

April 23, 2019

Board of Directors
Heritage Toronto
157 King Street East
Toronto, Ontario
M5C 1G9

Dear Board of Directors:

As auditors of Heritage Toronto (“the Organization”) for its December 31, 2018 fiscal year-end, we are required to communicate matters concerning our audit to those charged with governance of the Organization. In the case of Heritage Toronto, this responsibility rests with the Organization’s Board of Directors.

We will issue a report to the Board of Directors at the completion of our audit which will explain the results of our audit.

Our Responsibilities

We will conduct 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, whether due to fraud or error. 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.

In making our risk assessments, we consider internal controls relevant to the Organization’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 Organization’s internal control. However, we will communicate to the Board of Directors in writing concerning any significant deficiencies in internal control that we have identified during the audit.

Management's Responsibilities

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted auditing standards. This responsibility includes:

- designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

In performing our audit, we will require the Organization's management to provide us with:

- unrestricted access to individuals within the Organization from whom we determine it necessary to obtain audit evidence;
- access to all the information relevant to the preparation of the Organization's financial statements; and
- any additional information that we may request from management for purposes of the audit.

Risk Based Approach

At Welch LLP, we use a risk based audit approach. We will focus our efforts on account balances and transaction flows that we feel are more likely to result in a material misstatement to the financial statements. Specific areas we intend to focus on are outlined below:

- Recognition of grant funding revenue and related deferred contributions
- Occurrence and accuracy of membership, sponsorship and donation revenues
- Occurrence and classification of revenue and expenses between program and admin

Materiality

We will establish materiality in accordance with Canadian Auditing Standard 320 - "Materiality in Planning and Performing an Audit" (CAS 320). Consistent with prior years, we will establish a preliminary materiality figure at 3% of expenses.

Timing of the Audit

Based on our discussions to date with management, we anticipate adhering to the following schedule for completion of the December 31, 2018 audit:

Stage of Audit/Deliverable	Date
Year-end fieldwork	March 7-12, 2019
Draft financial statements due	April 12, 2019
Committee and Board meetings to approve drafts	April 2019
Final financial statements due	April 2019

Audit Team

The key members of the audit team for the December 31, 2018 fiscal year-end audit are shown in the table below:

Name	Responsibility
Kathy Steffan, CPA, CA Client Relationship Partner Ksteffan@welchllp.com (647) 288-9200 ext. 401	Main point of contact for the Organization and communicates with management and those charged with governance.
Derrick Crowe, CPA, CA Engagement Partner Dcrowe@welchllp.com (647) 288-9200 ext. 423	Responsible for the overall delivery of the audit, including the quality of outputs and signing the auditor's report.
Samantha Slater, CPA, CA Audit Manager Sslater@welchllp.com (647) 288-9200 ext. 417	Responsible for coordinating and delivering the different elements of the audit work. Main point of contact for the Organization's finance team.
Ross Halbert, CPA Senior Accountant rhalbert@welchllp.com (647) 288-9200 ext. 414	Responsible for the fieldwork and general completion of the audit.

We welcome all feedback on the work of the team on an ongoing basis and ask that you identify to us any areas in which you would like to see the quality of our service improved.

Fraud Related Matters

Under Canadian Auditing Standards, we are required to communicate directly with the Board of Directors regarding fraud related matters.

To complete this component of our mandate, we need to obtain certain representations from management with respect to error and fraud and establish that you have been alerted accordingly.

Management's Representation

1. Management reports all incidents of fraud, unless the matter is trivial in nature, to the Board of Directors along with their recommendation for dealing with the matter. The Board of Directors will then review the matter and advise management on how to proceed.
2. We have been advised by management that they are not aware of any instances of fraud affecting the Organization at the present time and, as a result, have not had to report such matters to the Board of Directors.

Changes to Accounting and Audit Standards

There have been no changes to the Canadian generally accepted auditing standards that will impact the Organization's financial statements for the December 31, 2018 fiscal year-end.

In accordance with changes to Canadian Auditing Standard 700 "Forming an Opinion and Reporting on Financial Statements" (CAS 700), a new audit reporting standard will take effect this year. The changes will impact the content and structure of the information contained in the auditor's report, providing more information about the roles and responsibilities of both the auditor, management and those charged with governance.

A copy of the audit report we expect to issue is attached to this communication as Appendix A.

