

September 21, 2020 8:24 AM

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

DRAFT



VLOET & KAN LLP

Chartered Professional Accountants, Licensed Public Accountants

THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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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, 2019** 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, 2019** 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.

Vloet & Kan LLP

Chartered Professional Accountants
Licensed Public Accountant
Toronto, Ontario
September 26, 2020

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT		
Cash	\$ 842,186	\$ 462,112
Investments	1,581,301	2,212,200
Restricted cash and investments (note 4)	70,746	59,151
Accounts receivable	22,778	20,336
Inventory	-	6,388
Building held for sale (note 5)	431,121	-
Prepaid expenses and other assets	36,778	15,547
HST recoverable	<u>132,087</u>	<u>152,109</u>
	<u>3,116,997</u>	<u>2,927,843</u>
LONG TERM		
Property and equipment (note 6)	<u>478,479</u>	<u>494,815</u>
	<u>\$ 3,595,476</u>	<u>\$ 3,422,658</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 104,383	\$ 245,019
Deferred revenues	53,190	9,143
Restricted cash and short term investments (note 4)	70,746	59,151
Deferred contributions for capital asset purchases (note 7)	<u>341,342</u>	<u>357,019</u>
	<u>569,661</u>	<u>670,332</u>
NET ASSETS		
Per statement - page 3	<u>3,025,815</u>	<u>2,752,326</u>
	<u>\$ 3,595,476</u>	<u>\$ 3,422,658</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 September 26, 2020.



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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
BALANCE - Beginning of year	\$ 2,752,326	\$ 2,793,519
Add: Excess (deficiency) of revenues over expenses)	<u>273,489</u>	<u>(41,193)</u>
BALANCE - End of year	<u>\$ 3,025,815</u>	<u>\$ 2,752,326</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE		
Donations	\$ 150,383	\$ 293,770
Government grants (note 8)	80,400	88,602
Sales of tickets and goods (net)	67,079	80,333
Received gifts in kind	483,209	68,236
Rentals	43,996	41,269
Memberships	33,945	37,073
Fundraising events	69,420	33,294
Other sundry revenue	4,797	29,338
Amortization of deferred contributions for capital asset purchases (note 7)	<u>15,677</u>	<u>15,677</u>
	<u>\$ 948,906</u>	<u>\$ 687,592</u>
EXPENSES		
Wages and benefits	\$ 199,333	\$ 186,682
Outside services and subcontractors	106,468	69,304
Fundraising costs	93,065	73,723
Professional fees	67,265	65,743
Grants and awards	58,986	40,849
HST recovery writedown	47,485	-
Occupancy costs	42,835	33,913
General and administrative	41,235	42,306
Performances and events	34,643	42,897
Marketing, outreach and advocacy	32,295	45,434
Travel and meetings	24,069	18,049
Repairs and maintenance	23,670	15,154
Utilities	22,400	25,362
Insurance	16,803	17,951
Bank charges	7,019	7,535
Memberships paid to external organizations	1,349	3,674
Other expenses	261	2,036
Amortization	<u>20,506</u>	<u>22,159</u>
	<u>839,687</u>	<u>712,771</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	109,219	\$ (25,179)
OTHER INCOME		
Income (loss) from investments	<u>164,270</u>	<u>(16,014)</u>
NET INCOME (LOSS) FOR THE YEAR	<u>\$ 273,489</u>	<u>\$ (41,193)</u>

The accompanying notes are an integral part of the financial statements.

