

**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**



**VLOET & KAN LLP**

Chartered Professional Accountants, Licensed Public Accountants

**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

	Page No.
INDEPENDENT AUDITOR'S REPORT	1-3
<b>FINANCIAL STATEMENTS</b>	
Statement of financial position	4
Statement of changes in net assets	5
Statement of operations	6
Statement of cash flows	7
Notes to financial statements	8-17



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Chartered Professional Accountants, Licensed Public Accountants



## INDEPENDENT AUDITOR'S REPORT

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

### **Qualified Opinion**

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, 2023** 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.

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, 2023** 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.

### **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.

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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 qualified opinion.

### **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.

(continued...)

## INDEPENDENT AUDITOR'S REPORT (continued...)

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

### **Auditor's Responsibility**

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 Organization'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 Organization'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 Organization to cease to continue as a going concern.

(continued...)



## INDEPENDENT AUDITOR'S REPORT (continued...)

- 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 Accountant  
Toronto, Ontario  
June 22, 2024

**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 479,490	\$ 612,454
Investments (note 3)	1,187,876	1,314,322
Restricted cash and investments (note 5)	70,746	70,746
Accounts receivable	11,866	2,973
Prepaid expenses and other assets	22,522	28,504
HST recoverable	<u>86,795</u>	<u>48,951</u>
	<u>1,859,295</u>	<u>2,077,950</u>
<b>LONG TERM</b>		
Property and equipment (note 6)	<u>585,649</u>	<u>489,711</u>
	<u>\$ 2,444,944</u>	<u>\$ 2,567,661</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 164,163	\$ 140,630
Deferred revenues (note 7)	12,190	9,487
Restricted cash and short term investments (note 5)	70,746	70,746
Deferred contributions for capital asset purchases (note 8)	<u>284,634</u>	<u>300,311</u>
	<u>531,733</u>	<u>521,174</u>
<b>NET ASSETS</b>		
Per statement - page 3	<u>1,913,211</u>	<u>2,046,487</u>
	<u>\$ 2,444,944</u>	<u>\$ 2,567,661</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 22, 2024.



**VLOET & KAN LLP**

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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>BALANCE</b> - Beginning of year	<b>\$ 2,046,487</b>	\$ 2,535,010
Add: Deficiency of revenues over expenses	<u>(133,276)</u>	<u>(488,523)</u>
<b>BALANCE</b> - End of year	<b><u>\$ 1,913,211</u></b>	<b><u>\$ 2,046,487</u></b>

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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>REVENUE</b>		
Donations	\$ 181,978	\$ 160,649
Government grants (note 9)	130,530	119,290
Sales of tickets and goods (net)	72,802	34,562
Rentals	49,179	29,783
Memberships	34,850	32,630
Fundraising events	26,444	-
Received gifts in kind	23,506	24,010
Amortization of deferred contributions for capital asset purchases (note 9)	15,677	15,677
Other sundry revenue	8,716	18,195
Non-receipted donations	6,583	-
Non-receipted memberships	<u>100</u>	<u>-</u>
	\$ <u><b>550,365</b></u>	\$ <u><b>434,796</b></u>
<b>EXPENSES</b>		
Wages and benefits	\$ 173,151	\$ 175,764
Outside services and subcontractors	94,160	83,713
Grants and awards (note 12)	75,300	7,300
Professional fees	57,167	67,659
Occupancy costs	50,276	49,244
Projects and events (note 10)	48,332	65,953
General and administrative	33,180	41,923
Fundraising costs	32,458	33,138
Advocacy fees (note 12)	26,620	-
Repairs and maintenance	24,522	19,148
Utilities	22,994	23,508
Insurance	22,957	21,179
Travel and meetings	20,830	5,528
Marketing, outreach and advocacy	15,307	31,129
Bank charges	6,229	5,325
Memberships paid to external organizations	345	995
Other sundry expenses	243	-
Donation to charitable organization	-	200,000
Amortization	<u>33,095</u>	<u>19,703</u>
	<u><b>737,166</b></u>	<u><b>851,209</b></u>
<b>EXCESS OF OPERATING REVENUE OVER EXPENSES</b>	<b>(186,801)</b>	\$ <b>(416,413)</b>
<b>OTHER INCOME</b>		
Income from investments	<u>53,525</u>	<u>(72,110)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	\$ <u><b>(133,276)</b></u>	\$ <u><b>(488,523)</b></u>

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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses	\$ (133,276)	\$ (488,523)
Items not involving cash:		
Amortization	<u>33,095</u>	<u>19,703</u>
	<u>(100,181)</u>	<u>(468,820)</u>
Decrease in investments	126,445	594,265
Decrease (increase) in accounts receivable	(8,893)	347
Decrease in restricted cash and investments	-	1,224
Decrease in inventory	-	-
Decrease in building held for sale	-	-
Decrease (Increase) in prepaid expenses	5,982	(883)
(Increase) decrease in HST recoverable	(37,844)	18,458
Increase in accounts payable and accrued liabilities	23,533	42,673
Increase (decrease) in deferred revenue	2,703	(3,310)
Decrease in restricted deferred revenue	-	(1,224)
Increase in deferred contributions for capital asset purchases	<u>(15,677)</u>	<u>(9,677)</u>
<b>CASH (USED IN) PROVIDED BY OPERATIONS</b>	<u><b>(3,932)</b></u>	<u><b>173,053</b></u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(129,035)</u>	<u>(66,600)</u>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(132,967)</b>	106,453
<b>CASH - Beginning of Year</b>	<u><b>612,454</b></u>	<u><b>506,001</b></u>
<b>CASH - End of Year</b>	<u><b>\$ 479,487</b></u>	<u><b>\$ 612,454</b></u>

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# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 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 in 2023 and 2022.

