

FINANCIAL STATEMENTS
For
HERITAGE TORONTO
For the year ended
DECEMBER 31, 2020

Management's Responsibility for the Financial Statements

The financial statements of the Heritage Toronto (the "Organization") are the responsibility of management and have been approved by the Board of Directors.


The financial statements have been prepared in compliance with the Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

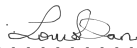
The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Organization's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Organization's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the City of Toronto's City Council, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Organization's financial statements.

.....  Chairperson

.....  Treasurer

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, 2020, 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 - unrestricted fund, statement of operations and fund balances - internally restricted funds, statement of operations and 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, 2020 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 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 revenue, excess of revenue over expenses (expenses over revenue) and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and fund balances as at January 1 and December 31, 2019 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2019 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.

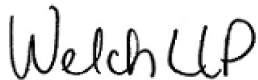
Auditor's Responsibilities for the Audit of the Financial Statements

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.




Chartered Professional Accountants
Licensed Public Accountants

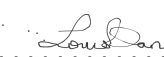
Toronto, Ontario
March 19, 2021.

HERITAGE TORONTO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 639,548 | \$ 531,441 |
| Investments (note 3) | 2,158 | 127,397 |
| Accounts receivable | 59,719 | 105,614 |
| Prepaid expenses | <u>6,456</u> | <u>13,078</u> |
| | 707,881 | 777,530 |
| AGENCY TRUST FUNDS (note 4) | 34,075 | 34,075 |
| TANGIBLE CAPITAL ASSETS (note 5) | 6,066 | - |
| INVESTMENTS (note 3) | <u>127,625</u> | <u>-</u> |
| | <u>\$ 875,647</u> | <u>\$ 811,605</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 61,955 | \$ 91,772 |
| Deferred revenue | 152,970 | 134,447 |
| Deferred contributions (note 6) | <u>78,970</u> | <u>29,869</u> |
| | 293,895 | 256,088 |
| AGENCY TRUST FUNDS (note 4) | <u>34,075</u> | <u>34,075</u> |
| | <u>327,970</u> | <u>290,163</u> |
| FUND BALANCES (note 7) | | |
| Unrestricted fund | 36,096 | - |
| Internally restricted funds - Board designated | 511,581 | 485,346 |
| Externally restricted funds | <u>-</u> | <u>36,096</u> |
| | <u>547,677</u> | <u>521,442</u> |
| | <u>\$ 875,647</u> | <u>\$ 811,605</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, 2020

| | <u>Administration</u> | <u>Programs</u> | <u>Total 2020</u> | <u>Total 2019</u> |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| Revenue | | | | |
| Grants | | | | |
| City of Toronto (note 6) | \$ 431,082 | \$ - | \$ 431,082 | \$ 477,590 |
| Other (note 6) | - | 87,506 | 87,506 | 131,455 |
| Plaque revenue | - | 225,474 | 225,474 | 164,653 |
| Sponsorships | - | 63,000 | 63,000 | 185,500 |
| Donations | - | 47,497 | 47,497 | 81,019 |
| Event revenue | - | 500 | 500 | 47,869 |
| Memberships | - | - | - | 19,990 |
| Other income | - | 42,018 | 42,018 | 47,495 |
| | <u>431,082</u> | <u>465,995</u> | <u>897,077</u> | <u>1,155,571</u> |
| Expenses | | | | |
| Salaries and benefits (note 8) | 61,625 | 534,742 | 596,367 | 748,905 |
| Program expenses (note 5) | - | 182,721 | 182,721 | 252,895 |
| Administration | 73,373 | - | 73,373 | 78,222 |
| Communication | - | 29,054 | 29,054 | 107,909 |
| | <u>134,998</u> | <u>746,517</u> | <u>881,515</u> | <u>1,187,931</u> |
| Excess of revenue over expenses (expenses over revenue) | <u>\$ 296,084</u> | <u>\$ (280,522)</u> | 15,562 | (32,360) |
| Fund balance, beginning of year | | | - | - |
| Transfer from internally restricted funds (note 7) | | | <u>20,534</u> | <u>32,360</u> |
| Fund balance, end of year | | | <u>\$ 36,096</u> | <u>\$ -</u> |

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES - INTERNALLY RESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2020

| | Board Designated | | | | | | | |
|---|--|--|---|--------------------------------|---------------------------|------------------|---------------|---------------|
| | Built Heritage Awareness Fund | Heritage Education Program Fund | Community Heritage Research & Grant Fund | Heritage Innovation Fund | Plaque Program Fund | Bequests Fund | 2020 Total | 2019 Total |
| Revenue | | | | | | | | |
| Donations | \$ - | \$ 500 | \$ - | \$ - | \$ 11,600 | \$ - | \$ 12,100 | \$ 2,662 |
| Expenses | | | | | | | | |
| Program expenses | - | - | - | - | 1,427 | - | 1,427 | 2,000 |
| Excess of revenue over expenses | - | 500 | - | - | 10,173 | - | 10,673 | 662 |
| Fund balances, beginning of year | 21,726 | 56,490 | 11,814 | 136,609 | 140,540 | 118,167 | 485,346 | 517,044 |
| Transfers from unrestricted fund (note 7) | - | - | - | 15,562 | - | - | 15,562 | (32,360) |
| Fund balances, end of year | \$ 21,726 | \$ 56,990 | \$ 11,814 | \$ 152,171 | \$ 150,713 | \$ 118,167 | \$ 511,581 | \$ 485,346 |

