

**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**FINANCIAL STATEMENTS**

**December 31, 2011**

*DRAFT #2 - January 8, 2015*

**Marinucci & Company**  
Chartered Accountants

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## **Independent Auditors' Report**

To the Provincial Council of  
**The Architectural Conservancy of Ontario Inc.**

We have audited the accompanying financial statements of **The Architectural Conservancy of Ontario Inc.**, which comprise the balance sheet as at December 31, 2011 and the statements of operations and 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 generally accepted accounting principles, 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.

### *Auditors' 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 auditor's 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 and fair presentation 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 overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Architectural Conservancy of Ontario Inc. as at December 31, 2011 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Marinucci & Company*

**Toronto, Ontario**  
*Date of approval*

**Chartered Accountants**  
*Licensed Public Accountants*

# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## Balance Sheet as at December 31, 2011

	2011	2010
<b>ASSETS</b>		
Current:		
Cash and short-term investments (Note 3)	\$ 510,360	\$ 477,113
Investments, at market value (Notes 3 and 9)	154,373	157,900
Restricted cash and short-term investments (Note 4)	176,699	176,514
Accounts receivable	74,743	45,512
Prepaid expenses and other	17,538	21,427
	<u>933,713</u>	<u>878,466</u>
Capital assets, net (Notes 5 and 10)	<u>520,437</u>	<u>538,628</u>
	<u>\$ 1,454,150</u>	<u>\$ 1,417,094</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	\$ 86,919	\$ 89,365
Restricted deferred revenues	176,699	176,514
Deferred revenues	63,398	10,730
Current portion of loans payable (Note 6)	9,231	9,063
	<u>336,247</u>	<u>285,672</u>
Loans payable (Note 6)	9,403	18,634
Deferred contributions for capital asset purchases (Notes 5, 7 and 10)	<u>461,218</u>	<u>476,673</u>
	<u>806,868</u>	<u>780,979</u>
<b>NET ASSETS</b>		
Unrestricted	<u>647,282</u>	<u>636,115</u>
	<u>\$ 1,454,150</u>	<u>\$ 1,417,094</u>

Approved on behalf of the Provincial Council:

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**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**Statement of Operations and Changes in Net Assets**

**For the year ended December 31, 2011**

	2011	2010
<b>OPERATING REVENUES</b>		
Donations and memberships	\$ 95,300	\$ 191,583
Fundraising and events	205,456	139,179
Government grants (Note 8)	123,785	58,332
Rental income	26,394	27,453
Investment income (Note 9)	<u>26,103</u>	<u>34,299</u>
	<u>477,038</u>	<u>450,846</u>
<b>OPERATING EXPENSES</b>		
Expenses relating to Agency Agreements (Note 11)	45,000	2,822
Fundraising	109,985	76,221
Wages and honorariums	59,912	74,718
Grants and scholarships	56,167	34,572
Professional fees	62,321	81,838
General and administration	64,149	65,570
Advertising and promotion	5,965	10,894
Occupancy cost (Note 12)	50,886	40,332
Travel and vehicle	3,619	7,635
Interest and bank charges (Note 6)	<u>3,023</u>	<u>3,714</u>
	<u>461,027</u>	<u>398,316</u>
<b>EXCESS OF OPERATING REVENUES OVER EXPENSES</b>	16,011	52,530
<b>LESS: AMORTIZATION, net (Note 10)</b>	<u>4,844</u>	<u>4,140</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	11,167	48,390
<b>UNRESTRICTED NET ASSETS, beginning of year</b>	<u>636,115</u>	<u>587,725</u>
<b>UNRESTRICTED NET ASSETS, end of year</b>	<u>\$ 647,282</u>	<u>\$ 636,115</u>

# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## Statement of Cash Flows

For the year ended December 31, 2011

	2011	2010
<b>Cash generated by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 11,167	\$ 48,390
Add (deduct) non-cash items:		
Amortization, net	4,844	4,140
Unrealized (increase) decrease in fair value of investments	(12,774)	(13,669)
Impact on cash of changes in non-cash working capital items:		
Accounts receivable	(29,231)	(271)
Prepaid expenses and other	3,889	(8,882)
Accounts payable and accrued liabilities	(2,446)	23,548
Deferred revenues	52,668	(3,862)
	<u>28,117</u>	<u>48,377</u>
<b>INVESTING ACTIVITIES</b>		
Capital asset expenditures	(2,108)	(78,448)
Proceeds from disposition (purchase) of investments, net	<u>16,301</u>	<u>(9,537)</u>
	<u>14,193</u>	<u>(87,985)</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayments of loans payable	(9,063)	(8,962)
Contributions received for capital asset purchases	<u>-</u>	<u>29,980</u>
	<u>(9,063)</u>	<u>21,018</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>33,247</b>	<b>(18,590)</b>
<b>CASH AND SHORT-TERM INVESTMENTS, beginning of year</b>	<u><b>477,113</b></u>	<u><b>495,703</b></u>
<b>CASH AND SHORT-TERM INVESTMENTS, end of year</b>	<u><b>\$ 510,360</b></u>	<u><b>\$ 477,113</b></u>

# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## Notes to Financial Statements

December 31, 2011

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### 1. NATURE AND PURPOSE OF THE ORGANIZATION

The Architectural Conservancy of Ontario Inc. ("ACO") was incorporated by Letters Patent under the Corporations Act (Ontario) initially on February 2, 1933 and continued on December 21, 1982. 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.

The ACO is a registered charitable organization under the Income Tax (Canada) and as such, is exempt from income tax.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organization in Part III of the *CPA Canada Handbook* 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 the twenty-five branches that were in operation in 2011 and 2010.

#### **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.

#### **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 and loans 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.

# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## Notes to Financial Statements

December 31, 2011

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Capital assets

Capital assets are 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 and 40 years. Capital assets acquired during the year are amortized at one-half of the normal rate.

Contributions received for the purchase of capital assets 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, and because of the difficulty in determining their fair value, 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.

### 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.

Investments consist of marketable securities traded on the Toronto Stock Exchange residing in accounts at a Canadian financial institution and investment advisor.

The fair value of ACO's financial instruments 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.

See Note 6 for details of loans payable.

### 4. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

Restricted cash and short-term investments consist of funds segregated from general funds as follows:

	2011	2010
Cambridge – Project Fund	\$ 46,000	\$ 46,000
Cambridge – Endowment Fund	60,000	60,000
Toronto	47,034	47,034
Windsor	23,665	23,480
	<u>\$ 176,699</u>	<u>\$ 176,514</u>

# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

## Notes to Financial Statements

December 31, 2011

### 5. CAPITAL ASSETS

	Cost	Accumulated amortization	Net Book Value 2011	Net Book Value 2010
Land - Cambridge	\$ 22,400	\$ -	\$ 22,400	\$ 22,400
Building improvements:				
Cambridge	50,000	(32,500)	17,500	20,000
South Bruce-Grey	618,240	(138,832)	479,408	494,863
Office equipment:				
Simcoe County	568	(227)	341	455
Head Office	4,334	(4,334)	-	910
South Bruce-Grey	435	-	435	-
Toronto	353	-	353	-
	<u>\$ 696,330</u>	<u>\$ (175,893)</u>	<u>\$ 520,437</u>	<u>\$ 538,628</u>

In 2010, South Bruce-Grey branch received \$29,980 in contributions to fund building renovations and upgrades to the Victoria Jubilee Hall in Walkerton. Building renovation and upgrade expenditures of \$77,881 were incurred in 2010.