Reporting Audit Matters to Those Charged with Governance

As explained earlier, we are required to report audit matters to those charged with governance in accordance with Canadian Auditing Standard 260 "Communication with Those Charged with Governance" (CAS 260). We will provide information on audit matters to the Organization's Board of Directors upon substantial completion of our audit. The audit matters communicated, if any are identified, will include:

- details of any unadjusted misstatements in the Organization's accounts, along with reasons why the adjustments have not been made;
- details of any significant deficiencies in the accounting and internal control system; and
- details with respect to any significant difficulties encountered during the audit.

Fees

Our fee will be \$6,210 (plus applicable taxes) for the audit of the Organization's financial statements for the December 31, 2018 fiscal year-end. Additionally, there will be a \$2,000 (plus applicable taxes) supplemental fee charged to cover non-audit accounting assistance provided. A one-time fee of an estimated \$800 (plus applicable taxes) will be charged for the additional time required to remap the new chart of accounts. Fees for any additional services will be agreed upon at that time.

Should you wish to discuss the contents of this letter please feel free to contact us.

Yours truly,

Welch LLP



Christa Casey, CPA, CA
Partner

HERITAGE TORONTO

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

June 12, 2019

Welch LLP
36 Toronto Street
Suite 1070
Toronto, ON
M5C 2C5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Heritage Toronto (the "Organization") as of December 31, 2018 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 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 June 1, 2018, 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 Organization 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 Organization 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 Organization'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 Organization'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 services rendered prior to the year-end have been recorded as sales of that period.
3. Accounts receivable do not include any amount with respect to goods on consignment to others.
4. 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.

Temporary and Portfolio Investments

1. All investments that are owned by the Organization are recorded in the accounts.
2. The Organization has good title to all investments recorded in the accounts and these investments are free from hypothecation.
3. All income earned on the investments for the year has been recorded in the accounts.
4. Where there has been a significant adverse change in the expected timing or amount of future cash flows from an investment, it has been appropriately written down.

Capital Assets

1. No expenditures of a capital nature were charged to the operations of the Organization during the year.

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

1. 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

1. 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.
2. All enterprises and not for profit organizations where the organization has joint control,exerts significant influence or has an economic interets have been appropriately reflected in the financial statements.

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.
4. The Organization did not undertake any material non-monetary transactions or transactions for no consideration during the financial reporting period under consideration.

Going Concern

1. We confirm that we have assessed the Organization'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 Organization is able to continue as a going concern for the foreseeable future.

General

1. Other information consists of financial or non-financial information (other than financial statements and the auditor's report thereon) included in an Organization's annual report. An annual report is a document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners or stakeholders with information on the Organization's operations and the Organization's financial results and financial position as set out in the financial statements.
2. We have informed you of all the documents that we expect to issue that may comprise "other information".

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 Organization'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. A list of the uncorrected misstatements is attached to the representation letter.
6. In the course of your audit of our financial statements for the year ended December 31, 2018, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our Organization.

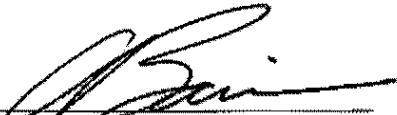
Events Subsequent to the Year-end

1. 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 disclosure have been adjusted or disclosed.

Yours very truly,

HERITAGE TORONTO

Per



Allison Bain, Executive Director

DRAFT
For Discussion Purposes Only

FINANCIAL STATEMENTS

For

HERITAGE TORONTO

For the year ended

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

HERITAGE TORONTO

Qualified Opinion

We have audited the accompanying financial statements of Heritage Toronto (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in fund balances - unrestricted fund, statement of operations and changes in fund balances - internally restricted funds, statement of operations and changes in fund balances - externally restricted funds, and statement of 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 matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018 and 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising, 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 fundraising revenue, net revenue over expenses and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and unrestricted net assets as at January 1 and December 31, 2017 and 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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.
- 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.

Welch LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
Date to be determined

HERITAGE TORONTO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 611,155	\$ 481,921
Investments (note 3)	124,829	121,763
Accounts receivable	79,455	76,223
Prepaid expenses	<u>11,401</u>	<u>4,144</u>
	826,840	684,051
AGENCY TRUST FUNDS (note 4)	<u>50,583</u>	<u>48,275</u>
	<u>\$ 877,423</u>	<u>\$ 732,326</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 51,301	\$ 67,288
Deferred revenue	133,389	169,851
Deferred contributions (note 5)	<u>89,010</u>	<u>30,367</u>
	273,700	267,506
AGENCY TRUST FUNDS (note 4)	<u>50,583</u>	<u>48,275</u>
	<u>324,283</u>	<u>315,781</u>
FUND BALANCES (note 6)		
Unrestricted fund	-	52,380
Internally restricted funds - Board designated	517,044	328,069
Externally restricted funds	<u>36,096</u>	<u>36,096</u>
	<u>553,140</u>	<u>416,545</u>
	<u>\$ 877,423</u>	<u>\$ 732,326</u>

