

February 13, 2019 10:44 AM

**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

DRAFT



**VLOET & KAN LLP**

Chartered Professional Accountants, Licensed Public Accountants

**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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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, 2017** 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 expenditures over revenues, 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, 2017** 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, 2017

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 559,692	\$ 685,388
Investments	2,316,239	2,226,188
Restricted cash and short term investments (note 4)	135,001	151,492
Accounts receivable	18,784	14,755
Inventory	7,941	7,782
Prepaid expenses and other assets	9,367	9,474
HST recoverable	<u>102,712</u>	<u>84,321</u>
	<b>3,149,736</b>	<b>3,179,400</b>
<b>LONG TERM</b>		
Property and equipment (note 5)	<u>420,947</u>	<u>438,526</u>
	<b><u>\$ 3,570,683</u></b>	<b><u>\$ 3,617,926</u></b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 256,318	\$ 204,520
Deferred revenues	13,149	11,506
Restricted cash and short term investments (note 4)	135,001	151,492
Due to Port Hope Heritage Fund (note 6)	-	6,490
Deferred contributions for capital asset purchases (note 7)	<u>372,696</u>	<u>388,373</u>
	<b>777,164</b>	<b>762,381</b>
<b>NET ASSETS</b>		
Per statement - page 3	<u>2,793,519</u>	<u>2,855,545</u>
	<b><u>\$ 3,570,683</u></b>	<b><u>\$ 3,617,926</u></b>

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, 2017**

	<u>2017</u>	<u>2016</u>
<b>BALANCE</b> - Beginning of year	\$ 2,855,545	\$ 2,445,725
Add: (Deficiency) excess of revenue over expenses	<u>(62,026)</u>	<u>409,820</u>
<b>BALANCE</b> - End of year	<u>\$ 2,793,519</u>	<u>\$ 2,855,545</u>

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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>		
Received donations	\$ 175,780	\$ 617,476
Government grants (note 8)	115,500	62,650
Non-receipted donations and memberships	114,654	86,727
Sales of tickets and goods (net)	49,092	41,355
Fundraising events	33,298	41,448
Rentals	37,407	38,374
Amortization of deferred contributions for capital asset purchases (note 7)	<u>15,677</u>	<u>15,677</u>
	<u>\$ 541,408</u>	<u>\$ 903,707</u>
<b>EXPENSES</b>		
Professional fees	\$ 152,169	\$ 128,242
Grants and awards	43,124	107,478
Wages and benefits	158,676	91,798
Fundraising costs	98,655	93,319
General and administrative	40,696	35,722
Advertising and promotion	27,130	40,584
Utilities	21,379	23,420
Repairs and maintenance	30,148	44,451
Projects expenses	53,831	18,784
Occupancy costs	24,579	19,502
Travel and meetings	22,123	21,315
Outside Services	27,745	20,609
Insurance	16,107	16,972
Interest and bank charges	5,873	5,455
Amortization	<u>19,209</u>	<u>18,665</u>
	<u>741,444</u>	<u>686,316</u>
<b>EXCESS OF OPERATING REVENUE OVER EXPENSES</b>	<b>(200,036)</b>	<b>\$ 217,391</b>
<b>OTHER INCOME</b>		
Income from investments	<u>138,010</u>	<u>192,429</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ <u>(62,026)</u></b>	<b>\$ <u>409,820</u></b>

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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenue over expenses	\$ (62,026)	\$ 409,820
Items not involving cash:		
Amortization	<u>19,209</u>	<u>18,665</u>
	<b>(42,817)</b>	428,485
Decrease (increase) in investments	<b>(90,051)</b>	60,942
(Increase) in accounts receivable	<b>(4,029)</b>	(722)
Decrease in restricted cash and investments	<b>16,491</b>	17,316
Decrease (increase) in inventory	<b>(159)</b>	1,883
Decrease in prepaid expenses	<b>107</b>	9,702
(increase) in HST recoverable	<b>(18,391)</b>	(18,663)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<b>51,798</b>	(50,105)
Increase (decrease) in deferred revenue	<b>1,643</b>	(1,144)
Decrease in restricted deferred revenue	<b>(16,491)</b>	(17,316)
Increase (decrease) in due to Port Hope Heritage Fund	<b>(6,490)</b>	5,140
Increase (decrease) in deferred contributions for capital asset purchases	<u><b>(15,677)</b></u>	<u>(15,677)</u>
<b>CASH (USED IN) PROVIDED BY OPERATIONS</b>	<u><b>(124,066)</b></u>	<u>419,841</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u><b>(1,630)</b></u>	<u>-</u>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(125,696)</b>	419,841
<b>CASH - Beginning of Year</b>	<u><b>685,388</b></u>	<u>265,547</u>
<b>CASH - End of Year</b>	<u><b>\$ 559,692</b></u>	<u>\$ 685,388</u>

The accompanying notes are an integral part of the financial statements.  
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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**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 2015 and 2014.

**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, 2017

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, 2017

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>2017</u>	<u>2016</u>
Cambridge - Heritage Project Fund	\$ 32,462	\$ 39,200
Cambridge - Sheave Tower Endowment Fund	61,859	60,890
Toronto - Rosedale Project	40,680	40,667
Windsor - Save Our Sanctuaries	<u>-</u>	<u>10,735</u>
	<u>\$ 135,001</u>	<u>\$ 151,492</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net</u>	<u>2016 Net</u>
Land - Cambridge	\$ 22,400	\$ -	\$ 22,400	\$ 22,400
Building improvements:				
Cambridge	50,000	47,500	2,500	5,000
South Bruce-Grey	627,081	232,450	394,631	410,308
Equipment				
Cobourg	665	665	-	-
South Bruce-Grey	915	915	-	160
Toronto	1,060	1,060	-	-
Provincial office	<u>6,950</u>	<u>5,534</u>	<u>1,416</u>	<u>658</u>
	<u>\$ 709,071</u>	<u>\$ 288,124</u>	<u>\$ 420,947</u>	<u>\$ 438,526</u>

6. PORT HOPE HERITAGE FUND

In 2016, the Port Hope branch of ACO received an advance of \$5,000 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, 2017 the outstanding balance of the advance was \$nil.

The remainder of the balance due to the Fund as at December 31, 2016 represented a deposit that ACO had taken on behalf of the the Fund and which was transferred to the Fund during the year.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 388,373	\$ 404,050
Amortization to revenues during the year	<u>15,677</u>	<u>15,677</u>
Balance, end of year	<u>372,696</u>	<u>388,373</u>

8. GOVERNMENT GRANTS REVENUES

	<u>2017</u>	<u>2016</u>
Federal Grants	\$ 24,700	\$ 2,400
Provincial Grants	45,500	49,750
Municipal Grants	<u>45,300</u>	<u>10,500</u>
	<u>\$ 115,500</u>	<u>\$ 62,650</u>

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# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 9. PREMISES LEASES

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 2017 the value of unrecorded grants was \$61,000 (2016 - \$35,000).

In 2017 grants totalling \$nil (2016 - \$16,116) were approved, where the grant recipients are related parties to individuals in an executive position within ACO. \$16,116 of these grants were disbursed in 2017 (2016 - \$nil).

### 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, 2017, 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, 2017

**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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