

February 13, 2019 10:35 AM

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

DRAFT



VLOET & KAN LLP

Chartered Professional Accountants, Licensed Public Accountants

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of:
The Architectural Conservancy of Ontario Inc.

We have audited the financial statements of **The Architectural Conservancy of Ontario Inc.** (the "Organization"), which comprise the statement of financial position as at **December 31, 2016** and the statements of operations, changes in net 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 accounting standards for not-for-profit organizations, 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 auditors' 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 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets, and net assets.



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INDEPENDENT AUDITOR'S REPORT (continued...)

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the organization as at **December 31, 2016** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

[signature pending]

Chartered Professional Accountants,
Licensed Public Accountant
Toronto, Ontario
[Date pending]

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash	\$ 685,388	\$ 265,547
Investments	2,226,188	2,287,130
Restricted cash and short term investments (note 4)	151,492	168,808
Accounts receivable	14,755	14,033
Inventory	7,782	9,665
Prepaid expenses and other assets	9,474	19,176
HST recoverable	<u>84,321</u>	<u>65,658</u>
	3,179,400	2,830,017
LONG TERM		
Property and equipment (note 5)	<u>438,526</u>	<u>457,191</u>
	\$ 3,617,926	\$ 3,287,208
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 204,520	\$ 255,125
Deferred revenues	11,506	12,650
Restricted cash and short term investments (note 4)	151,492	168,808
Due to Port Hope Heritage Fund (note 6)	6,490	1,350
Deferred contributions for capital asset purchases (note 7)	<u>388,373</u>	<u>404,050</u>
	762,381	841,983
NET ASSETS		
Per statement - page 3	<u>2,855,545</u>	<u>2,445,225</u>
	\$ 3,617,926	\$ 3,287,208

APPROVED BY THE BOARD OF DIRECTORS:

_____ Director

_____ Director

The accompanying notes are an integral part of the financial statements.
To be read in conjunction with our Independent Auditor's Report XXXX YY, 2019.



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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE - Beginning of year	\$ 2,445,725	\$ 2,428,929
Add: Excess of revenues over expenses	<u>409,820</u>	<u>16,296</u>
BALANCE - End of year	<u>\$ 2,855,545</u>	<u>\$ 2,445,225</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
REVENUE		
Received donations	\$ 617,476	\$ 339,087
Government grants (note 8)	62,650	60,550
Non-receipted donations and memberships	86,727	77,613
Sales of tickets and goods (net)	41,355	35,280
Fundraising events	41,448	43,506
Rentals	38,374	32,918
Amortization of deferred contributions for capital asset purchases (note 7)	<u>15,677</u>	<u>15,677</u>
	<u>\$ 903,707</u>	<u>\$ 604,631</u>
EXPENSES		
Professional fees	\$ 128,242	\$ 124,483
Grants and awards	107,478	90,189
Wages and benefits	91,798	78,792
Fundraising costs	93,319	54,310
General and administrative	35,722	45,875
Advertising and promotion	40,584	23,263
Utilities	23,420	27,152
Repairs and maintenance	44,451	22,950
Projects expenses	18,784	18,896
Occupancy costs	19,502	19,942
Travel and meetings	21,315	19,783
Outside Services	20,609	20,835
Insurance	16,972	13,005
Interest and bank charges	5,455	4,569
Amortization	<u>18,665</u>	<u>18,337</u>
	<u>686,316</u>	<u>582,381</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	217,391	\$ 22,250
OTHER INCOME		
Income / (loss) from investments	<u>192,429</u>	<u>(5,954)</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 409,820</u>	<u>\$ 16,296</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 409,820	\$ 16,296
Items not involving cash:		
Amortization	<u>18,665</u>	<u>18,337</u>
	428,485	34,633
Decrease (increase) in investments	60,942	(139,638)
(Increase) in accounts receivable	(722)	(12,696)
Decrease (Increase) in restricted cash and investments	17,316	(159)
Decrease in inventory	1,883	3,270
Decrease (Increase) in prepaid expenses	9,702	(8,312)
(increase) in HST recoverable	(18,663)	(13,968)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(50,105)	140,783
Increase (decrease) in deferred revenue	(1,144)	12,320
Increase (decrease) in restricted deferred revenue	(17,316)	159
Increase (decrease) in due to Port Hope Heritage Fund	5,140	(7,813)
Increase (decrease) in deferred contributions for capital asset purchases	<u>(15,677)</u>	<u>(15,677)</u>
CASH PROVIDED BY (USED IN) OPERATIONS	<u>419,841</u>	<u>(7,098)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(1,466)</u>
INCREASE (DECREASE) IN CASH	419,841	(8,564)
CASH - Beginning of Year	<u>265,547</u>	<u>274,111</u>
CASH - End of Year	<u>\$ 685,388</u>	<u>\$ 265,547</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. NATURE AND PURPOSE OF THE ORGANIZATION

