

FINANCIAL STATEMENTS
For
CASA LOMA CORPORATION
For year ended
DECEMBER 31, 2020

Management's Responsibility for the Financial Statements

The financial statements of Casa Loma Corporation (the "Corporation") are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in compliance with the Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Corporation's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the Board of Directors, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's financial statements.

.....  Director

.....  Director

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, 2020, 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, 2020 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.

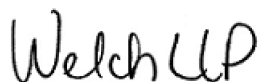
Auditor's Responsibilities for the Audit of the Financial Statements

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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 10, 2021

CASA LOMA CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash	\$ 2,942,731	\$ 2,688,880
Investments (note 3)	1,000,000	1,000,000
Due from City of Toronto (note 3)	<u>19,957</u>	<u>4,961</u>
	<u>3,962,688</u>	<u>3,693,841</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	10,364	6,400
Government remittances payable	<u>-</u>	<u>21,125</u>
	<u>10,364</u>	<u>27,525</u>
NET FINANCIAL ASSETS	3,952,324	3,666,316
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	<u>1,411,057</u>	<u>1,434,247</u>
ACCUMULATED SURPLUS (note 5)	<u>\$ 5,363,381</u>	<u>\$ 5,100,563</u>

Approved by the Board:

.....  Director

.....  Director

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2020

	Budget 2020 (unaudited)	Actual 2020	Actual 2019
Revenue			
Rental income (note 6)	\$ 2,000,000	\$ 2,000,000	\$ 1,950,000
Interest income (note 3)	<u>40,629</u>	<u>23,333</u>	<u>68,920</u>
	<u>2,040,629</u>	<u>2,023,333</u>	<u>2,018,920</u>
Expenses			
Property taxes	191,343	195,785	180,608
Insurance	23,190	34,163	30,446
Amortization of tangible capital assets	31,000	23,190	27,421
Professional fees	8,000	6,600	6,400
Other	8,000	777	866
Bad debts (note 8)	<u>-</u>	<u>1,500,000</u>	<u>-</u>
	<u>261,533</u>	<u>1,760,515</u>	<u>245,741</u>
Annual surplus	<u>\$ 1,779,096</u>	262,818	1,773,179
Accumulated surplus, beginning of year (note 5)		<u>5,100,563</u>	<u>6,327,384</u>
		5,363,381	8,100,563
Distribution to City of Toronto		<u>-</u>	<u>(3,000,000)</u>
Accumulated surplus, end of year (note 5)		<u>\$ 5,363,381</u>	<u>\$ 5,100,563</u>

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2020

	Budget 2020 (unaudited)	<u>2020</u>	<u>2019</u>
Annual surplus	\$ 262,818	\$ 262,818	\$ 1,773,179
Distribution to City of Toronto	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>
	262,818	262,818	(1,226,821)
Amortization of tangible capital assets	<u>31,000</u>	<u>\$ 23,190</u>	<u>\$ 27,421</u>
Change in net financial assets	<u>\$ 293,818</u>	286,008	(1,199,400)
Net financial assets, beginning of year		<u>3,666,316</u>	<u>4,865,716</u>
Net financial assets, end of year		<u>\$ 3,952,324</u>	<u>\$ 3,666,316</u>

(See accompanying notes)

CASA LOMA CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	\$ 262,818	\$ 1,773,179
Adjustments for:		
Amortization of tangible capital assets	<u>23,190</u>	<u>27,421</u>
	286,008	1,800,600
Non-cash changes to operations:		
Due from City of Toronto	(14,996)	15,217
Accounts payable and accrued liabilities	3,964	195
Government remittances payable	<u>(21,125)</u>	<u>21,125</u>
	<u>253,851</u>	<u>1,837,137</u>
FINANCING ACTIVITIES		
Distribution to City of Toronto	<u>-</u>	<u>(3,000,000)</u>
INCREASE (DECREASE) IN CASH	253,851	(1,162,863)
CASH, BEGINNING OF YEAR	<u>2,688,880</u>	<u>3,851,743</u>
CASH, END OF YEAR	<u>\$ 2,942,731</u>	<u>\$ 2,688,880</u>
Cash is comprised of:		
Unrestricted	\$ 2,090,952	\$ 1,837,101
Internally restricted - capital reserve fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 2,942,731</u>	<u>\$ 2,688,880</u>

(See accompanying notes)

CASA LOMA CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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.

The Corporation is responsible for the castle of Casa Loma, a heritage landmark, on behalf of the City of Toronto.

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) of the Chartered Professional Accountants of Canada.

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 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, the amount of its allowance for 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, 2020

3. INVESTMENTS

Investments consists of an investment with the City of Toronto in the amount of \$1,000,000 (2019 - \$1,000,000) maturing November 13, 2021 earning an interest rate of 0.256%.