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - UNRESTRICTED FUND
YEAR ENDED DECEMBER 31, 2018

	<u>Administration</u>	<u>Programs</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenue				
Grants				
City of Toronto (note 5)	\$ 422,945	\$ 101,499	\$ 524,444	\$ 298,410
Other (note 5)	-	73,924	73,924	-
Plaque revenue	-	163,815	163,815	158,966
Sponsorships	-	194,311	194,311	245,362
Donations	-	65,943	65,943	78,960
Event revenue	-	57,034	57,034	43,587
Memberships	-	23,540	23,540	18,840
Other income	-	11,858	11,858	10,198
	<u>422,945</u>	<u>691,924</u>	<u>1,114,869</u>	<u>854,323</u>
Expenses				
Salaries and benefits (note 7)	120,246	453,878	574,124	542,319
Program expenses	-	216,165	216,165	178,938
Administration	128,758	-	128,758	67,642
Communication	-	86,813	86,813	13,757
	<u>249,004</u>	<u>756,856</u>	<u>1,005,860</u>	<u>802,656</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ 173,941</u>	<u>\$ (64,932)</u>	109,009	51,667
Fund balance, beginning of year			52,380	(7,369)
Transfer (to) from internally restricted funds			<u>(161,389)</u>	<u>8,082</u>
Fund balance, end of year			<u>\$ -</u>	<u>\$ 52,380</u>

(See accompanying notes)

HERITAGE TORONTO

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES - INTERNALLY RESTRICTED FUNDS

YEAR ENDED DECEMBER 31, 2018

	Board Designated						2018 Total	2017 Total
	Built Heritage Awareness Fund	Heritage Education Program Fund	Community Heritage Research & Grant Fund	Heritage Innovation Fund	Plaque Program Fund	Bequests Fund		
Revenue								
Donations	\$ -	\$ -	\$ -	\$ -	\$ 27,586	\$ -	\$ 27,586	\$ 23,481
Expenses								
Program expenses	-	-	-	-	-	-	-	19,242
Excess of revenue over expenses	-	-	-	-	27,586	-	27,586	4,239
Fund balances, beginning of year	21,726	56,490	11,814	9,580	110,292	118,167	328,069	331,912
Transfers (to) from unrestricted fund	-	-	-	161,389	-	-	161,389	(8,082)
Fund balances, end of year	<u>\$ 21,726</u>	<u>\$ 56,490</u>	<u>\$ 11,814</u>	<u>\$ 170,969</u>	<u>\$ 137,878</u>	<u>\$ 118,167</u>	<u>\$ 517,044</u>	<u>\$ 328,069</u>

(See accompanying notes)

HERITAGE TORONTO

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES - EXTERNALLY RESTRICTED FUNDS

YEAR ENDED DECEMBER 31, 2018

	Other Designated Funds	City Museum Activities Fund	Museum Site Preservation Fund	Museum Exhibit Development Fund	2018 Total	2017 Total
Revenue						
Donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,026
Expenses						
Program expenses	-	-	-	-	-	-
Excess of revenue over expenses	-	-	-	-	-	1,026
Fund balances, beginning of year	7,954	4,293	17,721	6,128	36,096	35,070
Fund balances, end of year	\$ 7,954	\$ 4,293	\$ 17,721	\$ 6,128	\$ 36,096	\$ 36,096

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses		
Unrestricted fund	\$ 109,009	\$ 51,667
Internally restricted funds - Board designated	27,586	4,239
Externally restricted funds	-	1,026
	<u>136,595</u>	<u>56,932</u>
Changes in non-cash working capital components:		
Accounts receivables	(3,232)	(50,470)
Prepaid expenses	(7,257)	(533)
Accounts payable and accrued liabilities	(15,987)	36,739
Deferred revenue	(36,462)	9,002
Deferred contributions	58,643	30,367
	<u>132,300</u>	<u>82,037</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(124,829)	(121,763)
Proceeds from sale of investments	121,763	102,080
	<u>(3,066)</u>	<u>(19,683)</u>
INCREASE IN CASH	129,234	62,354
CASH, BEGINNING OF YEAR	<u>481,921</u>	<u>419,567</u>
CASH, END OF YEAR	<u>\$ 611,155</u>	<u>\$ 481,921</u>

(See accompanying notes)

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. NATURE OF OPERATIONS

Heritage Toronto (the "Organization") has a mission to celebrate, interpret and advocate for Toronto's cultural, architectural, archeological and natural heritage. As the recognized voice for heritage in Toronto, the Organization is responsible for the general promotion and directives relating to heritage issues, delivered through its three major programs: neighbourhood walking tours, historical plaques and markers, and the Toronto Heritage Awards.