The Architectural Conservancy of Ontario Inc. (“ACO”) was incorporated without share capital by Letters Patent dated February 2, 1933 under the *Corporations Act (Ontario)*, then continued on December 21, 1982 and subsequently amended on June 21, 1989. Its mandate is to preserve buildings and structures of architectural merit and places of natural beauty and interest in Ontario. ACO carries out this mandate in a number of ways. It increases public awareness through the publication of its journal, the ACORN, and through activities such as walking tours, open houses and conference partnerships. It also carries out this mandate by, on occasion, acquiring at-risk heritage properties to restore and operate and, more commonly, by assisting communities in efforts to protect their heritage buildings, structures and sites. The activities of ACO are carried out through the head office situated in Toronto and branches situated throughout Southern Ontario.

ACO is registered as a charitable organization under the *Income Tax Act (Canada)*, and is therefore exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as set out in Part III of the *CPA Canada Handbook - Accounting* and include the following significant accounting policies.

Basis of presentation

These financial statements represent the results and financial position of the ACO head office and twenty-four branches that were in operation in 2016 and 2015.

Revenue recognition

ACO follows the deferral method of accounting for contributions, including donations and government grants. Unrestricted contributions are recognized as revenues in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions explicitly and implicitly restricted by the donor are deferred when received and recognized as revenues in the year in which the related activity takes place and expenses are incurred.

Facilities rentals, concerts and other performance-related revenues are recognized when received or receivable upon substantial completion of performance or program, provided that the amount to be received can be reasonably estimated and collection is reasonably assured.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

CONTINUED.....

Financial instruments

ACO initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets, except for investments, and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and short-term investments and accounts receivable. The financial liabilities measured at amortized cost include accounts payable.

Investments are subsequently measured at fair value. Investment income includes interest, dividends and unit trust distributions received during the year and changes in fair value of the investments during the year.

Property and equipment

Property and equipment is recorded at cost less accumulated amortization. Amortization of office equipment is provided on a straight line basis over three years. Amortization of building improvements is provided on a straight line basis over 20 or 40 years. Capital assets acquired during the year are amortized at one-half of the normal rate.

Contributions received for the purchase of property and equipment are initially deferred and then amortized on the same basis as the related capital asset costs are amortized.

Donated services

Much of the work of ACO is dependent on the voluntary services of members. Since these services are not normally purchased by ACO and its branches, such donated services are not recognized in the accounts.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 period. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the period they become known.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

3. FINANCIAL INSTRUMENTS

Cash consists of cash on hand and bank deposits residing in accounts at Canadian financial institutions. Cash balances are sufficient to cover accounts payable as they come due. Short-term investments consist of certificates of deposit residing in accounts at Canadian financial institutions.

The fair value of ACO's cash and short-term investments, accounts receivable and accounts payable approximates their carrying value due to the relatively short term to maturity of those instruments. It is management's opinion that ACO is not exposed to significant currency or credit risk arising from these financial instruments.

Investments consist of fixed income and equity securities traded on the Toronto Stock Exchange residing in an account at a Canadian financial institution.

4. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

Restricted cash and short-term investments consist of funds segregated from general operating funds to support restricted donations and contributions as follows:

	<u>2016</u>	<u>2015</u>
Cambridge - Heritage Project Fund	\$ 39,200	\$ 44,452
Cambridge - Sheave Tower Endowment Fund	60,890	60,000
Toronto - Rosedale Project	40,667	40,641
Windsor - Save Our Sanctuaries	<u>10,735</u>	<u>23,715</u>
	<u>\$ 151,492</u>	<u>\$ 168,808</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net</u>	<u>2015 Net</u>
Land - Cambridge	\$ 22,400	\$ -	\$ 22,400	\$ 22,400
Building improvements:				
Cambridge	50,000	45,000	5,000	7,500
South Bruce-Grey	627,081	216,773	410,308	425,985
Equipment				
Cobourg	665	665	-	-
South Bruce-Grey	915	755	160	320
Toronto	1,060	1,060	-	-
Provincial office	<u>5,320</u>	<u>4,662</u>	<u>658</u>	<u>986</u>
	<u>\$ 707,441</u>	<u>\$ 268,915</u>	<u>\$ 438,526</u>	<u>\$ 457,191</u>

6. PORT HOPE HERITAGE FUND

In 2016, the Port Hope branch of ACO received an advance of \$5,000 (2015 - \$nil) from the Port Hope Heritage Fund (the "Fund") to help manage a temporary liquidity shortfall. The Port Hope Heritage Fund is managed by the Executive of the ACO Port Hope branch on behalf of the Town of Port Hope, and the financial results of the Fund are not included in the financial statements of ACO. As at December 31, 2016 the outstanding balance of the advance was \$5,000 which was repaid in May 2017.

The remainder of the balance due to the Fund as at December 31, 2016 represents a deposit that ACO had taken on behalf of the the Fund.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

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DECEMBER 31, 2016

7. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 404,050	\$ 419,727
Amortization to revenues during the year	<u>15,677</u>	<u>15,677</u>
Balance, end of year	<u>388,373</u>	<u>404,050</u>

8. GOVERNMENT GRANTS REVENUES

	<u>2016</u>	<u>2015</u>
Federal Grants	\$ 2,400	\$ 1,800
Provincial Grants	49,750	48,750
Municipal Grants	<u>10,500</u>	<u>10,000</u>
	<u>\$ 62,650</u>	<u>\$ 60,550</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

9. PREMISES LEASES

ACO pays rent on a month to month bases of approximately \$10,500 annually. ACO entered into a premises lease agreement for its head office, effective March 1, 2018 for a 3 year term requiring annual payments of approximately \$35,000.

The Port Hope branch has entered into 20 year leases to 2024 for two properties at \$1.00 per year each. The branch is responsible for all operating costs related to these two properties.

10. GRANT COMMITMENTS

As part of its mandate to preserve buildings and structures of architectural merit, ACO provides grants to qualified applicants to assist in the restoration of properties designated under the *Ontario Heritage Act*. The disbursement of grants only occur upon the approved grant recipient's fulfillment of various terms and conditions. Where a grant has not been disbursed in the year of approval, and there is significant uncertainty over future disbursement, the expense and its corresponding payable have not been recorded in ACO's books. In 2016 the value of unrecorded grants was \$35,000 (2015 - \$nil).

In 2016 grants totalling \$16,116 (2015 - \$nil) were approved, where the grant recipients are related parties to individuals in an executive position within ACO. None of these grants were disbursed in 2016.

11. CAPITAL MANAGEMENT

ACO's capital position consists of its unrestricted net assets. In managing capital, ACO focuses on liquid resources available for operations. ACO's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities to advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget.

ACO and the branches have financed the cost of capital assets using contributions for capital asset purchases (see note 7) and internally generated surpluses.

As at December 31, 2016, ACO has met its objective of having sufficient liquid resources to meet its current obligations.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACO is exposed to various risks through its financial instruments. The following analysis provides a measure of ACO's risk exposure and concentrations at the balance sheet date. No change in risks from previous year.

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to meet its obligations. This risk is mitigated by ACO by ensuring that revenue is derived from qualified sources.

b) **Market Price Risk**

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument issuer, or factors affecting all similar financial instruments traded in the market. ACO's investments in publicly traded securities exposes the organization to market risk since these equity investments are subject to price fluctuations in the open market.

c) **Liquidity Risk**

Liquidity risk is the risk that ACO will encounter difficulty in meeting obligations from financial liabilities, mainly from accounts payable and accrued liabilities. ACO expects to meet these obligations as they come due by generating sufficient cash flows from donations, other revenues and unrestricted cash reserves.

d) **Interest Rate Risk**

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of market changes in interest rates. ACO has not incurred any interest-bearing liabilities.

e) **Currency risk**

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. ACO is not exposed to this risk as it neither conducts transactions nor carries balances in foreign currencies.

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