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VLOET & KAN LLP

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses)	\$ 273,489	\$ (41,193)
Items not involving cash:		
Amortization	<u>20,506</u>	<u>22,159</u>
	<u>293,995</u>	<u>(19,034)</u>
Decrease in investments	630,899	124,428
(Increase) in accounts receivable	(2,442)	(15,513)
Decrease (Increase) in restricted cash and investments	(11,595)	75,849
Decrease in inventory	6,388	1,553
(Increase) in building held for sale	(431,121)	-
Decrease (increase) in prepaid expenses	(21,231)	4,693
Decrease (increase) in HST recoverable	20,022	(32,025)
Decrease in accounts payable and accrued liabilities	(140,636)	(25,755)
Increase (decrease) in deferred revenue	44,047	(3,835)
Increase (decrease) in restricted deferred revenue	11,595	(75,849)
Increase in deferred contributions for capital asset purchases	<u>(15,677)</u>	<u>(15,677)</u>
CASH DERIVED FROM OPERATIONS	<u>384,244</u>	<u>18,835</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(4,170)</u>	<u>(96,566)</u>
INCREASE (DECREASE) IN CASH	380,074	(77,731)
CASH - Beginning of Year	<u>462,112</u>	<u>539,843</u>
CASH - End of Year	<u>\$ 842,186</u>	<u>\$ 462,112</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, 2019

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-four branches that were in operation in 2019 and 2018.

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, 2019

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, 2019

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 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.

4. 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>2019</u>	<u>2018</u>
Cambridge - Sheave Tower Endowment Fund	\$ 70,746	\$ 59,151

5. BUILDING HELD FOR SALE

During the year ACO acquired through an in-kind donation from the Royal Bank of Canada, the historic O'Neill's Opera House building located in downtown Port Hope's Designated Heritage Conservation District. ACO is currently seeking a qualified purchaser for the property as it does not intend to operate the building as a revenue generating asset. The building is therefore 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

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its acquisition. ACO is responsible for ongoing maintenance and other costs of ownership until the building has been sold.

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net</u>	<u>2018 Net</u>
Land -				
Cambridge	\$ 22,400	\$ -	\$ 22,400	\$ 22,400
South Bruce-Grey	-	-	-	\$ -
Buildings				
Cambridge	50,000	50,000	-	-
South Bruce-Grey	636,849	264,537	372,312	388,478
Port Hope	86,899	6,762	80,137	82,624
St. Catharines	1,000	-	1,000	-
Equipment				
Computer	10,596	8,515	2,081	1,313
Furniture and fixtures	<u>1,525</u>	<u>976</u>	<u>549</u>	<u>-</u>
	<u>\$ 809,269</u>	<u>\$ 330,790</u>	<u>\$ 478,479</u>	<u>\$ 494,815</u>

7. 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>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 357,019	\$ 372,696
Amortization to revenues during the year	<u>15,677</u>	<u>15,677</u>
Balance, end of year	<u>341,342</u>	<u>357,019</u>

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THE ARCHITECTURAL CONSERVANCY OF ONTARIO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

8. GOVERNMENT GRANTS REVENUES

	<u>2019</u>	<u>2018</u>
Federal government grants	\$ 14,100	\$ 19,300
Ontario government grants	45,500	46,500
Municipal government grants	<u>20,800</u>	<u>22,802</u>
	<u>\$ 80,400</u>	<u>\$ 88,602</u>

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. Grant disbursement only occurs 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 2019 the maximum value of unrecorded grants was \$nil (2018 - \$10,000, of which \$10,000 related to the Port Hope branch).

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. RELATED PARTY TRANSACTIONS

In 2019 Grants (note 10) totalling \$9,500 of which \$9,500 related to the Port Hope branch, (2018 - \$nil) were disbursed to recipients in an executive position within ACO.

In 2019 consulting and other fees related to the Port Hope branch totalling \$4,352 (2018 - \$9,204 relating to the Port Hope branch) were paid or payable to parties related to individuals in an executive position within ACO Port Hope branch.

12. 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, 2019, ACO has met its objective of having sufficient liquid resources to meet its current obligations.

13. COMPARATIVE FIGURES

Certain 2019 comparative figures have been reclassified to conform with 2019 financial statement presentation. These reclassifications have no impact on 2018 excess of revenues over expenses previously reported.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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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