

REPORT TO THE BOARD OF DIRECTORS

OF

HERITAGE TORONTO

For the year ended December 31, 2013

Prepared by
Bryan Haralovich, Partner
Welch LLP

AUDIT STATUS

Our audit of the financial statements of Heritage Toronto for the year ended December 31, 2013 is substantially complete and we expect to release our auditors' report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- Second partner review by Welch LLP
- Approval of draft financial statements by Board

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian generally accepted auditing standards.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2013 fiscal year.

MANAGEMENT LETTER OF REPRESENTATION

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The Management has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditors' report.

MISSTATEMENTS

The uncorrected misstatements identified during our audit are included in Appendix B.

Canadian generally accepted auditing standards require that we request that management and the Board correct all the misstatements that we present to them. Management has decided not to adjust the financial statements for these items due to the small dollar value. We agree with management's decision.

If you disagree with management, and would like management to make the proposed adjustment(s), we request that you inform management and us accordingly.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we did not identify any significant deficiencies in internal control to report to the Board of Directors.

However, we identified some areas where there was room for improvement in procedures and internal controls. We have not provided a comprehensive statement of all weaknesses which may exist in internal control or all improvements which can be made, but have addressed only those matters which have come to our attention as a result of audit procedures we have performed.

Issue - Timeliness of Tax Filing Submissions

The HST rebate claims for both 2012 and 2013 were submitted on March 14, 2014. We recommend submitting the HST rebate claims in a more timely fashion going forward.

INDEPENDENCE

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between Heritage Toronto and us that, in our professional judgment, may reasonably be thought to bear on our independence.

Prior to the commencement of our year-end audit fieldwork we provided an independence letter. In this communication we reported to you that there were no independence issues, as outlined in the Rules of Professional Conduct of the Institute of Chartered Accountants of the Province of Ontario that would prevent us from performing the audit.

Subsequent to the issuance of that letter, no other matters have been identified that would reasonably be thought to bear on our independence. As a result, we reconfirm that we remain independent.

FINANCIAL STATEMENT PRESENTATION

1. Significant Accounting Policies

The organization's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

2. Management's Judgments and Accounting Estimates

During the audit we did not encounter any situations that required significant judgements on the part of management or involved significant estimates.

DIFFICULTIES ENCOUNTERED DURING THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

MATTERS SPECIFICALLY REQUIRED BY OTHER CANADIAN AUDITING STANDARDS TO BE COMMUNICATED

Other sections of Canadian Auditing Standards require us to communicate with those charged with governance in a number of specific circumstances:

- Where we encounter unusual related party transactions or significant matters related to related party transactions;
- Where we encounter other transactions that were unusual or not in the normal course of business;
- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents containing the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

We did not encounter any such matters during the course of our audit.

ACKNOWLEDGEMENTS

During the course of our audit, we received considerable assistance from the organization's staff and management. We would like to take this opportunity to thank them for efforts and for their constructive approach to the audit.

HERITAGE TORONTO

157 King Street East
3rd Floor
Toronto, Ontario
M5C 1G9

Date to be determined

Welch LLP
36 Toronto Street
Suite 530
Toronto, ON
M5C 2C5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Heritage Toronto as of December 31, 2013 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Heritage Toronto in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for the design and implementation of internal controls to prevent and detect fraud and error.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 25, 2013, for the preparation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - (b) Additional information that you have requested from us for the purpose of the audit; and
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
2. All transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Accounts Receivable

1. Accounts receivable are correctly described in the records and represent valid claims as at the year-end against the persons or companies indicated. These accounts are expected to be collected within twelve months.
2. All goods shipped or services rendered prior to the year-end have been recorded as sales of that period except for goods shipped on consignment, on approval or subject to repurchase agreements.
3. Accounts receivable do not include any amount with respect to goods on consignment to others.
4. The accounts receivable are free from hypothecation or assignment except as disclosed in the notes to the financial statements.
5. Adequate allowance has been made for any losses from uncollectible accounts, costs or expenses that may be incurred with respect to sales made or services rendered prior to the year-end, including allowance for quantity discounts and expenses under service or repair contracts.
6. No abnormal returns have been received since the year-end or are expected to be received, in respect of merchandise shipped prior to the close of business on that date.
7. Notes and accounts receivable represent valid claims relating to transactions made before the end of the fiscal year and do not include any amount relating to goods shipped on consignment. Adequate provision has been made for losses which may be sustained in the collection of receivables.
8. Pledges receivable were evaluated on a basis consistent with that of the previous year to the best of our knowledge and experience and according to the amount of pledges likely to materialize.

