

FINANCIAL STATEMENTS
For
CASA LOMA CORPORATION
For year ended
DECEMBER 31, 2017

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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



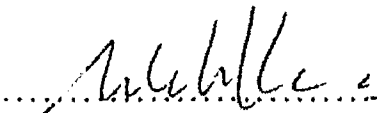
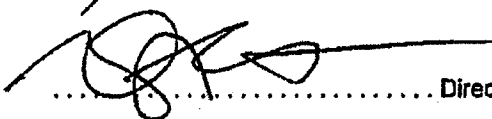
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 29, 2018.

CASA LOMA CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and short-term investments (note 3)	\$ 3,159,281	\$ 1,448,230
Accounts receivable	<u>2,220</u>	<u>1,422</u>
	<u>3,161,501</u>	<u>1,449,652</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	<u>26,067</u>	<u>25,944</u>
NET FINANCIAL ASSETS	<u>3,135,434</u>	<u>1,423,708</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>1,494,217</u>	<u>1,533,005</u>
ACCUMULATED SURPLUS (note 5)	<u>\$ 4,629,651</u>	<u>\$ 2,956,713</u>

Approved by the Board:


 Director

 Director

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2017

	Budget <u>2017</u> (Unaudited)	Actual <u>2017</u>	Actual <u>2016</u>
Revenue			
Rental income (note 1)	\$ 1,850,000	\$ 1,850,000	\$ 1,800,000
Other income	<u>11,500</u>	<u>13,017</u>	<u>11,334</u>
	<u>1,861,500</u>	<u>1,863,017</u>	<u>1,811,334</u>
Expenses			
Property taxes	85,000	113,124	83,039
Amortization of capital assets	56,000	38,788	46,404
Insurance	28,500	29,797	27,847
Administration and maintenance	15,000	2,345	14,511
Professional fees	10,000	6,025	5,975
Consultants	<u>-</u>	<u>-</u>	<u>1,400</u>
	<u>194,500</u>	<u>190,079</u>	<u>179,176</u>
Annual surplus	<u>\$ 1,667,000</u>	1,672,938	1,632,158
Accumulated surplus, beginning of year (note 5)		<u>2,956,713</u>	<u>2,674,555</u>
		4,629,651	4,306,713
Distribution to City of Toronto		<u>-</u>	<u>(1,350,000)</u>
Accumulated surplus, end of year (note 5)		<u>\$ 4,629,651</u>	<u>\$ 2,956,713</u>

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus	\$ 1,672,938	\$ 1,632,158
Distribution to City of Toronto	<u>-</u>	<u>(1,350,000)</u>
	1,672,938	282,158
Amortization of capital assets	<u>38,788</u>	<u>46,404</u>
Change in net financial assets	1,711,726	328,562
Net financial assets, beginning of year	<u>1,423,708</u>	<u>1,095,146</u>
Net financial assets, end of year	<u>\$ 3,135,434</u>	<u>\$ 1,423,708</u>

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ 1,672,938	\$ 1,632,158
Adjustments for:		
Amortization of capital assets	<u>38,788</u>	<u>46,404</u>
	1,711,726	1,678,562
Changes in non-cash operating items:		
Accounts receivable	(798)	7,568
Accounts payable and accrued liabilities	<u>123</u>	<u>(2,009,133)</u>
	<u>1,711,051</u>	<u>(323,003)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to City of Toronto	<u>-</u>	<u>(1,350,000)</u>
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENT	1,711,051	(1,673,003)
CASH AND SHORT-TERM INVESTMENT AT BEGINNING OF YEAR	<u>1,448,230</u>	<u>3,121,233</u>
CASH AND SHORT-TERM INVESTMENT AT END OF YEAR	<u>\$ 3,159,281</u>	<u>\$ 1,448,230</u>
<hr/>		
Cash and short-term investment are comprised of:		
Cash, unrestricted	\$ 2,307,502	\$ 596,451
Cash, capital reserve fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 3,159,281</u>	<u>\$ 1,448,230</u>

(See accompanying notes)

CASA LOMA CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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. During the year 100% (2016 - 100%) of the rental revenue was earned from one tenant.

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 tangible 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, 2017

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 (2016 - \$1,000,000) maturing November 13, 2018 earning an interest rate of 1.688%.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer hardware	\$ 10,545	\$ 7,940	\$ 10,545	\$ 7,289
Computer software	14,419	10,816	14,419	9,915
Furniture and equipment	341,483	207,413	341,483	180,861
Improvements to rental property	174,929	82,878	174,929	72,651
Furniture refurbishing	7,300	6,388	7,300	5,931
Arts and antiques	<u>1,260,976</u>	<u>-</u>	<u>1,260,976</u>	<u>-</u>
	<u>1,809,652</u>	<u>\$ 315,435</u>	<u>1,809,652</u>	<u>\$ 276,647</u>
Accumulated amortization	<u>315,435</u>		<u>276,647</u>	
	<u>\$ 1,494,217</u>		<u>\$ 1,533,005</u>	

5. ACCUMULATED SURPLUS

Accumulated surplus consists of individual funds as follows:

	<u>2017</u>	<u>2016</u>
Invested in tangible capital assets	\$ 1,494,217	\$ 1,533,005
Unrestricted fund	2,283,655	571,929
Reserve set aside by the Board of Directors:		
Capital fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 4,629,651</u>	<u>\$ 2,956,713</u>

6. ADMINISTRATION

The corporation receives on-going administrative support from the City of Toronto at no cost.