

Casa Loma Corporation - Annual General Meeting and 2019 Audited Financial Statements

Date: September 9, 2020

To: Executive Committee

From: City Manager and Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report transmits materials submitted by the Board of Directors of Casa Loma Corporation to the City. No independent review or analysis has been performed by City staff.

This report contains recommendations for the actions necessary to comply with the requirements of the Business Corporations Act, Ontario (OBCA) for holding the Annual General Meeting of the Shareholder of Casa Loma Corporation, including receipt of its Annual Report and Audited Financial Statements for 2019 and appointment of the auditor for 2020.

In light of the state of emergency that was declared in Ontario in response to the COVID-19 pandemic, the deadline to hold annual meetings of shareholders for OBCA corporations was temporarily extended through the addition of Part XIX to the OBCA. With the Ontario declaration of emergency having come to an end on July 24, 2020, the extended meeting deadlines for OBCA incorporated companies that were required to hold annual meetings on or before July 24, 2020 now have until October 22, 2020 to hold their annual meetings.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council treat that portion of the City Council meeting at which this Report is considered as the Annual General Meeting of the Shareholder for Casa Loma Corporation by:

- a. receiving the "Casa Loma Corporation 2019 Annual Report", and the "Casa Loma Corporation 2019 Audited Annual Financial Statements", forming Attachment 1 and 2 to this Report; and,

b. appointing Welch LLP Chartered Accountants as the Auditor of Casa Loma Corporation for fiscal year 2020 until close of the next annual general meeting or until a successor is appointed, and authorizing the Board of Directors of Casa Loma Corporation to fix the remuneration of the Auditor.

2. City Council direct the City Clerk to forward a copy of the "Casa Loma Corporation 2019 Audited Annual Financial Statements", forming Attachment 2 to this Report, to the Audit Committee for information.

3. City Council, as Shareholder, direct the Board of Casa Loma Corporation, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to bring forward a report on the impacts of COVID-19 on Corporation operating and capitals budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by Q1 of 2021.

FINANCIAL IMPACT

There are no financial implications resulting from the implementation of the recommendations in this report.

A \$3.0 million distribution of accumulated surplus was made to the City of Toronto for site rehabilitation projects in 2019. The accumulated surplus provides a source of funding for Economic Development and Culture to undertake ongoing capital maintenance and repair projects for Casa Loma, a City-owned tourism and event facility.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On July 16, 2019, the portion of the City Council meeting where EX7.7 Casa Loma Corporation - Annual General Meeting and 2018 Audited Financial Statements was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Casa Loma Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.7>

On November 13, 2013, City Council authorized an agreement between the City and the Liberty Entertainment Group (LEG) to operate the Casa Loma Main Castle and Grounds for 20 years. The agreement became effective January 2014.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.2>

On July 11, 2012, City Council approved a requirement that Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent

permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from executives.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19>

ISSUE BACKGROUND

City Council authorized the establishment of Casa Loma Corporation on June 14, 2011 pursuant to section 148 of the City of Toronto Act, 2006, and Ontario Regulation 609/06. Casa Loma Corporation was incorporated under the Business Corporations Act (Ontario) (OBCA) on June 20, 2011. The City is the sole shareholder.

Subsection 94(1) of the OBCA requires that the directors of a corporation call an annual meeting of shareholders no later than fifteen months after holding the last preceding annual meeting. Section 149(2) of the OBCA requires shareholders at each annual meeting to appoint one or more auditors to hold office until the close of the next annual meeting. Subsection 154(1) of the OBCA requires the directors to place before each annual meeting of shareholders financial statements for the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting.

Section 3 of the Unanimous Shareholder Declaration to Casa Loma Corporation requires Casa Loma Corporation to provide an annual report on its progress to City Council, in addition to the requirement of the OBCA to hold an annual general meeting.

In light of the state of emergency that was declared in Ontario in response to the COVID-19 pandemic, the deadline to hold annual meetings of shareholders for OBCA corporations was temporarily extended through the addition of Part XIX to the OBCA. With the Ontario declaration of emergency having come to an end on July 24, 2020, the extended meeting deadlines for OBCA incorporated companies that were required to hold annual meetings on or before July 24, 2020 now have until October 22, 2020 to hold their annual meetings.

The date on which an OBCA corporation is required to hold its annual meeting of shareholders is based upon both the meeting date described in section 94 of the OBCA (within 15 months from the corporation's last annual meeting) and the financial statements required to be placed before the meeting (i.e., for the period that began immediately after the end of the last completed financial year and ending not more than six months before the annual meeting.). For OBCA corporations with a December 31 year-end, this generally requires that a meeting be held by no later than June 30. Part XIX, temporarily extends this deadline to October 22, 2020.