#### 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, 2023

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, 2023

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) has the option to be taken back 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 auction 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 \$392,336 (book value and fair market value on Dec 31, 2022 was \$460,233) and fixed rates of returns ranging from 0.1% to 5.30% with maturity date ranging from January 2024 to July 2027.

Marketable equity securities:

Book value of \$828,328 and fair market value of \$795,540 . (Book value on Dec 31, 2022 was \$911,714 and fair market value was \$854,089 )

To be read in conjunction with our Independent Auditor's Report dated June 22, 2024.



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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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 charity 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>2023</u>	<u>2022</u>
Sheave Tower Endowment Fund	\$ <u>70,746</u>	\$ <u>70,746</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2023 Net</u>	<u>2022 Net</u>
<b>Land</b>				
Cambridge	\$ 22,400	\$ -	\$ 22,400	\$ 22,400
<b>Buildings</b>				
Cambridge	54,262	50,302	3,960	4,173
South Bruce-Grey	732,256	333,649	398,607	364,340
Port Hope	157,887	24,167	133,720	71,435
St. Catharines	13,495	-	13,495	13,495
<b>Equipment</b>				
Computer	16,697	13,680	3,017	3,526
Furniture and fixtures	<u>15,492</u>	<u>5,042</u>	<u>10,450</u>	<u>10,342</u>
	<u>\$1,012,489</u>	<u>\$ 426,840</u>	<u>\$ 585,649</u>	<u>\$ 489,711</u>

To be read in conjunction with our Independent Auditor's Report dated June 22, 2024.



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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**7. 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.

	<u>2023</u>	<u>2022</u>
Park People (Support for Oculus project)	\$ 1,830	\$ 5,476
Sold tickets for next year performance	3,661	4,099
Friends of the Pan Am Path (Support for Oculus project)	-	350
	\$ 5,491	\$ 9,925

**8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES**

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 294,311	\$ 309,988
Amortization to revenues during the year	15,677	15,677
	\$ 278,634	\$ 294,311

**9. GOVERNMENT GRANTS**

	<u>2023</u>	<u>2022</u>
Federal government grants	\$ 29,093	\$ -
Ontario government grants	43,000	51,917
Municipal government grants	58,437	67,373
	\$ 130,530	\$ 119,290

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

10. PROJECTS AND EVENTS

ACO supports various projects and events to help promote the preservation of architectural buildings.

*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.

*LONDON DOORWAYS BOOK*

This project is a study of a specific style of triple-arched doorways found in London and surrounding communities in southwestern Ontario.

*SOUTH BRUCE GREY / VICTORIA JUBILEE HALL*

The theatre, Victoria Jubilee Hall in South Bruce Grey holds theatrical and musical performances. These performances bring audiences to help support the maintenance and preservation of the theatre, while allowing audiences an opportunity to enjoy the architectural beauty of the theatre.

	<u>2023</u>	<u>2022</u>
TOBuilt Project	\$ 993	\$ 29,363
South Bruce Grey / Victoria Jubilee Hall	40,183	23,944
London Doorways Book	3,656	9,773
Oculus Project	<u>-</u>	<u>2,873</u>
	<u>\$ 44,832</u>	<u>\$ 65,953</u>

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# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 11. ADVOCACY FEES

ACO Cambridge branch had made efforts to save the Preston Springs Hotel located in Cambridge. On December 31, 2020, demolition of the hotel started and was completed early 2021. The costs represent a settlement paid by ACO to the developer over the efforts to save the hotel. No further costs related to the Preston Springs Hotel are expected.

### 12. GRANTS AND AWARDS

ACO provides grants to owners of heritage buildings to offset the costs associated with maintaining the architectural integrity of the building. In 2023, ACO Port Hope provided the following grants: \$30,000 to the owner of 187 Walton St., Port Hope for eligible heritage conservation work to the property; \$22,600 provided to the owner of 2 Queen St., Port Hope for replacing 16 windows, and \$22,700 for four additional grants for four other building located around Port Hope.

### 13. COMMITMENTS

ACO Provincial branch renewed its lease agreement for their premises for its head office, effective March 1, 2021 for a 3 year term requiring annual payments of approximately \$36,500.

The Port Hope branch has entered into two 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.

### 14. 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, 2023, ACO has met its objective of having sufficient liquid resources to meet its current obligations.

To be read in conjunction with our Independent Auditor's Report dated June 22, 2024.



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# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 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.

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.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

**CONTINUED - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (MARKET RISK)**

*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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