

FINANCIAL STATEMENTS

For

CASA LOMA CORPORATION

For year ended

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the directors of

CASA LOMA CORPORATION

Opinion

We have audited the financial statements of Casa Loma Corporation (the Corporation), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

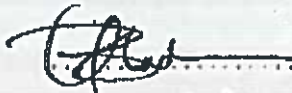

Toronto, Ontario
May 7, 2019.

Welch LLP[®]

CASA LOMA CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash	\$ 3,851,743	\$ 2,159,281
Investments (note 3)	1,000,000	1,000,000
Due from City of Toronto (note 3)	<u>20,178</u>	<u>2,220</u>
	<u>4,871,921</u>	<u>3,161,501</u>
 FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	6,205	6,025
Government remittances payable	<u>-</u>	<u>20,042</u>
	<u>6,205</u>	<u>26,067</u>
 NET FINANCIAL ASSETS	 <u>4,865,716</u>	 <u>3,135,434</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>1,461,668</u>	<u>1,494,217</u>
 ACCUMULATED SURPLUS (note 5)	 <u>\$ 6,327,384</u>	 <u>\$ 4,629,651</u>

Approved by the Board:

 Director
 Director

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2018

	Budget <u>2018</u> (unaudited)	Actual <u>2018</u>	Actual <u>2017</u>
Revenue			
Rental income (note 6)	\$ 1,900,000	\$ 1,900,000	\$ 1,850,000
Interest income (note 3)	<u>21,080</u>	<u>37,643</u>	<u>13,017</u>
	<u>1,921,080</u>	<u>1,937,643</u>	<u>1,863,017</u>
Expenses			
Property taxes	115,500	170,180	113,124
Amortization of tangible capital assets	33,000	32,549	38,788
Insurance	30,000	29,797	29,797
Professional Fees	10,000	6,205	6,025
Other	<u>10,000</u>	<u>1,179</u>	<u>2,345</u>
	<u>198,500</u>	<u>239,910</u>	<u>190,079</u>
Annual surplus	<u>\$ 1,722,580</u>	1,697,733	1,672,938
Accumulated surplus, beginning of year (note 5)		<u>4,629,651</u>	<u>2,956,713</u>
Accumulated surplus, end of year (note 5)		<u>\$ 6,327,384</u>	<u>\$ 4,629,651</u>

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Annual surplus	\$ 1,697,733	\$ 1,672,938
Amortization of tangible capital assets	<u>32,549</u>	<u>38,788</u>
Change in net financial assets	1,730,282	1,711,726
Net financial assets, beginning of year	<u>3,135,434</u>	<u>1,423,708</u>
Net financial assets, end of year	<u>\$ 4,865,716</u>	<u>\$ 3,135,434</u>

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

CASA LOMA CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 1,697,733	\$ 1,672,938
Adjustments for:		
Amortization of tangible capital assets	<u>32,549</u>	<u>38,788</u>
	1,730,282	1,711,726
Non-cash changes to operations:		
Due from City of Toronto	(17,958)	(798)
Accounts payable and accrued liabilities	180	(568)
Government remittances payable	<u>(20,042)</u>	<u>691</u>
INCREASE IN CASH	1,692,462	1,711,051
CASH, BEGINNING OF YEAR	<u>2,159,281</u>	<u>448,230</u>
CASH, END OF YEAR	<u>\$ 3,851,743</u>	<u>\$ 2,159,281</u>
<hr/>		
Cash is comprised of:		
Unrestricted	\$ 2,999,964	\$ 1,307,502
Internally restricted - capital reserve fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 3,851,743</u>	<u>\$ 2,159,281</u>

(See accompanying notes)

CASA LOMA CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. NATURE OF OPERATIONS

Casa Loma Corporation (the "Corporation") was incorporated under the Ontario Business Corporations Act on June 20, 2011. 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.

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

Rental income is recognized as revenue on a monthly basis.

Interest income is recognized as when earned.

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, investments and amounts due from the City of Toronto. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

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 antiquities 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 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, 2018

3. INVESTMENTS

Investments consists of an investment with the City of Toronto in the amount of \$1,000,000 (2017 - \$1,000,000) maturing November 13, 2019 earning an interest rate of 2.508%.

As at December 31, 2018, \$20,178 (2017 - \$2,220) was due from the City of Toronto for interest on this investment.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer hardware	\$ 10,545	\$ 8,461	\$ 10,545	\$ 7,940
Computer software	14,419	11,537	14,419	10,816
Furniture and equipment	341,483	229,211	341,483	207,413
Improvements to rental property	174,929	92,083	174,929	82,878
Furniture refurbishing	7,300	6,692	7,300	6,388
Arts and antiques	<u>1,260,976</u>	<u>-</u>	<u>1,260,976</u>	<u>-</u>
	1,809,652	<u>\$ 347,984</u>	1,809,652	<u>\$ 315,435</u>
Accumulated amortization	<u>347,984</u>		<u>315,435</u>	
	<u>\$ 1,461,668</u>		<u>\$ 1,494,217</u>	

5. ACCUMULATED SURPLUS

Accumulated surplus consists of individual funds as follows:

	<u>2018</u>	<u>2017</u>
Unrestricted fund	\$ 4,013,937	\$ 2,283,655
Invested in tangible capital assets	1,461,668	1,494,217
Internally restricted - capital reserve fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 6,327,384</u>	<u>\$ 4,629,651</u>

6. ECONOMIC DEPENDENCE

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.

During the year, 98% (2017 - 99%) of revenue was earned under this agreement.

CASA LOMA CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

7. ADMINISTRATION

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

8. 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. There have been no significant changes in the Corporation's risk exposure from the prior year.

9. COMPARATIVE FIGURES

Comparative figures have been reclassified in order to conform to the financial statement presentation adopted in the current year.