Under the temporary provisions of Part XIX of the OBCA, the directors of corporations must place before annual meetings the financial statements relating to the most recently completed annual period. The requirement that the financial information placed before an annual meeting pertain to a period ended not more than six months before the meeting is suspended. This clarifies that OBCA corporations holding their annual meetings by the extended deadline will be able to place their annual financial statements for the 2019 fiscal year before their shareholders at their 2020 annual general meeting.

COMMENTS

1. Appointment of Auditor

Casa Loma Corporation has recommended Welch LLP Chartered Accountants be reappointed as the auditor for fiscal year 2020. The Board of Directors of Casa Loma Corporation will fix the annual remuneration of the Auditor.

2. Key Casa Loma Corporation Achievements in 2019

The Letter to the Shareholder from the Casa Loma Corporation, Chair of the Board of Directors transmits the 2019 Annual Report (Attachment 1), which highlights key Casa Loma Corporation achievements in 2019.

3. Summary – Casa Loma Corporation 2019 Audited Financial Statements

Highlights of 2019 Financial Results

On an overall basis, Casa Loma Corporation's financial results were consistent to those reported in 2018. Key items to note are as follows:

- Annual surplus: the entity recognized an annual surplus of \$1.8 million.
- Contribution to reserve: the entity contributed \$3.0 million to the Casa Loma Capital Maintenance Reserve Funds that is held by the City of Toronto.

Statement of Financial Position

The following table summarizes the Statement of Financial Position for Casa Loma Corporation as at December 31, 2019 with comparative figures for 2018.

Table 1

Casa Loma Corporation		
Statement of Financial Position as of December 31, 2019 (\$)		
	2019	2018
Financial assets		
Cash	2,688,880	3,851,743
Investments	1,000,000	1,000,000
Due from City of Toronto	4,961	20,178
<i>Sub-total</i>	<i>3,693,841</i>	<i>4,871,921</i>
	2019	2018
Financial liabilities		
Accounts payable and accrued liabilities	6,400	6,205
Government remittances payable	21,125	-
<i>Sub-total</i>	<i>27,525</i>	<i>6,205</i>
Net financial assets	3,666,316	4,865,716
Non-financial assets		
Tangible capital assets	1,434,247	1,461,668
Accumulated surplus	5,100,563	6,327,384

Casa Loma Corporation's total assets decreased by \$1.2 million from \$6.3 million to \$5.1 million - this change is largely attributable to the entity's contribution of \$3.0 million to the City of Toronto's Casa Loma Capital Maintenance Reserve Funds.

The entity's total liabilities remained fairly consistent with prior year and increased by less than \$0.1 million due to timing of the entity's payment of government remittances.

Statement of Operations

The table below summarizes and compares the operating results for the years ended December 31, 2019 and 2018. On an overall basis, Casa Loma Corporation's revenue and expenses remained largely consistent with trends noted in the previous year:

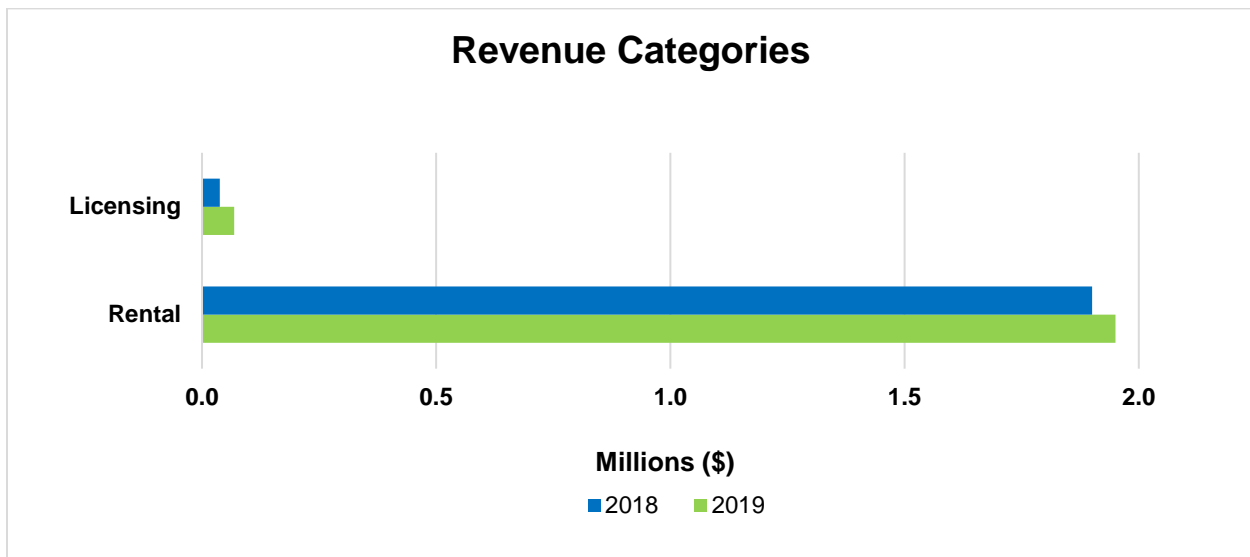
- Revenue increased by \$0.1 million due to changes in the entity's lease agreement terms, as well as higher interest income generated from a higher average daily bank account balance.