Capital Assets

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the organization during the year.
2. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous period.
3. The organization has good title to the properties represented by the balance carried in the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the organization.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the organization are included and fairly stated on the balance sheet.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).
3. The organization has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, the organization had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the organization.
5. All claims outstanding against the organization or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.
6. We understand that any illegal or possibly illegal act could damage the organization or its reputation or give rise to a claim or claims against the organization. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

Statement of Operations

1. All of the revenues of the organization for the year has been recorded in the books of account and disclosed in the financial statements.
2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

Restrictions

1. All restrictions on the use of the organization's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the financial statements. The organization complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the financial statements.
2. All assets subject to a lien, pledged or assigned as security or guarantee for liabilities were brought to your attention and are appropriately disclosed in the financial statements.

Corporate Minutes

The minute books of the organization contain an accurate record of all of the business transacted at meetings of directors and committees of directors up to the date of this letter.

Controlled and Related Entities

The organization does not have relationships with any companies or other not-for-profit organizations that involve control, joint control, or significant influence nor does the organization have an economic interest in any other not-for-profit organization.

Related Party Transactions

1. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards for government not-for-profit organizations.
2. There have been no exchanges of goods or services with any related parties for which appropriate accounting recognition and financial statement disclosure has not been given.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
2. The organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Going Concern

We confirm that we have assessed the entity's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the entity is able to continue as a going concern for the foreseeable future.

General

1. We are unaware of any frauds or possible frauds having been committed by the organization, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
6. In the course of your audit of our financial statements for the year ended December 31, 2013, you have recommended certain journal entries and adjustments to our books and records. We hereby acknowledge that we understand, agree with and approve of the journal entries which have been considered necessary to present fairly the financial position and operating results of our organization.

Events Subsequent to the Year-end

All events subsequent to the date of these financial statements and for which Canadian public sector accounting standards for government not-for-profit organizations require adjustment or disclosures have been adjusted or disclosed.

Yours very truly,

HERITAGE TORONTO

Per _____

Heritage Toronto

Period ending: December 31, 2013

Summary of unadjusted errors

Rev. 2012-1

Preliminary overall materiality is \$14,000; Final overall materiality is \$14,000.

All misstatements over \$560 are to be recorded on this summary. Misstatements below this threshold are considered trivial.

The tax rate used in this schedule is nil%.

Description of Possible Misstatement	WP Ref.	INCOME STATEMENT Overstated or (Understated)			BALANCE SHEET Overstated or (Understated)			F/S Disclosures	Corrected?
		Identified Mis-statement	Likely Aggregate Mis-statement	Likely Aggregate Mis-statement After Tax	Assets	Liabilities	Closing Equity		
over-stated TD agency bank account					677	677			No
Under-accrued vacation pay	BB4	1,662	1,662	1,662		(1,662)	1,662		No
Deferred membership fees	PL3	6,732	6,732	6,732		(6,732)	6,732		No
Unrecorded salary accrual	PL4/3	2,978	2,978	2,978		(2,978)	2,978		No
Total			11,372	11,372	677	(10,695)	11,372		
Effect of Unadjusted Errors From Prior Years			(1,094)	(1,094)		1,094	(1,094)		
Aggregate Likely Misstatements			10,278	10,278	677	(9,601)	10,278		
Further Possible Misstatements									
Maximum Possible Misstatements			10,278	10,278	677	(9,601)	10,278		
Corrected Misstatements									
Uncorrected Misstatements			10,278	10,278	677	(9,601)	10,278		
Materiality			14,000	14,000	14,000	14,000	14,000	14,000	
Margin Remaining For Further Possible Misstatements			3,722	3,722	13,323	4,399	3,722	14,000	

Prepared by	Reviewed by	Reviewed by	Reviewed by
LDM 31/03/2014	VL 04/05/2014		GI 24/05/2014

Document is up to date

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