

June 15, 2022 10:54 AM

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

DRAFT



VLOET & KAN LLP

Chartered Professional Accountants, Licensed Public Accountants

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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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, 2021** 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.



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, 2021** 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.

Chartered Professional Accountants
Licensed Public Accountant
Toronto, Ontario
June 15, 2022

DRAFT

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT		
Cash	\$ 506,001	\$ 686,331
Investments (note 3)	1,908,587	1,580,007
Restricted cash and investments (note 5)	71,970	71,970
Accounts receivable	3,320	9,990
Building held for sale (note 6)	-	431,121
Prepaid expenses and other assets	27,621	30,617
HST recoverable	<u>67,409</u>	<u>31,673</u>
	2,584,908	2,841,709
LONG TERM		
Property and equipment (note 7)	<u>442,815</u>	<u>462,075</u>
	<u>\$ 3,027,723</u>	<u>\$ 3,303,784</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 97,957	\$ 95,835
Deferred revenues (note 8)	12,798	54,589
Restricted cash and short term investments (note 5)	71,970	71,970
Deferred contributions for capital asset purchases (note 9)	<u>309,988</u>	<u>325,665</u>
	492,713	548,059
NET ASSETS		
Per statement - page 3	<u>2,535,010</u>	<u>2,755,725</u>
	<u>\$ 3,027,723</u>	<u>\$ 3,303,784</u>

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 June 15, 2022.



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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
BALANCE - Beginning of year	\$ 2,755,725	\$ 3,025,815
Add: Deficiency of revenues over expenses	<u>(220,715)</u>	<u>(270,090)</u>
BALANCE - End of year	<u>\$ 2,535,010</u>	<u>\$ 2,755,725</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUE		
Donations	\$ 151,562	\$ 122,427
Government grants (note 10)	115,254	64,010
Sales of tickets and goods (net)	17,629	12,985
Receipted gifts in kind	34,118	37,391
Rentals	30,198	31,710
Memberships	30,536	31,022
Fundraising events	9,143	730
Other sundry revenue	33,144	6,853
Amortization of deferred contributions for capital asset purchases (note 8)	<u>15,677</u>	<u>15,677</u>
	<u>\$ 437,261</u>	<u>\$ 322,805</u>
EXPENSES		
Wages and benefits	\$ 226,307	\$ 197,756
Organization projects (note 11)	107,144	37,231
Outside services and subcontractors	93,534	88,118
Professional fees	82,187	84,308
Occupancy costs	51,074	28,911
General and administrative	27,277	24,247
Marketing, outreach and advocacy	21,592	10,552
Repairs and maintenance	20,795	30,135
Insurance	19,586	17,426
Utilities	19,503	19,853
Bank charges	7,145	5,811
Fundraising costs	6,430	13,855
Expenses to maintain asset held for sale (note 6)	5,333	39,159
Travel and meetings	2,985	11,336
Grants and awards	1,090	-
Memberships paid to external organizations	112	1,019
Other expenses	88	358
HST recovery writedown	-	11,443
Amortization	<u>25,550</u>	<u>18,031</u>
	<u>717,732</u>	<u>639,549</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	(280,471)	\$ (316,744)
OTHER INCOME		
Income from investments	67,334	46,654
Loss on disposition of building held for sale (Note 6)	<u>(7,578)</u>	<u>-</u>
	<u>59,756</u>	<u>46,654</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ <u>(220,715)</u>	\$ <u>(270,090)</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (220,715)	\$ (270,090)
Items not involving cash:		
Amortization	<u>25,550</u>	<u>18,031</u>
	(195,165)	(252,059)
Decrease (increase) in investments	(328,580)	7,293
Decrease in accounts receivable	6,670	12,788
(Increase) in restricted cash and investments	-	(1,225)
Decrease in inventory	-	-
Decrease in building held for sale	431,121	-
Decrease in prepaid expenses	2,996	6,161
(Increase) decrease in HST recoverable	(35,736)	100,414
Increase (decrease) in accounts payable and accrued liabilities	2,122	(8,549)
Increase (decrease) in deferred revenue	(41,791)	1,400
Increase in restricted deferred revenue	-	1,225
Increase in deferred contributions for capital asset purchases	<u>(15,677)</u>	<u>(15,677)</u>
CASH (USED IN) OPERATIONS	<u>(174,040)</u>	<u>(148,229)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(6,290)</u>	<u>(1,626)</u>
DECREASE IN CASH	(180,330)	(149,855)
CASH - Beginning of Year	<u>686,331</u>	<u>836,186</u>
CASH - End of Year	<u>\$ 506,001</u>	<u>\$ 686,331</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

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.

a) Basis of presentation

These financial statements represent the results and financial position of the ACO head office and twenty-two branches 2021 and 2020.

b) 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, 2021

CONTINUED.....

c) 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.

d) 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.

e) 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.

f) 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, 2021

CONTINUED.....

g) Donations in kind and inventory held on consignment.

Individuals and organizations donate tangible items, typically antiques to ACO to be auctioned off at auctions held as fundraisers. The items donated, (Donations In Kind) have the option to take back the donated item at the discretion of the donor.

Therefore, the items held by ACO are held on consignment and are not owned by ACO. If the items are not sold at an audition the donor has the right to take back the inventory held on consignment.

Since the donor has the right to take back the consignment inventory, charitable receipts are provided only after the item has been sold at an auction. The value of the charitable tax receipt is the fair market value of the item determined by a valuator consistent with the requirements of the Canada Revenue Agency.

3. INVESTMENTS

Investments consist of investments with a fixed rate of return and marketable equity securities.