### 6. LOANS PAYABLE

Loans payable consist of:	2011	2010
Brockton Heritage Fund	\$ 14,634	\$ 21,697
Other	<u>4,000</u>	<u>6,000</u>
	18,634	27,697
Less current portion	<u>(9,231)</u>	<u>(9,063)</u>
	<u>\$ 9,403</u>	<u>\$ 18,634</u>

The Brockton Heritage Fund (Municipality of Brockton) advanced these funds to the ACO South Bruce Grey branch for the purpose of repairs and renovations to the Victoria Jubilee Hall (in Walkerton). The loan was advanced on July 2, 2008, bears interest at 2.4% and is repayable over five years in ten semi-annual payments (plus interest) starting on January 2, 2009. Interest charges on this loan of \$473 (2010 - \$637) are included in interest and bank charges.

The other loan was advanced to the ACO in March, 2007. This loan does not bear interest and has no repayment schedule. The lender has forgiven certain of the principal balance and ACO has issued donations receipts of \$2,000 each for 2007 through 2011, reducing the balance outstanding at December 31, 2011 to \$4,000.

### 7. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

	2011	2010
Balance, beginning of year	\$ 476,673	\$ 461,175
Grants received during the year (see Note 5)	-	29,980
Amortization to operations during the year (see Note 10)	<u>(15,455)</u>	<u>(14,482)</u>
Balance, end of year	<u>\$ 461,218</u>	<u>\$ 476,673</u>

**THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.**

**Notes to Financial Statements**

**December 31, 2011**

**8. GOVERNMENT GRANTS REVENUES**

	2011	2010
<i>Provincial</i>		
Ontario Trillium Foundation:		
Project grant	\$ 55,000	\$ -
Province of Ontario		
Student employment program	2,785	2,532
Operating grant	43,000	27,000
Cultural Strategic Investment Fund	-	30,000
Heritage Program Fund	9,000	-
Ontario Arts Council:		
South Bruce Grey concert series	<u>6,500</u>	<u>3,000</u>
<i>Total provincial grants</i>	<u>116,285</u>	<u>52,532</u>
<i>Municipalities</i>		
Brockton	5,000	5,000
Clarington	2,500	-
Town of Muskoka Lakes	<u>-</u>	<u>800</u>
<i>Total municipal grants</i>	<u>7,500</u>	<u>5,800</u>
	<u>\$ 123,785</u>	<u>\$ 58,332</u>

**9. INVESTMENT INCOME**

	2011	2010
Investment income consists of:		
Interest, dividends and unit trust distributions	\$ 13,329	\$ 20,630
Unrealized increase (decrease) in fair value of investments	<u>12,774</u>	<u>13,669</u>
	<u>\$ 26,103</u>	<u>\$ 34,299</u>

**10. AMORTIZATION**

	2011	2010
Amortization, net, consists of the following		
Amortization of capital assets	\$ 20,299	\$ 18,622
Amortization of deferred contributions for capital asset purchases (see Note 7)	<u>(15,455)</u>	<u>(14,482)</u>
	<u>\$ 4,844</u>	<u>\$ 4,140</u>

# THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

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### 11. EXPENSES RELATING TO AGENCY AGREEMENTS

ACO entered into Agency Agreements with other organizations in 2011 to fund expenses for activities consistent with ACO's charitable purposes, in the amount of \$45,000 (2010 - \$2,822).

### 12. PREMISES LEASES

ACO entered into a premises lease agreement for its head office, effective October 1, 2008 for a 5 year term requiring annual payments of \$6,344 for year one (ending September 30, 2009) plus annual increases of approximately 7% resulting in a payment of \$8,296 for the fifth year (ending September 30, 2013). Either party may cancel the lease at any time on 6 month written notice, with no penalty.

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.

Three branches (Cambridge, London and Toronto) have entered into separate premises leases with one year terms requiring total annual payments of approximately \$6,000.

### 13. CAPITAL MANAGEMENT

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), loans payable (see Note 6) and internally generated surpluses.

As at December 31, 2011, ACO has met its objective of having sufficient liquid resources to meet its current obligations.