of year (note 5)		<u>2,674,555</u>	<u>3,558,063</u>
		4,306,713	4,687,529
Distribution to City of Toronto		<u>(1,350,000)</u>	<u>(2,012,974)</u>
Accumulated surplus, end of year (note 5)		<u>\$ 2,956,713</u>	<u>\$ 2,674,555</u>

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Annual surplus	\$ 1,632,158	\$ 1,129,466
Distribution to City of Toronto	<u>(1,350,000)</u>	<u>(2,012,974)</u>
	<u>282,158</u>	<u>(883,508)</u>
Acquisition of tangible capital assets	-	(27,820)
Amortization of tangible assets	<u>46,404</u>	<u>55,738</u>
	<u>46,404</u>	<u>27,918</u>
Change in net financial assets	328,562	(855,590)
Net financial assets, beginning of year	<u>1,095,146</u>	<u>1,950,736</u>
Net financial assets, end of year	<u>\$ 1,423,708</u>	<u>\$ 1,095,146</u>

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 1,632,158	\$ 1,129,466
Adjustments for:		
Amortization of tangible assets	<u>46,404</u>	<u>55,738</u>
	1,678,562	1,185,204
Changes in non-cash operating items:		
Accounts receivable	7,568	1,135
Accounts payable and accrued liabilities	<u>(2,009,133)</u>	<u>1,635,641</u>
Cash flows from (used in) operating activities	<u>(323,003)</u>	<u>2,821,980</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>-</u>	<u>(27,820)</u>
Cash flows used in investing activities	<u>-</u>	<u>(27,820)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to City of Toronto	<u>(1,350,000)</u>	<u>(2,012,974)</u>
Cash flows used in financing activities	<u>(1,350,000)</u>	<u>(2,012,974)</u>
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENT	(1,673,003)	781,186
CASH AND SHORT-TERM INVESTMENT AT BEGINNING OF YEAR	<u>3,121,233</u>	<u>2,340,047</u>
CASH AND SHORT-TERM INVESTMENT AT END OF YEAR	<u>\$ 1,448,230</u>	<u>\$ 3,121,233</u>
<hr/>		
Cash and short-term investment are comprised of:		
Cash, unrestricted	\$ 596,451	\$ 2,269,454
Cash, Capital reserve fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 1,448,230</u>	<u>\$ 3,121,233</u>

(See accompanying notes)

CASA LOMA CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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 significant 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, 2016

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 (2015 - \$1,000,000) maturing November 13, 2017 earning an interest rate of 1.081%.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer hardware	\$ 10,545	\$ 7,289	\$ 10,545	\$ 6,475
Computer software	14,419	9,915	14,419	8,790
Furniture and equipment	341,483	180,861	341,483	148,445
Improvements to rental property	174,929	72,651	174,929	61,286
Furniture refurbishing	7,300	5,931	7,300	5,247
Arts and antiques	<u>1,260,976</u>	<u>-</u>	<u>1,260,976</u>	<u>-</u>
	1,809,652	<u>\$ 276,647</u>	1,809,652	<u>\$ 230,243</u>
Accumulated amortization	<u>276,647</u>		<u>230,243</u>	
	<u>\$ 1,533,005</u>		<u>\$ 1,579,409</u>	

5. ACCUMULATED SURPLUS

Accumulated surplus consists of individual funds as follows:

	<u>2016</u>	<u>2015</u>
Invested in tangible capital assets	\$ 1,533,005	\$ 1,579,409
Unrestricted fund	571,929	243,367
Reserve set aside by the Board of Directors:		
Capital fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 2,956,713</u>	<u>\$ 2,674,555</u>