

FINANCIAL STATEMENTS
For
HERITAGE TORONTO
For the year ended
DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

HERITAGE TORONTO

We have audited the accompanying financial statements of Heritage Toronto, which comprise the statement of financial position as at December 31, 2013 and the statements of operations and changes in operating fund balance, statement of operations and changes in fund balance - board designated funds, statement of operations and changes in fund balance - externally restricted funds, 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 public sector accounting standards for government 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 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.

.../2

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 from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue 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 donations, excess of revenue over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for possible the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Heritage Toronto as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Other Matter

The financial statements of Heritage Toronto for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those financial statements on June 26, 2013 for the reason described in the Basis for Qualified Opinion paragraph.





Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
June 18, 2014.

HERITAGE TORONTO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 373,724	\$ 441,987
Accounts receivable	61,270	33,195
Prepaid expenses	<u>3,441</u>	<u>5,794</u>
	438,435	480,976
AGENCY TRUST FUNDS (note 4)	<u>52,859</u>	<u>40,743</u>
	<u>\$ 491,294</u>	<u>\$ 521,719</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 34,467	\$ 36,033
Deferred revenue	<u>67,245</u>	<u>94,717</u>
	101,712	130,750
AGENCY TRUST FUNDS (note 4)	<u>52,859</u>	<u>40,743</u>
	<u>154,571</u>	<u>171,493</u>
FUND BALANCES (note 5)		
Restricted		
Board designated funds	310,078	323,284
Externally restricted funds	35,070	35,070
Unrestricted		
Operating fund deficiency	<u>(8,425)</u>	<u>(8,128)</u>
	<u>336,723</u>	<u>350,226</u>
	<u>\$ 491,294</u>	<u>\$ 521,719</u>

Approved by the Board:


 Director

 Director

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
YEAR ENDED DECEMBER 31, 2013

	<u>Administration</u>	<u>Programs</u>	<u>Total 2013</u>	<u>Total 2012</u>
Revenue				
Grants	\$ 311,800	\$ 18,445	\$ 330,245	\$ 317,300
Donations	-	27,221	27,221	54,751
Memberships	-	14,342	14,342	13,800
Corporate sponsorship	-	113,574	113,574	129,500
Ticket sales	-	6,660	6,660	6,960
Plaque revenue	-	159,145	159,145	151,655
Other income	-	10,990	10,990	10,690
	<u>311,800</u>	<u>350,377</u>	<u>662,177</u>	<u>684,656</u>
Expenses				
Wages and benefits	501,092	-	501,092	475,705
Program expenses	-	158,162	158,162	165,277
Administration	39,092	-	39,092	43,995
Communication	-	7,128	7,128	5,371
	<u>540,184</u>	<u>165,290</u>	<u>705,474</u>	<u>690,348</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ (228,384)</u>	<u>\$ 185,087</u>	(43,297)	(5,692)
Operating fund deficiency, beginning of year			(8,128)	(7,836)
Funds released from designated			<u>43,000</u>	<u>5,400</u>
Operating fund deficiency, end of year			<u>\$ (8,425)</u>	<u>\$ (8,128)</u>

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - BOARD DESIGNATED FUNDS
YEAR ENDED DECEMBER 31, 2013

	<u>Built Heritage Awareness Fund</u>	<u>Heritage Education Program Fund</u>	<u>Community Heritage Research & Grant Fund</u>	<u>Heritage Innovation</u>	<u>Plaque Program Fund</u>	<u>Bequests Fund</u>	<u>2013 Total</u>	<u>2012 Total</u>
Revenue								
Donations	\$ 840	\$ 25,545	\$ 1,345	\$ 235	\$ 13,423	\$ -	\$ 41,388	\$ 41,247
Expenses								
Program expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,594)</u>	<u>-</u>	<u>(11,594)</u>	<u>(758)</u>
Net revenue	840	25,545	1,345	235	1,829	-	29,794	40,489
Fund balance, beginning of year	21,027	80,276	14,898	5,270	86,813	115,000	323,284	288,195
Transfers to operating fund	<u>-</u>	<u>(40,500)</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,000)</u>	<u>(5,400)</u>
Fund balance, end of year	<u>\$ 21,867</u>	<u>\$ 65,321</u>	<u>\$ 13,743</u>	<u>\$ 5,505</u>	<u>\$ 88,642</u>	<u>\$ 115,000</u>	<u>\$ 310,078</u>	<u>\$ 323,284</u>