Mutual funds:

Book value and fair market value of \$775,543.56 and fixed rates of returns ranging from 0.1% to 3.33% with maturity date ranging from April 04, 2022 to August 12, 2025.

Marketable equity securities:

Book value of \$1,094,188 and market value of \$1,133,043.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

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4. 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 excluding publicly traded securities, ACO is not exposed to significant currency or credit risk arising from these financial instruments. 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.

Investments consist of publicly traded fixed income and equity securities residing in an investment account with a Canadian investment broker.

5. RESTRICTED CASH AND SHORT-TERM INVESTMENTS (see note 2(b))

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

	<u>2021</u>	<u>2020</u>
Heritage Project Fund	\$ 1,224	\$ 1,224
Sheave Tower Endowment Fund	\$ <u>70,746</u>	\$ <u>70,746</u>
	\$ <u>71,970</u>	\$ <u>71,970</u>

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6. BUILDING HELD FOR SALE

In 2019, ACO acquired through an in-kind donation from the Royal Bank of Canada, the historic O'Neill's Opera House (85 Walton Street) building located in downtown Port Hope's Designated Heritage Conservation District. ACO sold the building in 2021, the building was recorded as a held-for-sale inventory asset in the organization's books and is not subject to amortization. The recorded amount of the asset reflects the value of the donated building and ancillary costs incurred in its acquisition. ACO was responsible for ongoing maintenance and other costs of ownership until the building was sold. .

7. PROPERTY AND EQUIPMENT (see note 2(d))

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2021 Net</u>	<u>2020 Net</u>
Land				
Cambridge	\$ 22,400	\$ -	\$ 22,400	\$ 22,400
Buildings				
Cambridge	50,000	50,000	-	-
South Bruce-Grey	636,848	296,867	339,981	356,146
Port Hope	86,899	15,464	71,435	80,137
St. Catharines	6,539	-	6,539	1,000
Equipment				
Computer	12,004	10,555	1,449	1,080
Furniture and fixtures	2,495	1,484	1,011	1,312
	<u>\$ 817,185</u>	<u>\$ 374,370</u>	<u>\$ 442,815</u>	<u>\$ 462,075</u>

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

8. DEFERRED REVENUE

Deferred revenue consists of grants that are subject to restrictions on their use, and are recognized as revenue when the related expenses are incurred, the deposits received for next year performances or for the sale of properties which are not closed during the year.

	<u>2021</u>	<u>2020</u>
Park People (Support for Oculus project)	\$ 8,349	\$ 30,490
Friends of the Pan Am Path (Support for Oculus project)	350	10,000
Deposit for sold building (Note 5)	-	10,000
	<u>\$ 8,699</u>	<u>\$ 50,490</u>

9. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

The deferred contributions for capital asset purchased related to to a building located at the South Bruce Grey, Victoria Jubilee Branch. (see note 2(b) and 2(d))

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 325,665	\$ 341,342
Amortization to revenues during the year	15,677	15,677
	<u>\$ 309,988</u>	<u>\$ 325,665</u>

10. GOVERNMENT GRANTS

	<u>2021</u>	<u>2020</u>
Federal government grants	\$ 27,360	\$ -
Ontario government grants	43,000	44,500
Municipal government grants	<u>44,893</u>	<u>19,510</u>
Other Grant	-	10,049
	<u>\$ 115,253</u>	<u>\$ 74,059</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

11. ORGANIZATION PROJECTS

TO BUILT PROJECT

TO Built offers a means of recording all heritage properties in Toronto, including photographs, research, drawings, and links to other, external sources of information. The project is a publicly accessible online database. The database is open source and provides an opportunity for anyone with information to share it with others.

OCULUS PROJECT

The Oculus in South Humber Park was built in 1959. The Oculus has been restored and reinvigorated by Giaimo and ACO Toronto, creating more meaningful connection for park users and the neighbourhood as a place for meeting and gathering.

YORK SQUARE SCRIPT PROJECT

A video on the history of York square and shorter edited versions of the video for social media outlets.

	<u>2021</u>	<u>2020</u>
TOBuilt Project	\$ 37,103	\$ 24,553
Oculus Project	67,265	-
York Square script Project	-	10,049
Other Projects	<u>2,776</u>	<u>2,629</u>
	<u>\$ 107,144</u>	<u>\$ 37,231</u>

12. COMMITMENTS

ACO Provincial branch renewed its lease agreement for their premises for its head office, effective March 1, 2022 for a 3 year term requiring annual payments of approximately \$36,500.

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

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

13. 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 8) and internally generated surpluses.

As at December 31, 2021, ACO has met its objective of having sufficient liquid resources to meet its current obligations.

14. COMPARATIVE FIGURES

Certain 2020 comparative figures have been reclassified to conform with 2021 financial statement presentation. These reclassifications have no impact on 2020 excess of revenues over expenses previously reported.

15. 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. The Company manages its credit risk associated with cash by keeping its cash with a credit worthy financial institution. This risk is mitigated by ACO by ensuring that revenue is derived from qualified sources.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

CONTINUED.....

b) **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. The Organization manages its liquidity risk by forecasting its cash needs and adjusting its operating activities accordingly, and expects to meet these obligations as they come due by generating sufficient cash flow from operations. ACO expects to meet these obligations as they come due by generating sufficient cash flows from donations, other revenues and unrestricted cash reserves.

c) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Organization's exposures to these risks is insignificant.

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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to this risk as it does not own any variable interest-bearing deposits or investments, nor any variable interest-bearing liabilities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to market risk as the organization holds investments that fluctuate with the market. The Organization manages this risk by holding the equity investments with a long term perspective while also holding fixed rate securities that can be liquidated to meet shorter term cash flow needs.

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