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES - EXTERNALLY RESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2020

| | Other Designated Funds | City Museum Activities Fund | Museum Site Preservation Fund | Museum Exhibit Development Fund | 2020 Total | 2019 Total |
|---|------------------------------|-----------------------------------|-------------------------------------|--|-----------------|------------------|
| Revenue | | | | | | |
| Donations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | | |
| Program expenses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenue over expenses | - | - | - | - | - | - |
| Fund balances, beginning of year | 7,954 | 4,293 | 17,721 | 6,128 | 36,096 | 36,096 |
| Transfers to unrestricted fund (note 7) | <u>(7,954)</u> | <u>(4,293)</u> | <u>(17,721)</u> | <u>(6,128)</u> | <u>(36,096)</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 36,096</u> |

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses (expenses over revenue) | | |
| Unrestricted fund | \$ 15,562 | \$ (32,360) |
| Internally restricted funds - Board designated | <u>10,673</u> | <u>662</u> |
| | 26,235 | (31,698) |
| Adjustments for: | | |
| Amortization of tangible capital assets | 675 | - |
| Changes in non-cash working capital components: | | |
| Accounts receivables | 45,895 | (26,159) |
| Prepaid expenses | 6,622 | (1,677) |
| Accounts payable and accrued liabilities | (29,817) | 40,471 |
| Deferred revenue | 18,523 | 1,058 |
| Deferred contributions | <u>49,101</u> | <u>(59,141)</u> |
| | <u>117,234</u> | <u>(77,146)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (129,783) | (126,551) |
| Proceeds from sale of investments | <u>127,397</u> | <u>123,983</u> |
| | <u>(2,386)</u> | <u>(2,568)</u> |
| CAPITAL ACTIVITIES | | |
| Purchase of tangible capital assets | <u>(6,741)</u> | <u>-</u> |
| INCREASE (DECREASE) IN CASH | 108,107 | (79,714) |
| CASH, BEGINNING OF YEAR | <u>531,441</u> | <u>611,155</u> |
| CASH, END OF YEAR | <u>\$ 639,548</u> | <u>\$ 531,441</u> |

(See accompanying notes)

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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 ("PSAS-GFNPO"), including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

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.

Plaque revenue is recognized in the year in which the work occurs. At year-end, certain plaques are a work-in-progress and thus related revenue is deferred until completed.

Sponsorships and event revenue are recognized on the date of the performance or event if the amounts to be received can be reasonably estimated, and ultimate collection is reasonably assured.

Membership revenue is recognized over the term of the membership.

Other revenue is recognized as revenue when received.

Tangible capital assets

Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the useful lives of the assets, which are estimated as follows:

| | |
|--------------------|-----------------------|
| Computer equipment | 5 years straight line |
|--------------------|-----------------------|

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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.

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 significant accrued liabilities, the useful life of tangible capital assets, 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

The Organization's investment portfolio consists of the following:

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|-------------------|------------------|
| Guaranteed investment certificates | \$ 129,783 | \$ 127,397 |
| Less: short-term investments | <u>(2,158)</u> | <u>(127,397)</u> |
| Long-term investments | <u>\$ 127,625</u> | <u>\$ -</u> |

The guaranteed investment certificates mature between January 28, 2021 and January 8, 2022 and are earning fixed interest rates between 0.60% and 1.50% (2019 - 0.40% and 1.32%).

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2020

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. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

| | <u>2020</u> | | <u>2019</u> | |
|--------------------------------|-----------------|-------------------------------------|-------------|-------------------------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Cost</u> | <u>Accumulated amortization</u> |
| Computer equipment | \$ 6,741 | \$ 675 | \$ - | \$ - |
| Less: accumulated amortization | <u>(675)</u> | | <u>-</u> | |
| | <u>\$ 6,066</u> | | <u>\$ -</u> | |

Included in program expenses is amortization expense of \$675 (2019 - \$nil).

6. DEFERRED CONTRIBUTIONS

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 29,869 | \$ 89,010 |
| Add: contributions received | 567,689 | 549,904 |
| Less: recognized as revenue | | |
| Grants - City of Toronto | (431,082) | (477,590) |
| Grants - Other | <u>(87,506)</u> | <u>(131,455)</u> |
| Balance, end of year | <u>\$ 78,970</u> | <u>\$ 29,869</u> |

7. 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.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2020

7. FUND BALANCES - Cont'd.

(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. Due to the restrictions imposed as a result of COVID-19, the no awards event was held in 2020.

(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 from the unrestricted fund to this fund of \$15,562 (2019 - from this fund to the unrestricted fund of \$32,360).

(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 \$144,392 (2019 - \$134,219) which consists of transfers of 5% 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. The City of Toronto approved the use of these funds for operations due to COVID-19. As a result, interfund transfers for the balances totaling \$36,096 were transferred to the unrestricted fund.

8. EMPLOYEE BENEFITS

The Organization makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its eligible employees. The OMERS plan (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 amounted to \$35,351 in 2020 (2019 - \$46,430).

The most recent actuarial valuation of the Plan as at December 31, 2020 indicates that the Plan is in a deficit position and the Plan's December 31, 2020 financial statements indicate a net deficit of \$7.655 billion (a deficit of \$3.211 billion plus adjustment of \$4.444 billion of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a five-year period). 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 an insignificant portion 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.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2020

9. UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF COVID-19

In mid-March 2020, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of COVID-19.

On March 20, 2020, the Organization's building was closed in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. The Organization does not currently have a scheduled reopening date. This will continue to have an impact on the core operational and financial activities of the Organization, including the plaques program, the walking tours, and the awards program.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Organization's operations will be impacted or the severity of the impact. Consequently, the effects of any subsequent outbreaks or the abrupt declines in economic activity will have on the Organization's operations, assets, liabilities, revenues and expenses are not yet known.

10. 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.

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.

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2020

10. FINANCIAL INSTRUMENTS - Cont'd.

Market risk - Cont'd.

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.