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - EXTERNALLY RESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2013

	<u>Other Designated Fund</u>	<u>City Museum Activities Fund</u>	<u>Museum Site Preservation Fund</u>	<u>Museum Exhibit Development Fund</u>	<u>2013 Total</u>	<u>2012 Total</u>
Revenue						
Donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Program expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue	-	-	-	-	-	-
Fund balance, beginning of year	<u>7,954</u>	<u>4,293</u>	<u>16,695</u>	<u>6,128</u>	<u>35,070</u>	<u>35,070</u>
Fund balance, end of year	<u>\$ 7,954</u>	<u>\$ 4,293</u>	<u>\$ 16,695</u>	<u>\$ 6,128</u>	<u>\$ 35,070</u>	<u>\$ 35,070</u>

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of expenses over revenue		
Operating Fund	\$ (43,297)	\$ (5,692)
Board designated fund	<u>29,794</u>	<u>40,489</u>
	(13,503)	34,797
Increase (decrease) resulting from changes in:		
Accounts receivables	(28,075)	(8,415)
Prepaid expenses	2,353	(958)
Accounts payable and accrued liabilities	(1,566)	(4,627)
Deferred revenue	<u>(27,472)</u>	<u>(91,868)</u>
INCREASE IN CASH	(68,263)	(71,071)
CASH AT BEGINNING OF YEAR	<u>441,987</u>	<u>513,058</u>
CASH AT END OF YEAR	<u>\$ 373,724</u>	<u>\$ 441,987</u>

(See accompanying notes)

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

1. NATURE OF OPERATIONS

Heritage Toronto (the "Organization") is responsible for the general promotion and directives relating to heritage issues; to assist in the management of fundraising drives for the Toronto Museum Board, the Toronto Preservation Board and Museum Management Boards; to have a stewardship role over donated funds; and to carry out general duties as related to the City of Toronto's (the "City") history and development. Except for any funds received from private donors, the Organization is to pay any net revenue to the City. The Organization is a charitable organization and, as such, is permitted to issue receipts for income tax purposes in return for donations and is not subject to income taxes under the Income Tax Act (Canada).

In 2000, the Organization was reorganized by virtue of three City by-laws, two of which dealt with the establishment of two new boards, the Toronto Museum Board and the Toronto Preservation Board, in addition to the continuation of the Organization. As a result of this reorganization, the Organization's assets, liabilities and fund balances related to the two new boards of \$1,094,760 were assumed by the City.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Public Sector Accounting Standards for government not-for-profit organizations ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized.

At year end, certain plaques were work-in-progress and thus related revenue has been deferred until completed.

Capital assets

Capital assets are stated at acquisition cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets, commencing in the year of acquisition, as follows:

Office furniture	- 5 years
Computer equipment and software	- 3 years
Office equipment	- 3 to 5 years

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Contributed materials and services

Contributed materials and services are recognized in these financial statements when the amounts are reasonably determinable based on estimated fair market value.

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Employee related costs

The Organization has adopted the following policy with respect to employee benefit plans:

The City of Toronto offers a multiemployer defined benefit pension plan to the Organization's eligible employees. Due to the nature of the plan, the Organization does not have sufficient information to account for the plan as a defined benefit plan; therefore, the multiemployer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period which contributions are made.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profits 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 reporting period. Management makes accounting estimates when determining the useful life of its capital assets, significant accrued liabilities and the related costs and revenue charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

3. FINANCIAL INSTRUMENTS

Transactions in the financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Organization's financial instruments.

Credit Risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Organization's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. The Organization's cash is with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote.