In addition, the Organization has a stewardship role over donated funds; carries out general duties as related to the City of Toronto's (the "City") history and development; and assists in the management of fundraising drives for the Toronto Museum Board, the Toronto Preservation Board and Museum Management Boards. Except for any funds received from private donors, the Organization may be required to pay any net revenue to the City. Similarly, if the Organization incurs a deficit, the deficit is recoverable from 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).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian 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 restricted fund 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 not expended are included as revenue under the specified fund for the year. Restricted contributions not expended for which there is not a specified fund 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.

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, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

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.

Employee related costs

The City of Toronto offers a multi-employer 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 Multi-employer 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.

3. INVESTMENTS

Investments consist of guaranteed investment certificates that mature between January 29, 2019 and September 7, 2019 with fixed interest rates between 0.40% and 2.05% (2017 - 0.40% and 1.32%).

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. DEFERRED CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 30,367	\$ -
Add: contributions received	657,011	328,777
Less: recognized as revenue	<u>(598,368)</u>	<u>(298,410)</u>
Balance, end of year	<u>\$ 89,010</u>	<u>\$ 30,367</u>

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

6. FUND BALANCES

(a) Internally Restricted Funds - Board Designated

Internally restricted 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 - internally restricted 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

The Heritage Education Program Fund aims to promote and provide education about the City of Toronto'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.

(iii) Community Heritage Research & Grant Fund

The Community Heritage Research & Grant Fund is used to hold the annual Heritage Toronto Awards and present Community Heritage Awards to recognize outstanding contributions to the promotion and conservation of the City of Toronto's heritage. The current year's event was held on October 29, 2018.

(iv) Heritage Innovation Fund

The Heritage Innovation Fund supports the research and development of innovative approaches to culture and heritage by focusing on new ideas and methods of delivering information. The Board of Directors approved an interfund transfer to this fund of \$161,389 from the unrestricted fund.

(v) Plaque Program Fund

The Plaque Program Fund 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 City of Toronto's heritage. The Plaque Program Fund includes the Plaque Maintenance Fund of \$131,557 (2017 - \$103,971) which consists of transfers of 10% of the gross plaque revenue.

(vi) Bequests Fund

The Organization received a bequest of \$115,000 in 2011 and subsequent donations of \$3,167 in 2016. There is currently no Board decision on the policy for the disbursement of these funds or future bequests received.

(b) Externally Restricted Funds

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, 2018

7. EMPLOYEE BENEFITS

The Organization participates in the Ontario Municipal Employees Retirement System (OMERS) (the "Plan"), 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. Employer contributions to this pension plan included in salaries and benefits amounted to \$35,541 (2017 - \$36,903).

The most recent actuarial valuation of the Plan as at December 31, 2018 indicates the Plan is in a surplus position and the Plan's December 31, 2018 financial statements indicate a net deficit of \$2.790 billion (a deficit of \$4.191 billion netted against unrecognized investment returns of \$1.401 billion that will 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's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Organization's contributions accounted for 0.0018% 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.

8. FINANCIAL INSTRUMENTS

The Organization is exposed to and manages various financial risks resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The Organization's main financial risk exposures and its financial risk management policies are as follows:

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, investments, accounts receivable, and agency trust funds. The Organization's cash, investments and agency trust funds are with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote. Management believes that the Organization's credit risk with respect to accounts receivable 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, and agency trust funds. 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.

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 is comprised of currency risk, interest rate risk, and other price risk.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

8. FINANCIAL INSTRUMENTS - Cont'd.

Market risk - Cont'd.

i) Currency risk

Currency risk refers to 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's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. On occasion, the Organization purchases plaques in foreign currencies. As a result, the Organization is exposed to foreign currency risk on these transactions.

ii) Interest rate risk

Interest rate risk refers to 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 and investments earn interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible. As a result, management does not believe the Organization is exposed to significant interest rate risk.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Organization is not exposed to significant other price risk.

Changes in risk

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

9. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.