- Expenses increased by less than \$0.1 million due to increases in Casa Loma Corporation's property tax assessment value, as well as increases in amortization to reflect the declining value of the entity's assets in proportion to its usage pattern.

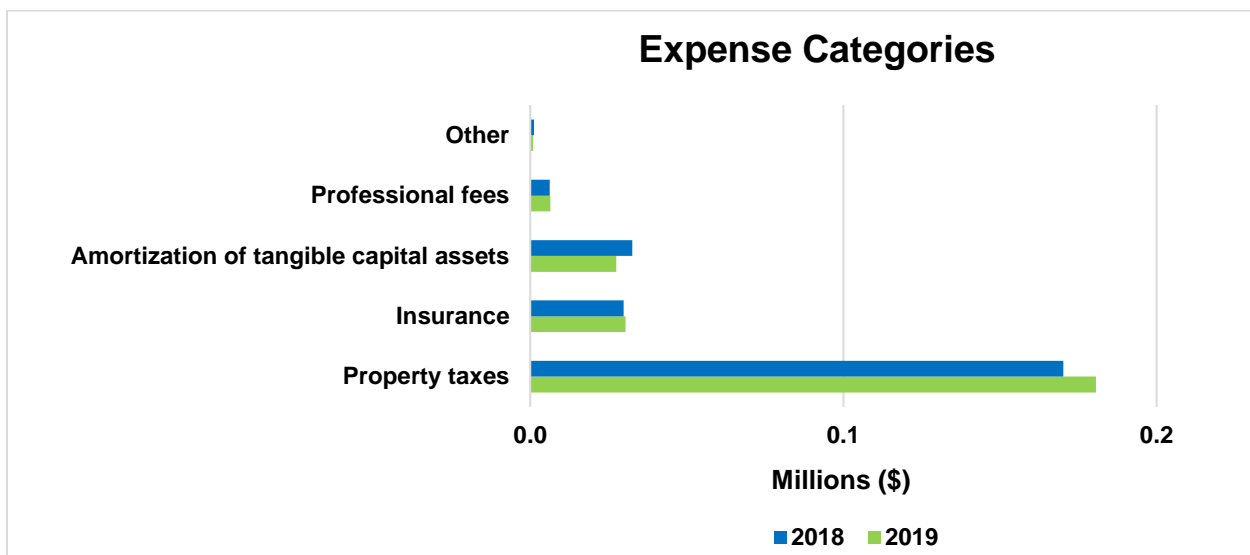
Table 2

Casa Loma Corporation Statement of Operations and Accumulated Surplus for the Year Ended December 31, 2019 (\$)		
	2019	2018
Revenue		
Rental income	1,950,000	1,900,000
Interest income	68,920	37,643
<i>Sub-total</i>	<i>2,018,920</i>	<i>1,937,643</i>
Expenses		
Property taxes	180,608	170,180
Insurance	30,446	29,797
Amortization of tangible capital assets	27,421	32,549
Professional fees	6,400	6,205
Other	866	1,179
<i>Sub-total</i>	<i>245,741</i>	<i>239,910</i>
Annual surplus	1,773,179	1,697,733
Accumulated surplus, beginning of year	6,327,384	4,629,651
<i>Sub-total</i>	<i>8,100,563</i>	<i>6,327,384</i>
Distribution to City of Toronto	(3,000,000)	-
Accumulated surplus, end of year	5,100,563	6,327,384

The following figure provides the major revenue categories for the years ended December 31, 2019 and 2018.



The following figure provides the major expense categories for the years ended December 31, 2019 and 2018.



4. 2019 Executive Compensation

Casa Loma Corporation was managed by City staff whose salary disclosure is part of the Province of Ontario's salary disclosure reporting under the Public Sector Salary Disclosure Act, 1996. LEG, which operates Casa Loma through a management agreement with the City, is not required to disclose executive compensation.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

Attachment 1: Casa Loma Corporation 2019 Annual Report

Attachment 2: Casa Loma Corporation 2019 Audited Annual Financial Statements