Management believes the Organization's credit risk with respect to receivables is limited. The Organization manages its credit risk by reviewing accounts receivable aging and following up with outstanding amounts.

Liquidity Risk

Liquidity risk refers to the adverse consequence that the Organization will encounter difficulty in meeting obligations associated with the financial liabilities, which are comprised of accounts payable and accrued liabilities.

The Organization manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Organization believes its overall liquidity risk to be minimal as the Organization's financial assets are considered to be highly liquid.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

Currency risk

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Organization purchases plaques in US dollars and consequently the Organization's cash, accounts payable and expenses are exposed to foreign currency fluctuations. As at December 31, 2013 none of the Organization's cash, accounts receivable or accounts payable are exposed to fluctuations in the US dollar.

The majority of the Organization's operations are transacted in Canadian dollars and as such, are not exposed to significant currency fluctuations.

Changes in risk

There have been no changes in the Organization's risk exposures from the prior year.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

4. AGENCY TRUST FUNDS

The agency trust funds are funds held in trust for other community based organizations. Heritage Toronto receives donations to these funds and oversees the payment of expenses from the funds on behalf of these organizations. These are Board approved projects that are within the Organization's mandate.

5. FUND BALANCES

(a) Board Designated Funds

Board designated funds reflect the revenue and expenses of those Funds restricted by the Board for specific purposes. Transfers from the Board designated funds require Board approval. The statement of operations and changes in fund balance - board designated funds reflects the revenue, expenditures and surplus of the following Funds:

(i) Built Heritage Awareness Fund

The Built Heritage Awareness fund is used to support the understanding of the importance of heritage buildings and landscapes with a focus on improving representation of historic sites, buildings, monuments, objects and municipal documents within the City of Toronto.

(ii) Heritage Education Program Fund

Heritage Education aims to promote and provide education about the city's heritage through a number of different programs that provide an opportunity to learn about the heritage and architecture of the City. Programs include guided tours, participation in Doors Open Toronto, and the Building Storeys photography exhibition.

(iii) Community Heritage Research & Grant Fund

The Organization holds an annual Heritage Toronto Awards and William Kilbourn Memorial Lecture Night and presents Community Heritage Awards to recognize outstanding contributions to the promotion and conservation of the City's heritage. The event was held on October 15, 2013.

(iv) Heritage Innovation Fund

Heritage Innovation focuses on building heritage with new ideas and methods of delivering information. This fund supports the research and development of innovative approaches to culture and heritage.

(v) Plaque Program Fund

The Plaques and Markers Program commemorates key people, places and events of Toronto's past through official recognition plaques, markers, and commemorative and interpretive panels. The program was established to help foster a better understanding of Toronto's heritage.

(vi) Bequests Fund

The Organization received a bequest of \$115,000 in 2011. There is currently no Board decision on the policy for the disbursement of these funds or future bequests received.

(b) Externally Restricted Funds

The externally restricted funds were received from the City of Toronto when the Organization was established in 2000. These Funds reflect the revenue and expenses in those funds in partnership with the city museums. The use of these funds is restricted by the City of Toronto and may only be used for purposes specified and approved by the City.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2013

6. EMPLOYEE BENEFITS

The Organization participates in the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of its full time employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Total contributions by the Organization and the employees during the year was \$36,818 (2012 - \$29,337).

The most recent actuarial valuation of the OMERS plan as at December 31, 2013 indicates the Plan is not fully funded and the plan's December 31, 2013 financial statements indicate a deficit of \$8.6 billion (less an additional \$341 million of deferred gains that must be recognized over the next four years.) The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Organization's contributions accounted for 0.0021% of the Plan's total employer contributions. Additional contributions, if any, required to address the Organization's proportionate share of the deficit will be expensed during the period incurred.

7. PLAQUE PROGRAM FUND

The Plaque Program Fund includes the Plaque Maintenance Fund of \$75,441 (2012 - \$62,953). This consists of transfers of 10% of the gross plaque revenue.

8. COMMITMENTS

The Organization has entered into lease agreements for office equipment which expires in 2014. The minimum lease payments due to the end of the agreement are \$1,115.