Due from the City of Toronto consists of the following for interest on this investment:

	<u>2020</u>	<u>2019</u>
Balance due from the City of Toronto, beginning of year	\$ 4,961	\$ 20,178
Plus: interest income earned in year	23,333	68,920
Less: interest income received in year	<u>(8,337)</u>	<u>(84,137)</u>
Balance due from the City of Toronto, end of year	<u>\$ 19,957</u>	<u>\$ 4,961</u>

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>Computer hardware</u>	<u>Computer software</u>	<u>Furniture and equipment</u>	<u>Improve- ments to rental property</u>	<u>Furniture refurbishing</u>	<u>Arts and antiquities</u>	<u>Total 2020</u>	<u>Total 2019</u>
COST								
Balance, beginning of year	\$ 10,545	\$ 14,419	\$ 341,483	\$ 174,929	\$ 7,300	\$1,260,976	\$1,809,652	\$1,809,652
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance, end of year	<u>\$ 10,545</u>	<u>\$ 14,419</u>	<u>\$ 341,483</u>	<u>\$ 174,929</u>	<u>\$ 7,300</u>	<u>\$1,260,976</u>	<u>\$1,809,652</u>	<u>\$1,809,652</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of year	\$ 8,878	\$ 12,113	\$ 247,152	\$ 100,368	\$ 6,894	\$ -	\$ 375,405	\$ 347,984
Amortization	333	461	14,804	7,456	136	-	23,190	27,421
Disposals	-	-	-	-	-	-	-	-
Balance, end of year	<u>\$ 9,211</u>	<u>\$ 12,574</u>	<u>\$ 261,956</u>	<u>\$ 107,824</u>	<u>\$ 7,030</u>	<u>\$ -</u>	<u>\$ 398,595</u>	<u>\$ 375,405</u>
NET BOOK VALUE	<u>\$ 1,334</u>	<u>\$ 1,845</u>	<u>\$ 79,527</u>	<u>\$ 67,105</u>	<u>\$ 270</u>	<u>\$1,260,976</u>	<u>\$1,411,057</u>	<u>\$1,434,247</u>

5. ACCUMULATED SURPLUS

Accumulated surplus consists of individual funds as follows:

	<u>2020</u>	<u>2019</u>
Unrestricted fund	\$ 3,100,545	\$ 2,814,537
Invested in tangible capital assets	1,411,057	1,434,247
Internally restricted - capital reserve fund	<u>851,779</u>	<u>851,779</u>
	<u>\$ 5,383,338</u>	<u>\$ 5,105,524</u>

CASA LOMA CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2020

6. ECONOMIC DEPENDENCE AND CONTRACTUAL RIGHTS

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 events 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.

The Tenant has agreed to pay the Corporation the following minimum annual basic rent payments:

2021	\$ 2,060,000
2022	2,120,000
2023	2,180,000
2024	2,250,000
2025	2,315,000
Thereafter	<u>21,213,288</u>
	<u>\$ 32,138,288</u>

During the year, 99% (2019 - 96%) of revenue was earned under this agreement.

The rental transactions as a part of the Operating Agreement and Lease were impacted by government regulation in response to COVID-19 (see note 8).

7. ADMINISTRATION

The Corporation receives on-going administrative support from the City of Toronto at no cost. This support is not recognized in the financial statements.

8. UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF COVID-19

In mid-March 2020, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of COVID-19.

On March 13, 2020, the site being leased to the Tenant under the Operating Agreement and Lease was closed in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. Due to the government regulations requiring closures in 2020, the Tenant was unable to operate at Casa Loma and the Corporation did not collect 75% of the 2020 rental income due. Management believes that the \$1,500,000 (2019 - \$nil) receivable for uncollected 2020 rental income will not be collected and, as a result, has provided for an allowance for doubtful accounts for that amount. The Corporation does not have a scheduled reopening date for the site leased to the Tenant under the Operating Agreement and Lease.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Corporation's operations will be impacted or the severity of the impact. Consequently, the future effects of any subsequent outbreaks or abrupt declines in economic activity will have on the Corporation's operations, asset, liabilities, revenues and expenses are unknown at this time.

CASA LOMA CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2020

9. FINANCIAL INSTRUMENTS

The Corporation is exposed to and manages various financial risks resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below.

It is management's opinion that, unless otherwise noted, the Corporation is not exposed to significant credit, liquidity or market risks (including currency, interest rate, and other price risks) arising from its financial instruments.

The Corporation's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

The Corporation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Corporation's maximum exposures to credit risk represents the sum of the carrying value of its cash, investments, amounts due from the City of Toronto, and accounts receivable. The Corporation's cash is deposited with a Canadian chartered bank and investments are held with the City of Toronto. As a result, management believes the risk of loss on these items to be remote. The Corporation manages its credit risk of receivables by reviewing and following up on outstanding amounts, and providing for an allowance for doubtful accounts when necessary. In 2020, management has provided for an allowance for doubtful accounts equal to rental income uncollectible under the Operating Agreement and Lease (see note 8).

Changes in risk

Due to the impact of COVID-19 on the Corporations operations, the credit risk associated with its receivables for rental income has increased. There were no other significant changes in the Corporation's risk exposures from the prior year.